Alinta
Alinta Limited
ABN 40 087 857 001

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27 February 2004

To: Company Announcements Office
ASX

By: Electronic Lodgement

FULL YEAR RESULTS FOR PERIOD ENDED 31 DECEMBER 2003

Attached are the following:

1. News Release regarding the full year results for the period ended 31 December 2003;
2. ASX Appendix 4E – Annual Report;
3. Concise Financial Statements for year ended 31 December 2003; and
4. Financial Statements for year ended 31 December 2003.

As noted in the News Release, the Annual General Meeting for Alinta Limited is to be held at 2.00 p.m. on Thursday, 20 May 2004 at the Riverside Ballroom, Novotel Langley Hotel, 221 Adelaide Terrace, Perth. In accordance with Regulation 38.3 of the Company's Constitution, it is advised that:

(a) certain Directors will retire under the provisions of the Constitution and will seek re-election; and
(b) nominations for elections to the office of Director are to be received no later than 5 Business Days (as defined in the Constitution) after today's date (for any extended time as the Directors shall determine).

A formal Notice of Annual General Meeting will be despatched to shareholders in due course.

Murray King
Company Secretary

Enclosures

News Release

27 February 2004

Alinta delivers strong growth in net profit for 2003 year

The Chairman of Alinta Limited, Tony Howarth today announced a full year net profit after tax but before significant items of $78 million for the year ended 31 December 2003, a 34 per cent increase over the profit achieved for the previous year. After significant items of $9.6 million relating primarily to profit after tax on the acquisition of United Energy's non-distribution assets, the reported net profit was $87.6 million.

Earnings per share (before significant item) of 52.2 cents was 43.3 per cent higher than that achieved in 2002.

On 7 November 2003, Alinta provided guidance to the market that it expected a net profit before significant items of $67 million for 2003. The higher than projected result was the consequence of:

- a thorough review of the effects of the Aquila Asset Transaction on Alinta's financial statements, the result of which has delivered profit related to the transaction at the consolidated level higher than previously envisaged. The net impact was approximately $6.7million. This was a one-off adjustment and will not impact future years.

- the $67m guidance figure was after deducting $3.3 million being the dividend on the Reset Preference Shares attributable to the period of 24 July to 31 December 2003. As the dividend payment period ends on 31 March 2004, this amount was not recorded in the reported results. Making a similar adjustment for the 2003 results, Alinta's comparable net profit before significant items would be $74.7 million, or 50 cents per share.

Mr Howarth said, "The completion of the Aquila Asset Transaction had a profoundly positive effect on Alinta as an organisation and on its profitability. This, when combined with the cogeneration project in Western Australia's Pinjarra region and other growth initiatives being pursued, sets the stage for strong and stable earnings into the future for our shareholders."

Final Dividends

The Directors have declared a final fully franked dividend of 21 cents per ordinary share, with a record date of 22 March 2004 for determining entitlement to the dividend. The dividend will be payable to shareholders on 31 March 2004. This lifts the full year dividend to 33 cents per ordinary share.

In July 2003, Alinta successfully raised $130 million via the issue of 1.3 million reset preference shares at $100 each. The Directors have declared an inaugural fully franked dividend of $3.98 per reset preference share for the period 23 July 2003 to 31 March 2004. The record date for determining entitlement to the dividend is 22 March 2004 and the dividend will be payable on 31 March 2004.

Divisional Performance

2003 was a year of significant organisational restructuring for Alinta, with the completion of the Aquila Asset Transaction in July 2003. Alinta's earnings can be categorised into four broad categories being Energy Sales, Energy Networks, Energy Supply and Other Activities.

Energy Networks

Energy Networks includes Energy Distribution and Asset Management Services. Energy Distribution includes the 74.1 per cent consolidated interest in AlintaGas Networks, the 34 per cent interest in United Energy Distribution and the 20.1 per cent shareholding in Multinet Gas. Asset Management Services includes Alinta Network Services (ANS) and National Power Services (NPS).

- AlintaGas Networks

Alinta retains a 74.1 per cent shareholding in AlintaGas Networks following the sell-down of a 25.9 per cent shareholding to DUET that is managed by AMP Capital Investors in July 2003.

AlintaGas Networks reported a 13.2 per cent increase in Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) to $83.0 million.

The result was achieved on a 3.8 per cent increase in gas haulage throughput to 29.8PJ and a 6.5 per cent increase in revenue to $116.1 million. The performance of the network was aided by a cooler than normal winter, which drove strong residential demand for gas, whilst management's continued focus on costs was also an important contributing factor.

Capital expenditure on the network was $27.1 million, which largely related to the increase in new connections.

- Investments

Alinta holds a 34 per cent equity shareholding in United Energy Distribution, which owns an electricity distribution network in Melbourne's heavily populated south-east, and a 20.1 per cent equity shareholding in Multinet Gas which owns a gas distribution network that services Melbourne's east. These investments delivered equity accounted profits of $6.7 million and preference share dividend of $7.1 million for the period 24 July 2003 to 31 December 2003.

- Asset Management Services

Alinta holds long term service contracts with United Energy Distribution, Multinet Gas and AlintaGas Networks via its wholly owned subsidiary Alinta Network Services (ANS). Alinta also wholly owns National Power Services (NPS), which provides a range of maintenance and construction services to ANS and a number of external parties.

Asset Management Services reported EBITDA of $11.9 million. The primary driver of this result was the Aquila Asset Transaction that resulted in the creation of ANS and the move to 100 per cent ownership of NPS.

Since completion of the Aquila Asset Transaction, ANS management have been restructuring the business and reducing duplicate costs. This has had a positive impact and ANS remains on target to achieve budgeted earnings levels in 2004.

Energy Sales

The Energy Sales division incorporates the selling of gas and electricity (from mid 2005) to customers in Western Australia (Energy Retail) and the Wesfarmers LPG contract.

The division reported a very strong performance in 2003, with EBITDA increasing by 35.7 per cent to $75.2 million. This was achieved on a 1.9 per cent increase in gas sales volumes to 64.2PJ and a 4.0 per cent lift in total revenue to $407.2 million.

The Retail gas business lifted its EBITDA contribution by 56.8 per cent to $47.2 million. A cooler than normal winter, a strong housing market and a continued focus on costs were the main drivers of the result. Customer numbers grew by 3.7 per cent to 484,368.

The Wesfarmers LPG contract lifted its contribution by 4.4 per cent to $28.2 million with production of LPG steady at about 313,000 tonnes and $A LPG prices slightly higher.

The division also benefited from the renegotiation of gas supply contracts, which resulted in a $3.6 million before tax benefit relating to prior years being booked in 2003.

The division successfully contracted sufficient electricity production to underpin the first cogeneration electricity project to be located at the Alcoa alumina refinery at Pinjarra.

Energy Supply

The Energy Supply division negotiates gas supply and transmission contracts and is responsible for the development of the electricity co-generation project.

- Co-generation

Alinta announced on 10 September 2003 that the Board of Directors had given unconditional approval to proceed with the first co-generation unit to be installed at Alcoa's alumina refinery. The first unit has a capital cost of approximately $160 million and will produce 140MW of electricity. Alinta has secured sufficient customer load to underpin the unit, with over 110MW of electricity pre-sold.

Site works commenced in the last quarter of calendar 2003 with commissioning scheduled for June 2005. Alinta is now in discussions with customers regarding the timing of a second co-generation unit.

- Gas Supply

Energy Supply is in discussions with gas producers regarding LPG content of gas delivered into the Dampier to Bunbury Natural Gas Pipeline (DBNGP), Wesfarmers regarding commercial arrangements, and Epic Energy regarding transportation.

As detailed to the market in the 7 November 2003 "Open Briefing", Alinta expects that earnings from its LPG activities will reduce by mid 2005, but the extent of the decline is difficult to predict until negotiations are completed. Based on current information, Alinta believes that the earnings from LPG after mid 2005 may fall to one third or less of its current level. Alinta will continue to keep the market informed on any material developments related to this issue.

Other Activities

- Uecomm

Alinta holds a 66.3 per cent interest in the listed telecommunications carrier Uecomm resulting from Alinta's acquisition in July 2003 of the non-distribution assets held by United Energy Ltd. Uecomm is consolidated in the Alinta financial accounts. Uecomm reported sales revenue of $57.5 million and EBITDA of $20.2 million for its full year. The contribution to Alinta's net profit was $164,340 after outside equity interests for the period 24 July to 31 December 2003.

The investment in Uecomm does not fit with Alinta's long-term strategic vision, and it is unlikely that Alinta will remain a major shareholder in the long term. However, Alinta has been encouraged by the improving financial performance of Uecomm and will seek to time any sale with the objective of maximising the return on this investment for its shareholders.

Outlook

Alinta provided earnings guidance to the market in November 2003 of 48.8 cents EPS for the 2004 year. This was based on the assumption that AMP Capital Investors would exercise its option to increase its holdings in AlintaGas Networks and United Energy Distribution and also assumed no contribution from Uecomm in 2004.

AMP is not expected to exercise its option by the expiry date of Sunday 29th February 2004. Alinta is considering its optimal long-term shareholding position in relation to these assets. It is also likely that Uecomm will make an earnings contribution for at least part of the year. These factors indicate that the 2004 guidance is likely to prove conservative, but the degree of change is difficult to forecast at this stage. Alinta intends to provide further earnings guidance at its Annual General Meeting.

Alinta Annual General Meeting

Alinta's Annual General Meeting will be held at the Novotel Langley Hotel, 221 Adelaide Terrace, Perth at 2.00pm on 20 May 2004.

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For more information please contact:

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Details of Results Webcast

A live webcast by Bob Browning, Chief Executive Officer and John Cahill, Chief Financial Officer will be held on Friday 27 February 2004 at 12.00 – 1.00pm AWST / 3.00 – 4.00pm AEST. Slides and audio will be available at **www.alinta.net.au**

A recording of the webcast will be posted on the Alinta website www.alinta.net.au approximately 90 minutes after the conclusion of the event.

About Alinta
Alinta seeks to be recognised as the leading provider of energy-related products and infrastructure solutions. It is listed on the Australian Stock Exchange, ranking among the top 200 companies by market capitalisation. The ASX code for its ordinary shares is **ALN** and for the reset preference shares **ALNPA**.

Alinta's business activities are structured as follows:

Energy Networks - Alinta is an **investor, manager and operator** of energy infrastructure assets. Alinta has equity investments in the United Energy electricity distribution network in Victoria (34%), the Multinet gas network in Victoria (20.1%) and the AlintaGas Networks distribution system in Western Australia (74.1%). Alinta Network Services (ANS) has long term service agreements with all these assets. Through its wholly owned subsidiary National Power Services (NPS) Alinta also provides a range of construction and maintenance services.

Energy Sales - Alinta is the leading supplier of gas to Western Australian business and households with over 480,000 customers. It has committed to selling electricity to customers from mid 2005.

Energy Supply - Alinta, in partnership with Alcoa of Australia Ltd ("Alcoa"), has commenced construction of its first 140 megawatt cogeneration electricity unit at Alcoa's Pinjarra Alumina refinery site in the south west of Western Australia. The unit will cost approximately $160 million with commissioning scheduled for mid 2005.

Alinta also retains a 66% shareholding in the listed telecommunications carrier Uecomm.

Additional information can be found on our website www.alinta.net.au or by phoning Josephine O'Brien on (08) 9486 3042.

Alinta Limited

ABN: 40 087 857 001

Appendix 4E

Annual report
Period ending 31 December 2003

1. **The current reporting period is the year ended to 31 December 2003 and the previous corresponding period is the year ended 31 December 2002.**

2. **Results for announcement to the market**

	31 December 2003 $ 000's	31 December 2002 $ 000's	% Change
2.1 Revenue from ordinary activities.	597,101	391,978	52%
2.2 Profit from ordinary activities after tax attributable to members.	87,601	58,195	51%
2.3 Net profit for the period attributable to members.	87,601	58,195	51%

2.4 Amount per security and franked amount per security of dividends.	The consolidated entity has applied AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" for the first time from 1 January 2003. Dividends are recognised at the time they are declared, determined, or publicly recommended. Previously, dividends were recognised in the year to which they related, even though the dividends were announced after the end of that year. While there is no proposed dividend recognised in the accounts as at 31 December 2003, the following fully franked dividends have been declared by the Board on 26 February 2004: 21cents per ordinary share totalling $ 35.30 million $3.98 per reset preference share totalling $5.17 million
2.5 Record date for determining entitlements to the dividends and payment date.	• Record date is 22 March 2004. • Payment date is 31 March 2004.
2.6 Brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood.	For a further analysis of the operating results refer to the Directors Report contained within the Annual Financial Report.

3. Statement of Financial Performance

Refer to attached Annual Financial Report.

4. Statement of Financial Position

Refer to attached Annual Financial Report.

5. Statement of Cash Flows

Refer to attached Annual Financial Report.

6. Recent Dividend History

Period	Amount		Payment date	Franking
	Amount per security	$ M		
December 2001 – Final ordinary shares	11 cents	17.60	14 March 2002	100 %
June 2002 – Interim ordinary shares	11 cents	17.60	16 September 2002	100 %
December 2002 – Final ordinary shares	14 cents	22.40	14 March 2003	100 %
June 2003 – Interim ordinary shares	12 cents	15.85	29 September 2003	100 %
December 2003 – Final ordinary shares	21cents	35.30	31 March 2004	100 %
31 March 2004 – Reset preference shares	$3.98	5.17	31 March 2004	100 %

Refer to items 2.4 and 2.5 above for further details of current dividends.

7. Dividend Reinvestment Plans

There are no dividend or distribution reinvestment plans in operation.

8. Statement of Retained Earnings

Refer to attached Annual Financial Report – note 27.

9. Net Tangible Assets per Security

2003: $2.84 (Net tangible assets of $374.512 million divided by 132,092,750 ordinary shares)

2002: $1.64 (Net tangible assets of $262.793 million divided by 160,000,000 ordinary shares)

10. Gain of control over entities

10.1 Name of the entity	10.2 Date control gained	10.3A 2003 Profit contribution ($m)
Uecomm Limited	23 July 2003	0.249
National Power Services Pty Ltd	23 July 2003	1.109
WA Gas Holdings Pty Ltd	23 July 2003	0.602
National Power Services (Western Australia) Pty Ltd	23 July 2003	0.354

11. Associated Entities

11.1 Name of the entity	11.2 Acquisition Date	11.2 Percentage holding	11.3A 2003 Profit contribution ($m)	11.3B 2002 Entity profit ($m)
United Energy Distribution Holdings Pty Ltd	23 July 2003	34%	4.755	Not applicable
Multinet Gas Holdings Pty Ltd	23 July 2003	20.1%	1.970	Not applicable
National Power Services (Western Australia) Pty Ltd	Became a wholly owned subsidiary on 23 July 2003	100%	0.504	1.198
Total			**7.229**	**1.198**

12. Other Significant Information

Refer to the Directors Report in the Annual Financial Report for details of other significant information.

13. Foreign Entities

Not applicable.

14. Results Commentary

14.1 Earnings per share

	31 December 2003	31 December 2002
Basic Earnings per share (in cents)	58.6	36.4
Diluted Earnings per share (in cents)	54.4	36.4
Dilution aspects	• Options issued to executives • Reset Preference Shares	• Options issued to executives

14.2 Returns to Shareholders

There were no returns to shareholders during the year ended 31 December 2003 other than the dividends detailed in section 6 above.

14.3 Operating Performance

Refer to the Discussion and Analysis in the Concise Financial Report.

14.4 Segment Results

Refer to the Annual Financial Report – note 3.

14.5 Trends in performance

Refer to the Discussion and Analysis in the Concise Financial Report.

14.6 Other factors affecting results

Refer to the Directors Report in the Annual Financial Report for details of other significant factors affecting results.

15. Status of Audit of Accounts

The accounts have been audited.

16. Unaudited Accounts

Not applicable.

17. Audit Dispute or Qualification

Not applicable.

Dated: 27 February 2004

Alinta Limited

Concise Financial Report 31 December 2003

This concise financial report has been derived from the annual financial report for the year ended 31 December 2003. The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of Alinta Limited and its controlled entities as the full financial report.

The concise annual report has been lodged with the Australian Stock Exchange Limited (ASX) and the Australian Securities and Investments Commission (ASIC) and is available at www.alinta.net.au

This discussion and analysis is provided to assist readers in understanding the concise financial report. The concise financial report has been derived from the annual financial report of Alinta Limited.

The Alinta Limited consolidated entity ("Alinta") consists of Alinta Limited and its controlled entities. Alinta prepares its consolidated financial statements in accordance with the historical cost accounting convention and on the accrual basis of accounting.

Statement of Financial Performance

The Alinta consolidated profit of $87.6 million after income tax and outside equity interest, was 50.5% higher than the 2002 year ($58.2 million), but included a profit of $9.6 million related to the acquisition of Aquila Inc's assets in Australia. The net profit before significant items of $78.0 million does not include any dividend on the Reset Preference Shares. On 26 February 2004, the Directors declared a dividend of $5.2 million in respect of the Reset Preference Shares for the period 24 July 2003 to 31 March 2004, equivalent to $3.3 million for the period 24 July 2003 to 31 December 2003.

Total revenue was $597.1 million, compared to $392.0 million in 2002. Revenue increased substantially during 2003 mainly due to the activities of Alinta Network Services Pty Ltd ("ANS"), which commenced operations on 24 July 2003, providing maintenance and construction services to United Energy Distribution Holdings Pty Ltd ("UEDH"), Multinet Group Holdings Pty Ltd ("MGH") and Alinta Network Holdings Pty Ltd ("ANH"). Another significant contribution was from Uecomm, with sales revenue of $27.6 million from the date of acquisition being 24 July 2003. Alinta's gas retail business, Alinta Sales, increased total sales revenue by 5.5% to $402.6 million, with a strong performance from the residential sector, which achieved sales growth of 9.2%. Business sector revenue continued to grow, but at a lower rate of 5%.

Revenue related to the Wesfarmers LPG contract increased by 3.9% compared to a 16.1% reduction in revenue in the previous year. The average LPG price for 2003 was US$295 per tonne, compared to an average price of US$245 per tonne in 2002.

The deregulation of the WA gas market continued during the year and Alinta experienced some margin erosion on contestable segments of the market, but overall customer churn remained low.

Statement of Financial Position

At $266.7 million, current assets have increased by $162.5 million since 31 December 2002 ($104.2 million). An increase in cash assets of $102.5 million and receivables of $58.9 million accounted for the increase. This is mainly due to the inclusion of receivables from the entities acquired during the period, as well as the newly established services company, ANS.

Total non-current assets have increased substantially from $666.5 million to $1,015.2 million. This is a result of several transactions relating to the purchase of Aquila Inc's Australian assets as detailed below:

- Non-current receivables have increased mainly due to the purchase of $124.3 million of redeemable preference shares in UEDH;
- Investments accounted for using the equity method, increased by $49.7 million mainly due to the purchase of 20.1% of MGH;
- Property plant and equipment increased by $130.4 million, which was due to increased capital expenditure of $69.7 million and the inclusion of the assets from the entities acquired during the period;
- Deferred tax assets increased by $21.3 million mainly due to the inclusion of deferred tax assets from the entities acquired during the period;
- Intangible assets increased by $19.6 million mainly due to the purchase of management contract rights by ANS.

Current liabilities at 31 December 2003 are significantly higher by $95.9 million than the position at 31 December 2002, mainly due to an increase in payables of $85.9 million. Of this, $32.6 million relates to ANS' obligations to MGH and UEDH in respect of employee entitlements, with the balance mainly being due to the inclusion of payables of the entities acquired during the period. Current tax liabilities have also increased by $11.2 million.

The increase in payables is partially offset by a reduction in current provisions of $14.6 million. This is mainly due to a provision for dividend payable not being included in the 2003 accounts, whereas a provision of $22.4 million was included as at 31 December 2002. Conversely, provisions for annual leave, long service leave and other employee entitlements have increased from $4.7 million in 2002 to $12.5 million in 2003, reflecting increased staff numbers within the consolidated entity.

Total non-current liabilities have increased substantially from $349.7 million in 2002 to $633.6 million principally due to an increase in interest bearing liabilities across the group of $274.7 million, a $1.2 million increase in deferred income tax liability and a $7.9 million increase in deferred income from the entities acquired during the period.

Total equity increased by $131.5 million, comprising an increase in retained earnings totalling $71.8 million (profit attributable to members of Alinta Limited of $87.6 million less dividends paid of $15.8 million), a net increase in share capital of $11.9 million (ordinary share issues and reset preference share issues raising $165.9 million, offset by $154.0 million represented by 36 million shares held by a controlled entity, WA Gas Holdings Pty Ltd ("WAGH") to be bought back and cancelled), and an increase in outside equity interest of $47.7 million.

Statement of Cash Flows

For the year ended 31 December 2003, net cash flows from operating activities increased by 27.3% or $27.3 million over the year to 31 December 2002. This increase in cash flows from operations is mainly due to the inclusion of revenues from entities acquired during the period.

There were significant investing activities during the period as detailed below:

- Payment of $201.5 million mainly for the acquisition of United Energy Limited's non distribution assets;
- $124.4 million paid for redeemable preference shares in UEDH;
- An increase of $50.3 million in capital expenditure on property plant and equipment;
- Payment of $51.3 million for the purchase of associated entities;
- $44.0 million received from the sale of 25.9% of AlintaGas Networks Pty Ltd ("AGN");
- Payment of $24.6 million for management contract rights; and
- Receipt of cash totalling $12.7 million acquired through the acquisition of the entities during the period.

Proceeds from financing activities were $460.1 million higher than in December 2002 as a result of the following:

- $130.0 million was raised as a result of the issue of Reset Preference Shares offset by incidental costs of $1.1 million;
- Issues of ordinary shares to raise $36.9 million;
- Dividends of $40.1 million were paid during the period being an increase of $4.9 million on December 2002;
- A net increase in borrowings of $308.3 million due to the acquisition of new entities and refinancing of debts; and
- Payment of $9.2 million for deferred borrowing costs in relation to increased borrowings.

Distributions

During the year ended 31 December 2003, a fully franked final dividend of 14.0 cents per ordinary share in respect of the year ended 31 December 2002, was paid on 14 March 2003 totalling $22.4 million. An interim dividend for the 2003 financial year of 12.0 cents per ordinary share, fully franked, was paid on 29 September 2003 totalling $15.8 million. The interim dividend excluded an amount of $4.3 million which was paid to WAGH, a wholly owned controlled entity of the Group that owns 36,000,000 shares in Alinta. In effect the $4.3 million dividend is retained within the Group.

	Notes	Consolidated 2003 $'000	Consolidated 2002 $'000
Revenue from ordinary activities		**597,101**	391,978
Expenses from ordinary activities, excluding borrowing costs expense		**(442,711)**	(282,616)
Borrowing costs expense		**(33,953)**	(24,884)
Shares of net profits of associates accounted for using the equity method		**7,229**	1,198
Profit from ordinary activities before income tax expense		**127,666**	85,676
Income tax expense		**(37,380)**	(27,481)
Profit from ordinary activities after income tax expense		**90,286**	58,195
Net profit attributable to outside equity interest		**(2,685)**	-
Net profit attributable to members of Alinta Limited		**87,601**	58,195
Total changes in equity from non-owner related transactions attributable to members of Alinta Limited		**87,601**	58,195
		Cents	Cents
Basic earnings per share	8	**58.6**	36.4
Diluted earnings per share	8	**54.4**	36.4

The above consolidated statement of financial performance should be read in conjunction with the accompanying notes and discussion and analysis.

Alinta Limited
Consolidated statement of financial position
As at 31 December 2003

	2003 $'000	2002 $'000
Current assets		
Cash assets	**117,733**	15,222
Receivables	**130,045**	71,161
Inventories	**2,726**	651
Other	**16,169**	17,136
Total current assets	**266,673**	104,170
Non-current assets		
Receivables	**140,262**	12,971
Investments accounted for using the equity method	**53,332**	3,598
Other financial assets	**308**	-
Property, plant and equipment	**694,486**	564,071
Deferred tax assets	**23,365**	2,111
Intangible assets	**103,445**	83,758
Total non-current assets	**1,015,198**	666,509
Total assets	**1,281,871**	770,679
Current liabilities		
Payables	**115,751**	29,851
Interest bearing liabilities	**3,783**	83
Current tax liabilities	**27,378**	16,253
Provisions	**12,502**	27,130
Other	**10,903**	1,138
Total current liabilities	**170,317**	74,455
Non-current liabilities		
Interest bearing liabilities	**609,824**	335,073
Deferred tax liabilities	**15,058**	13,855
Provisions	**797**	745
Other	**7,918**	-
Total non-current liabilities	**633,597**	349,673
Total liabilities	**803,914**	424,128
Net assets	**477,957**	346,551
Equity		
Contributed equity	**292,525**	280,605
Retained profits	**137,697**	65,946
Outside equity interest	**47,735**	-
Total equity	**477,957**	346,551

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

	Notes	Consolidated 2003 $'000	2002 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**597,935**	425,795
Payments to suppliers and employees (inclusive of goods and services tax)		**(402,075)**	(267,231)
		195,860	158,564
Dividends received		**1,005**	-
Interest received		**10,765**	2,288
Interest paid		**(31,909)**	(26,098)
Income taxes paid		**(35,372)**	(21,161)
GST (remitted to)/received from the Australian Taxation Office		**(14,551)**	(13,626)
Net cash inflow (outflow) from operating activities		**125,798**	99,967
Cash flows from investing activities			
Payment for acquisition of controlled entities		**(201,251)**	-
Cash acquired on acquisition of entities		**12,730**	-
Payments for property, plant and equipment		**(74,902)**	(26,078)
Payments for management contract rights		**(24,640)**	-
Purchase of associated entities		**(51,263)**	-
Purchase of redeemable preference shares		**(124,384)**	-
Loans to related parties		**-**	(2,000)
Proceeds from sale of interest in controlled entity		**44,000**	-
Proceeds from sale of property, plant and equipment		**1,507**	580
Repayment of loans by related parties		**-**	2,000
Net cash inflow (outflow) from investing activities		**(418,203)**	(25,498)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**36,940**	-
Proceeds from issue of reset preference shares		**130,000**	-
Proceeds from borrowings		**689,824**	55,000
Reset preference share issue costs		**(1,071)**	-
Repayment of borrowings		**(411,500)**	(85,000)
Dividends paid		**(38,250)**	(35,200)
Dividend paid to outside equity interest		**(1,813)**	-
Payment of deferred borrowing costs		**(9,214)**	-
Net cash inflow (outflow) from financing activities		**394,916**	(65,200)
Net increase (decrease) in cash held		**102,511**	9,269
Cash at the beginning of the financial year		**15,222**	5,953
Cash at the end of the financial year		**117,733**	15,222

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

This concise financial report relates to the consolidated entity consisting of Alinta Limited and the entities it controlled at the end of, or during, the year ended 31 December 2003. The accounting policies adopted are consistent with those of the previous year, except as described in note 1 below.

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in financial reports. Amounts in the concise financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars.

Note 1. Change in accounting policies

(a) Dividends provision

The consolidated entity adopted Accounting Standard AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" effective from 1 January 2003. Previously, the consolidated entity has provided for ordinary share dividends where there was an expectation of payment after the reporting date. AASB 1044 now prohibits the recognition of dividends as liabilities where they were not declared, determined or publicly recommended on or before the reporting date. Accordingly, the consolidated entity has not provided for ordinary share dividends at 31 December 2003.

As a result of this change, the adjustments to the consolidated financial report as at 1 January 2003 are:

- $22.4 million increase in opening retained profits
- $22.4 million decrease in provision for ordinary dividends

There was no impact on profit or loss for the financial year ended 31 December 2003.

Note 2. Segment information

Business Segments
The consolidated entity's primary reporting segment is business segments which comprises the following main business segments:

Energy Retail
Retail of gas and electricity.

Energy Distribution
Distribution of gas and electricity.

Asset management services
Maintenance and construction services provided to the energy distribution segment and external customers; financial, information technology and other office support services provided to the energy distribution segment.

Co-generation
Construction and ownership of co-generation plant.

WLPG
Profit share arrangement with Wesfarmers Pty Ltd ("WLPG") and sale of LPG.

Uecomm
Provision of telecommunications data and broadband services.

Other
Investment activities, business development activities and general corporate activities. None of these activities constitutes a separately reportable segment.

Note 2. Segment information (continued)

Geographical segments

The consolidated entity operates in predominantly one geographical segment, that is Australia.

Primary reporting - business segments

2003	Energy retail $'000	Energy distribution $'000	Asset management services $'000	Co-generation $'000	Uecomm $'000	WLPG $'000	Other $'000	Inter-segment eliminations $'000	Consolidated $'000
Sales to external customers	317,098	4,868	139,714	-	27,029	82,645	621	-	571,975
Intersegment sales	2,859	130,998	29,743	-	529	-	5,716	(169,845)	-
Total sales revenue	319,957	135,866	169,457	-	27,558	82,645	6,337	(169,845)	571,975
Shares of net profits of associates	-	6,725	504	-	-	-	-	-	7,229
Total segment revenue	319,957	142,591	169,961	-	27,558	82,645	6,337	(169,845)	579,204
Segment result	55,386	57,599	11,136	-	1,083	26,413	(18,915)	(21,686)	111,016
Unallocated revenue less unallocated expenses									16,650
Profit from ordinary activities before income tax expense									127,666
Income tax expense									(37,380)
Profit from ordinary activities after income tax expense									90,286
Net profit									90,286
Segment assets	244,668	723,302	117,048	20,495	130,261	36,495	621,580	(611,978)	1,281,871
Total assets									1,281,871
Segment liabilities	195,228	636,695	93,223	20,495	85,423	-	226,127	(453,277)	803,914
Total liabilities									803,914

Primary reporting - business segments

2002	Energy retail $'000	Energy distribution $'000	Asset management services $'000	Co-generation $'000	Uecomm $'000	WLPG $'000	Other $'000	Inter-segment eliminations $'000	Consolidated $'000
Sales to external customers	301,137	3,624	-	-	-	79,508	4,811	-	389,080
Intersegment sales	4,202	107,400	-	-	-	-	-	(111,602)	-
Total sales revenue	305,339	111,024	-	-	-	79,508	4,811	(111,602)	389,080
Shares of net profits of associates	-	-	1,198	-	-	-	-	-	1,198
Total segment revenue	305,339	111,024	1,198	-	-	79,508	4,811	(111,602)	390,278
Segment result	37,107	33,331	1,198	-	-	25,222	(40,237)	-	56,621
Unallocated revenue less unallocated expenses									29,054
Profit from ordinary activities before income tax expense									85,675
Income tax expense									(27,480)
Profit from ordinary activities after income tax expense									58,195
Net profit									58,195
Segment assets	154,572	666,807	-	-	-	43,238	772,576	(866,514)	770,679
Total assets									770,679
Segment liabilities	159,485	647,102	-	-	-	-	485,252	(867,711)	424,128
Total liabilities									424,128

Note 3. Profit from ordinary activities

	2003 $'000	2002 $'000
Sales revenue	**410,130**	375,266
Service revenue	**150,479**	2,444
Sales and service revenue included in total revenue from ordinary activities	**560,609**	377,710

Significant items included in profit from ordinary activities

Profit on Acquisition of entities

The fair value of assets of controlled entities acquired during the period exceeded the cost of acquisition. The difference, representing a discount on acquisition was accounted for by reducing proportionately the fair values of the non-monetary assets acquired to zero. After reducing the recorded amounts of the non-monetary assets acquired to zero, a discount balance of $9.584 million remained and has been recognised as revenue.

Write down of investment in associate

At 31 December 2003 the directors have assessed the recoverable amount of the investment in MGH, and based on this assessment have written down the investment by $3.652 million to a value of $47.320 million.

Note 4. Dividends

	Parent entity	
	2003	2002
	$'000	$'000
Ordinary shares		
Interim dividend in relation to the 2003 financial year of 12 cents (2002 - 11 cents) per fully paid share paid on September 2003 (2002 - 16 September 2002)		
Fully franked at the tax rate of 30%	**20,170**	17,600
Less: dividends retained in Group from Treasury Stock	**(4,320)**	-
	15,850	17,600
Final dividend in relation to the 2002 financial year of 14 cents per ordinary share paid on 14 March 2003 recognised as a liability at 31 December 2002. This item has been adjusted against retained profits at the beginning of the financial year due to the change in accounting policy for providing for dividends (note 1)		
Fully franked at the tax rate of 30%	**-**	22,400
Total dividends provided for or paid	**15,850**	40,000

Note 5. Contingent liabilities and contingent assets

Details and estimates of maximum amounts of contingent liabilities are as follows:

	Consolidated	
	2003	2002
	$'000	$'000
Guarantees		
Bank guarantees in favour of customers, suppliers or various building owners for access to their buildings	**4,324**	-

A subsidiary of the consolidated entity has varying service requirements built into their sales contracts. If the requirements of these service levels are not met, penalties and/or additional costs may be incurred. Management is not aware of any instances where penalties of a material nature have become due and do not have any reason to believe any penalties of a material nature will be incurred in the future.

Epic Energy
A dispute currently exists between Epic Energy (WA) Transmission Pty Ltd ("Epic Energy") and the consolidated entity regarding the price of gas transmission.

Under Section 20 of the Dampier to Bunbury Pipeline Act, Epic Energy is obliged to offer to shippers with existing transmission contracts a variation of those contracts to incorporate the "statutory price" for the relevant service.

The "statutory price" is the price a person could insist upon paying if entering, at that time, into a contract for the service concerned.

From 1 January 2000, Epic Energy has invoiced the consolidated entity (prior to 1 July 2000 the Gas Corporation trading as AlintaGas) at $1.18 per gigajoule (as escalated). The consolidated entity has disputed these invoices and has only processed for payment the undisputed portion of $1.00 per gigajoule (as escalated). The disputed portion of approximately $0.18 per gigajoule has been excluded from the consolidated entity's accounting records.

The maximum amount of contingent liability that may become payable as a result of the above is $40.034 million.

It is currently unresolved between the consolidated entity and Epic Energy whether an offer under Section 20 has been made and accepted.

Super Equity
A contingent liability exists with respect to Alinta's obligations under the Super Equity Subscription Agreement between Alinta Limited, Multinet Group Holdings Pty Ltd, AMP Henderson Global Investors Limited, Diversified Utility and Energy Trust No. 1 (DUET 1) and Diversified Utility and Energy Trust No. 2 (DUET 2), dated 14 July 2003.

Under the terms of this agreement, Alinta Limited may be called upon to subscribe for up to 11.0 million $1.00 Class B Shares of Multinet Group Holdings Pty Ltd, though the number of subscription shares in any one period can not exceed 5,000,000. As at 31 December 2003, it is highly probable that Alinta Limited will be required to subscribe for 5,000,000 $1.00 Class B Shares of Multinet Group Holdings Pty Ltd, on 30 June 2004, which is the next subscription date, and this transaction has been brought to account at 31 December 2003.

Other matters

In the course of its normal business, the consolidated entity occasionally receives claims and other matters arising from its operations.

In the opinion of the Directors, all such matters are covered by insurance, or, if not so covered, are without merit or of such kind or involve such amounts that would not have material adverse effect on the operating results or the financial position of the consolidated entity if settled unfavourably.

Note 6. Economic dependency

The normal trading activities of the consolidated entity depend significantly upon major contractual arrangements as follows:
- With the North West Shelf Joint Venture Partners for the supply of natural gas.
- With Epic Energy (WA) Transmission Pty Ltd for the transmission of natural gas through the Dampier to Bunbury Natural Gas Pipeline.
- With Wesfarmers LPG Pty Ltd for the sale of natural gas

The ongoing expansion and continued operation of a Uecomm Limited's ("Uecomm") network depends on a number of access arrangements with third parties. If Uecomm is not able to maintain or secure suitable access rights at the prices forecast, if existing rights are terminated early or underlying infrastructure is damaged or removed or relocated, or if there is a delay in securing new or renewing existing access rights, there may be material adverse effect on Uecomm's financial position and performance.

Note 7. Events occurring after reporting date

Bank Facilities
The senior debt facilities include a $530 million facility provided by a syndicate of Australian and overseas banks with a $230 million tranche maturing in January 2004 and a $300 million tranche maturing in July 2006. The maturity of Tranche A was extended to March 2004. CBA, Citibank, N.A. and Westpac have agreed to provide a three year Club Facility from March 2004 on agreed terms and conditions. Final documentation is in progress.

Westpac Banking Corporation, CBA and WestLB AG are also negotiating to provide a $121 million facility maturing 15 years after completion of construction of the Alcoa Co-generation plant (currently forecast for June 2005).

Dividends
Since the end of the financial year, the directors have declared the following dividends:

*Final - ordinary shares - fully franked at 21 cents per share totalling $35.30 million less an amount of $7.56 million retained within the Group being payment in relation to Treasury Stock.
*Reset Preference Shares - fully franked at $3.98 per Reset Preference Share totalling $5.17 million, which represents 5.755% payable for the period 24 July 2003 to 31 March 2004.

Other than these matters there were no events occuring after balance date.

Note 8. Earnings per share

	2003	2002
	Cents	Cents
Basic earnings per share	**58.6**	36.4
Diluted earnings per share	**54.4**	36.4

Alinta Limited
Directors' declaration
31 December 2003

The directors declare that in their opinion, the concise financial report of the consolidated entity for the year ended 31 December 2003 as set out on pages 1 to 12 complies with Accounting Standard AASB 1039: *Concise Financial Reports.*

The financial statements and specific disclosures included in this concise financial report have been derived from the full financial report for the year ended 31 December 2003.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report, which as indicated in the introduction to this report, is available on request.

This declaration is made in accordance with a resolution of the directors.

A J Howarth A O
Chairman

R B Browning
Director and Chief Executive Officer

Perth
27th February 2004

KPMG

Independent audit report on Concise Financial Report to the members of Alinta Limited

Scope

The financial report and directors' responsibility

The concise financial report comprises the statement of financial performance, statement of financial position, statement of cash flows, accompanying notes 1 to 8, and the accompanying discussion and analysis on the statement of financial performance, statement of financial position, and statement of cash flows for Alinta Limited ("the Company") and its controlled entities (the "Consolidated Entity") for the year ended 31 December 2003.

The directors of the Company are responsible for the preparation of the concise financial report in accordance with Australian Accounting Standard AASB 1039 "Concise Financial Reports". This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the concise financial report.

Audit approach

We conducted an independent audit in order to express an opinion to members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the concise financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore an audit cannot guarantee that all material misstatements have been detected. We have also performed an independent audit of the full financial report of the Company and its controlled entities for the year ended 31 December 2003. Our audit report on the full financial report was signed on 27 February 2004, and was not subject to any qualification.

We performed procedures in respect of the audit of the concise financial report to assess whether, in all material respects, the concise financial report is presented fairly in accordance with Australian Accounting Standard AASB 1039 "Concise Financial Reports".

We formed our audit opinion on the basis of these procedures, which included:

- testing that the information in the concise financial report is consistent with the full financial report, and
- examining, on a test basis, information to provide evidence supporting the amounts, discussion and analysis, and other disclosures, which were not directly derived from the full financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

KPMG

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit opinion

In our opinion, the concise financial report of Alinta Limited and its controlled entities for the year ended 31 December 2003 complies with Australian Accounting Standard AASB 1039 "Concise Financial Reports".

KPMG

KPMG

D McComish

D P McCOMISH
Partner

Perth

27 February 2004

Alinta Limited

ABN 40 087 857 001

Financial Statements – 31 December 2003

ALINTA LIMITED

DIRECTORS' REPORT

The Board of Directors of Alinta Limited has pleasure in submitting its report in respect of the financial year ended 31 December 2003.

DIRECTORS

The names of the Directors in office during or since the end of the financial year are:

A J Howarth (Chairman)
F E Harris
J H Poynton
T C Healey
T R McMeckan (appointed 20 October 2003)
D P Buckland (resigned 30 April 2003)
K G Stamm (resigned 30 July 2003)
R B Browning (Chief Executive Officer)

Mr R P Perkins' appointment as Mr K G Stamm's alternate Director terminated on 30 July 2003.

Mr R W Holzwarth's appointment as Mr T C Healey's alternate Director terminated on 30 July 2003.

Unless indicated otherwise, all Directors held their position as a Director throughout the entire financial year and up to the date of this report.

PRINCIPAL ACTIVITIES

Alinta Limited's principal activities as a consolidated entity during the financial year consisted of the following:

- Operation of, and investment in, a gas distribution system in Western Australia and electricity and gas distribution systems in Victoria;

- The purchase and sale of gas to contract and tariff customers in Perth and various regional areas of Western Australia;

- The provision of a range of maintenance and construction services to owners, operators and users of electrical power, gas, water and telecommunications networks through the ownership of National Power Services Pty Ltd., and

- Investment in a listed telecommunications carrier, Uecomm Limited.

RESULTS

The net profit after tax of the consolidated entity for the financial year ended 31 December 2003 was $87.6 million, compared to $58.2 million for the year ended 31 December 2002.

This profit includes a significant item of $9.6 million after income tax. Adjusting for this item, net profit after tax was $78.0 million. The significant item relates to profit on the acquisition of United Energy's Non-Distribution assets as part of the Aquila Asset Transaction. The net profit before significant items of $78.0 million does not take into account the dividend on the Reset Preference Shares. On 26 February 2004, the

Directors declared a dividend of $5.2 million in respect of the Reset Preference Shares for the period 23 July 2003 to 31 March 2004, which is equivalent to $3.3 million for the period 23 July 2003 to 31 December 2003.

DIVIDENDS

The following dividends have been paid by the company since 1 January 2003:

- a final dividend of 14.0 cents per ordinary share in respect of the financial year ended 31 December 2002, fully franked, paid to ordinary shareholders on 14 March 2003 and amounting in total to $22.4 million;

- an interim dividend in respect of the 2003 financial year of 12.0 cents per ordinary share, fully franked, paid to ordinary shareholders on 29 September 2003. This amounted in total to $15.8 million, excluding an amount of $4.3 million which was paid to WA Gas Holdings and retained within the group.

REVIEW OF OPERATIONS

Alinta achieved a net profit after tax but before significant items for the financial year of $78.0 million after tax, from revenue from operating activities of $561.0 million.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 23 July 2003, Alinta completed a series of transactions involving Aquila Inc's Australian assets which resulted in Alinta emerging as an operator, manager and part owner of regulated energy assets worth approximately $4 billion. The transactions involved Alinta:

- Purchasing a 34% equity interest in United Energy Limited's Victorian electricity network;
- Purchasing a 20.1% equity interest in Multinet Gas, the largest gas distributor in Victoria;
- Purchasing the non-distribution assets of United Energy, including a 66% interest in Uecomm Limited;
- Selling a 25.9% interest in AlintaGas Networks Pty Ltd;
- Securing long term service agreements to operate, maintain and manage each of the network assets under long term contracts; and
- Issuing 1,300,000 Reset Preference Shares at a price of $100, raising $130.0 million to be used to partially fund the acquisition of the non-distribution assets of United Energy.

This transaction has transformed Alinta from being a WA based gas retailer and distributor, to holding significant electricity and gas interests in WA and Victoria. As well as the equity stakes Alinta acquired in these energy infrastructure assets, Alinta also acquired the rights to operate these assets, thereby accessing a new income stream.

As part of the transactions described above, Alinta acquired 100% of WA Gas Holdings Pty Ltd (WAGH), which in turn holds approximately 36 million, or 21%, of the shares in Alinta. These shares are classed as "Treasury Stock" and have been deducted from issued capital and excluded from calculations of earnings per share. In order to eliminate this cross shareholding, it is proposed that the shares held by WAGH in Alinta will be bought back and cancelled. WAGH will then be liquidated. Shareholder approval for this buyback was obtained in July 2003.

The Company name was changed from “AlintaGas Limited” to “Alinta Limited”, following shareholder approval to the name change at the AGM of the Company on 8 May 2003.

SIGNIFICANT EVENTS AFTER YEAR END

The senior debt facilities include a $530 million facility provided by a syndicate of Australian and overseas banks with a $230 million tranche maturing in January 2004 and a $300 million tranche maturing in July 2006. The maturity of Tranche A was extended to March 2004. CBA, Citibank, N.A. and Westpac have agreed to provide a three year Club Facility from March 2004 on agreed terms and conditions. Final documentation is in progress.

On 26 February 2004, the directors declared a final dividend for the financial year ended 31 December 2003 of 21 cents per ordinary share, fully franked. This amounts to $35.3 million, including an amount of $7.6 million retained within the group, being payment in relation to Treasury Stock.
.
The directors also declared a dividend to holders of reset preference shares of $3.98, fully franked, per reset preference share.

LIKELY DEVELOPMENTS AND FUTURE RESULTS

Likely developments, which may impact significantly on the Company in the future, are:

Access Arrangement for DBNGP

The price Alinta pays Epic Energy in respect of gas transported through the Dampier to Bunbury Natural Gas Pipeline ("DBNGP") is the "statutory price" pursuant to Section 20 of the *Dampier to Bunbury Pipeline Act*. Alinta and Epic Energy disagree as to whether Alinta has accepted an offer by Epic Energy under the Act for the price to be the statutory price. Alinta, supported by legal advice, considers it has. The statutory price during 2003 was $1.023/GJ (based on a 100% load factor).

The WA Gas Access Regulator – now the Economic Regulation Authority – approved an Access Arrangement for the DBNGP on 30 December 2003, with the Access Arrangement coming into effect on 13 January 2004. As such, from 13 January 2004, the statutory price is the price payable under the Access Arrangement for the equivalent service that Alinta receives under its gas transportation contract.

The Access Arrangement introduces different tariff prices for different zones.

The prices under the Access Arrangement will either determine, or form the basis for determining, the statutory price. The Regulator has not approved a service that is exactly the same as the service Alinta receives. Unless there is a common agreement between Alinta and Epic Energy, the statutory price will have to be determined by arbitration or through some other form of legal resolution.

Full Retail Contestability

In May 2001 the Minister for Energy announced the establishment of the Gas Retail Deregulation Project and Steering Group to coordinate and oversee the transition of the Western Australian gas retail market to an open market, to enable all gas customers to be contestable for supply.

Those customers consuming 1 terajoule or more of natural gas per annum became contestable on 1 January 2002. It is expected that the new open market will commence in May 2004.

The Retail Energy Market Company Limited ("REMCO") has been established to administer the operation of the retail gas market for both Western Australia and South Australia. This company will become the market operator for the entire gas retail market, relieving Alinta of its role as interim market operator.

Alcoa Co-generation Project

Alinta's first co-generation plant is being built at Alcoa's Pinjarra refinery and will have a generating capacity of 140 megawatts. The plant will be delivering electricity into the south-west interconnected electricity system for delivery to a range of customers from mid-2005, with the waste heat being used to produce steam for Alcoa to apply in its refining process.

The co-generation plant will also provide significant environmental benefits to Western Australia compared to other fossil-fuelled electricity generation plants in the State. Planning for Alinta's second co-generation unit commenced in 2003 with the Boards of Alinta and Alcoa expected to consider financial approval during 2004.

Business Integration

The Aquila Asset Transaction involved Alinta assuming the management responsibilities for the network assets of United Energy Distribution and Multinet Gas and integrating this with the existing network operations of the Western Australian based AlintaGas Networks. This new business is called Alinta Network Services.

At the time of the Aquila Asset Transaction, Alinta estimated earnings before interest and tax for Alinta Network Services of $15 million in 2004. Alinta remains on target to achieve this estimate.

LPG Contract

Alinta is currently in discussions with a range of parties relating to the Wesfarmers LPG contract. Discussions are underway with gas producers regarding LPG content of gas delivered into the Dampier to Bunbury Natural Gas Pipeline (DBNGP), with Wesfarmers regarding commercial arrangements and with Epic Energy regarding transportation.

Alinta is of the view that the earnings contribution from its LPG activities will fall post mid 2005, but the extent of the decline is difficult to predict until negotiations are completed.

Uecomm

Alinta acquired a 66.3 per cent equity interest in Uecomm, and a $80 million loan obligation, as part of its acquisition of the non distribution assets of United Energy. Alinta does not expect to remain a long term shareholder in Uecomm, with its scope of business not consistent with Alinta's strategic growth vision.

Uecomm's 2003 financial result showed a 43 per cent increase in revenue from operating activities to $58 million and a net profit after tax of $10.3 million, a strong turnaround from the $5.5 million loss posted in 2002. After adjusting for pre-acquisition items, the contribution to the net profit attributable to members of Alinta Limited for the year, is $249,000.

DIRECTORS' QUALIFICATIONS AND EXPERIENCE

Chairman and Non-Executive Director

A J (Tony) Howarth AO, FIABF, FAIM, FSIA

Tony Howarth, 52, worked in the banking and finance industry for over 30 years and was the former Managing Director of Challenge Bank Limited. He is Chairman of Home Building Society Limited and St John of God Health Care Group and a Director of Mermaid Marine Australia Ltd. He is also a Director of the Australian Chamber of Commerce and Industry. Tony is a member of a number of community organisations including the Senate of the University of Western Australia and the Prime Minister's Community Business Partnership. Tony has been the Chairman of Alinta Limited since its incorporation in January 2000.

Tony is a member of the Remuneration and Nomination Committee.

Non-Executive Directors

F E (Fiona) Harris, B Comm, FCA, FAICD

Fiona Harris, 43, is a professional non-executive Director. Previously, she spent 14 years with a major chartered accounting firm in Perth, San Francisco and Sydney. She was an Audit & Assurance partner in the New South Wales practice of that firm when she retired in 1994. She is a Director of Burswood Limited, Portman Limited, HBF Health Funds Inc and West Australian Symphony Orchestra Holdings Pty Ltd. Fiona is Vice President of the State Council of the Australian Institute of Company Directors. She has been a Director of Alinta Limited since its incorporation in January 2000.

Fiona is Chairman of the Board's Audit and Risk Management Committee.

J H (John) Poynton B Comm, FSIA, FAICD, FAIM

John Poynton, 52, is a founding Director and Chairman of Poynton and Partners and GEM Consulting. John is a Director of Austal Limited and Multiplex Limited. He is also a member of the Payments Systems Board of the Reserve Bank of Australia, is Chairman of the Board of Governors of the Western Australian Museum Foundation and is a member of the University of Western Australia Business School, where he also serves as an Adjunct Professor in Finance Management. John joined the Board of Alinta Limited in October 2000.

John is a member of the Remuneration and Nomination Committee.

T C (Tim) Healey, BEc, BLitt (Hons), FAICD

Tim Healey, 59, was previously a Director of United Energy Limited. Tim has a background in finance, economic policy and development banking. He has been a Director of a number of companies and government corporations and was appointed to the Alinta Limited Board in February 2002. Tim has been a Director of Uecomm Limited since August 2003.

Tim is a member of the Audit & Risk Management Committee.

T R McMeckan MBA, FAICD

Tina McMeckan, 54, was previously a Director of United Energy Limited. Tina is Chairman of the Zoological Parks and Gardens Board in Victoria and the Centre for Eye Research Australia Limited. She is also a Director of Nanotechnology Victoria Limited. She has substantial energy market experience, having served on the boards of a number of energy corporations and with the Victorian government on energy reform. Tina joined the Board of Alinta Limited in October 2003.

Tina is a member of the Audit and Risk Management Committee.

Chief Executive Officer

R B (Bob) Browning B Sc, MBA, M Sc

Bob Browning, 49, commenced as Chief Executive Officer at Alinta in March 2001. Prior to his appointment, Bob had eight years experience at UtiliCorp United Inc. where, over the course of his career, he was responsible for change management, strategic planning and business operations. Prior to that, Bob worked with Coca-Cola Enterprises Inc. in consumer retail sales and distribution.

Bob is a member of the Board of the West Australian Chamber of Commerce and Industry and is a Director of Austal Limited.

DIRECTORS' INTERESTS IN ALINTA LIMITED

The Directors have the following direct or indirect security interests in Alinta Limited:

	No. of Shares	No. of Reset Preference Shares	No. of Options
A J Howarth	41,175	-	-
F E Harris	5220	-	-
J H Poynton	24,100	200	-
T C Healey	220	32	-
T McMeckan	220	-	-
R B Browning	2,143	-	300,000

BOARD AND COMMITTEE MEETINGS

There were 17 meetings of the Board during the financial year ended 31 December 2003.

In addition, there were a number of circular resolutions pursuant to the regulations in the Company's Constitution.

Of the 17 meetings held, the attendance of Directors was as follows:

Director	Meetings Attended	Meetings Held*
A J Howarth (Chairman)	17	17
D P Buckland	7	7
F E Harris	17	17
J H Poynton	16	17
K G Stamm	4	8
T C Healey	13	13
T R McMeckan	2	2
R B Browning	16	17
R P Perkins (alternate director to K G Stamm)	2	5
R W Holzwarth (alternate Director for T C Healey)	-0	-

* Meetings held comprise meetings when the Director held that position and was not excluded on grounds of material personal interest.

There are two Committees of the Board:

- Audit and Risk Management Committee
- Remuneration and Nomination Committee (previously known as the Human Resources and Remuneration Committee)

The number of meetings held for the two Committees and their respective membership are as follows:

Audit and Risk Management Committee

Director	Meetings Attended	Meetings Held**
F E Harris (Chairman)	4	4
A J Howarth	3	3
T C Healey	4	4
T R McMeckan	1	1

** Meetings held comprise meetings when the Director held the position of Committee Member.

Remuneration and Nomination Committee

Director	Meetings Attended	Meetings Held**
D P Buckland (Chairman until 30 April 2003)	1	1
A J Howarth (Current Chairman)	1	1
J H Poynton	2	2
K G Stamm	0	1

** Meetings held comprises meetings when the Director held the position of Committee Member.

DIRECTORS' AND OFFICERS' REMUNERATION

Non-Executive Directors

Non-executive Directors are remunerated by fees determined by the Board within the aggregate Directors' fees pool limit of $600,000 pursuant to the Constitution. The pool limit is not at present fully utilised. In setting Directors' fees, account is taken of the responsibilities inherent in the stewardship of the Company and the demands made of Directors in the discharge of their responsibilities. Advice is taken from independent consultancy sources to ensure remuneration accords with market practice. Income received, or due and receivable, from the consolidated entity by non-executive Directors of Alinta Limited for the financial year ended 31 December 2003 was:

Directors	Fees $	Superannuation $	Other Compensation $	Total $
A J Howarth	110,257	9,923		120,180
D P Buckland	15,961	1,436		17,397
F E Harris	55,128	4,962	20,000*	80,090
J H Poynton	60,090			60,090
T C Healey	55,128	4,962		60,090
K G Stamm	27,500			27,500
T R McMeckan	12,226	1,100		13,326

Mr K G Stamm was an officer of Aquila, Inc., which until 23 July 2003 had a 50% ownership of W A Gas Holdings Pty Ltd ("WAGH"), which in turn provided services to Alinta and was entitled to management fees for providing such services on the terms set out in an Operating Services Agreement. Director's fees for Mr K G Stamm were paid to WAGH. Directors' fees for Mr J H Poynton were paid to Poynton and Partners Pty Ltd.

*Ms Harris received this compensation for additional services requested of her in connection with the due diligence committee for the Aquila transaction.

Executive Directors and Senior Executives

Alinta maintains an executive remuneration policy that includes a rigorous annual performance review that links the Company's short and long-term strategic plans to business unit and individual performance targets. The remuneration strategy is overseen by the Board's Remuneration and Nomination Committee, which consists of non-executive Directors.

Executive remuneration is expressed as total reward that includes salary and benefits and is benchmarked against comparative energy sector industry groups. In making recommendations, the CEO receives annual salary survey data and advice of like organisations from independent remuneration consultants regarding the compensation practices.

The Remuneration and Nomination Committee takes into account these recommendations from the CEO with respect to the remuneration for key Alinta executives.

Details of the nature and amount of each element of the emolument of the executive Director and each of the five most highly remunerated executives for the financial year ended 31 December 2003 are:

	Salary $	Bonus $	Other Compensation $	**Value of Options Issued $	Total $
Executive Director & CEO					
R B Browning	596,330	350,000	53,670	17,111	1,017,111
Executives					
C Indermaur	245,212	258,550	27,339	31,151	562,252
J R Cahill	206,467	192,443	22,402	31,151	452,463
G vom Berg	98,405	71,886	*240,115	20,239	430,645
M J King	174,483	140,856	19,381	23,542	358,262
D J Franklyn	151,149	133,251	16,596	20,514	321,510

* Includes a termination payment of $228,389

**The value of options issued has been determined in accordance with the requirements of Section 300A of the *Corporations Act 2001* and ASIC Media Release 03-202

Options

Alinta Executive Option Plan

Alinta has an Executive Option Plan in place under which nominated executives can at the Board's discretion, be eligible for a grant of options in Alinta Limited as part of a long term incentive plan. Three issues of options were made during the year:

1. There were 1,175,000 options issued to 21 executives under the Alinta Executive Option Plan on 4 March 2003 at an issue price of Nil and an exercise price of $4.2650. These options are exercisable from the following dates:

   - 25% of individual Executives' options on 4 March 2004
   - 25% of individual Executives' options on 4 March 2005
   - 50% of individual Executives' options on 4 March 2006

   These options expire on 3 March 2013.

   The exercise of these options is subject to satisfying specific performance hurdles. The Performance Hurdle for each tranche of this offer of options has two components as follows:

(a) **1st Component –** The percentage growth in the total shareholder return ("TSR") of Alinta Limited shares for the period 1 January 2003 to 31 December 2003 as compared to the prior corresponding period is at least equal to the median of the percentage growth in the Total Shareholder Return for the ASX 200 companies over the same period; and

(b) **2nd Component –** The percentage growth in the TSR of Alinta Limited shares for the period 1 January 2003 to 31 December 2003 as compared to the previous corresponding period is at least equal to the average percentage growth of the TSR for the companies listed on the ASX with an industry code the same as Alinta and market capitalisation of at least $200 million (hereafter called the 'Utility Industry Peer Group') over the same period.

Each of the components referred to above are equally weighted. Accordingly, it is possible for the 1st Component being met but not the 2nd Component (or vice versa) but the Performance Hurdle for any of the three tranches still being achieved. In those circumstances, the Remuneration and Nomination Committee will determine (in its absolute discretion) whether the Performance Hurdle has been achieved in any given year, having regard to the performance of Alinta as a whole under the two components.

Each option entitles the holder to purchase one ordinary share of Alinta Limited at the exercise price of $4.2650, which was the weighted average price of all Alinta Limited shares traded on the ASX during the five business days up to and including the date of grant.

2. There were 300,000 options issued to the Chief Executive Officer under the Alinta Executive Option Plan on 8 May 2003, following shareholder approval to the issue at the Annual General Meeting of the Company on 8 May 2003, at an issue price of Nil and an exercise price of $4.9182, being the volume weighted average price of Alinta's shares on the ASX for the five days prior to and including the issue date. These options are exercisable from the following dates:

   - 100,000 options on 8 May 2004
   - 100,000 options on 8 May 2005
   - 100,000 options on 8 May 2006

   These options expire on 7 May 2013 and the exercise of these options is subject to satisfying specific performance hurdles as detailed in (1) above.

3. A further 100,000 options were issued to an executive under the Alinta Executive Option Plan on 17 September 2003 at an issue price of Nil and an exercise price of $6.1614, being the volume weighted average price of Alinta's shares on the ASX for the five days prior to and including the issue date. These options are exercisable from the following dates:

   - 25,000 options on 17 September 2004
   - 25,000 options on 17 September 2005
   - 50,000 options on 17 September 2006

   These options expire on 16 September 2013 and the exercise of these options is subject to satisfying specific performance hurdles as detailed in (1) above.

During or since the end of the financial year, Alinta granted options over unissued ordinary shares to the following directors and to the following of the five most highly remunerated officers of Alinta as part of their remuneration:

	No. of Options Granted	Exercise Price	Expiry Date
Director & CEO			
R B Browning	300,000	$4.9182	7 May 2013
Executives			
C Indermaur	95,000	$4.2650	3 March 2013
J R Cahill	95,000	$4.2650	3 March 2013
G vom Berg*	60,000	$4.2650	19 March 2004
M J King	68,000	$4.2650	3 March 2013
D J Franklyn	60,000	$4.2650	3 March 2013

*The options granted to G vom Berg can not be exercised after 19 March 2004

All options were granted during the financial year. No options have been granted since the end of the financial year.

The fair value of options issued during the year to the executives detailed in the table above is estimated at 41.3 cents per option for options expiring on 3 March 2013 and 20.0 cents per option for options expiring on 7 May 2013. This value has been independently calculated, based on the Binomial Model, after considering factors such as the term of the option, the exercise price, the share price on the date of grant, the risk free interest rate, the expected volatility of the share price and the tenure risk inherent in the options.

No options have been granted to the directors of Alinta Limited, apart from R B Browning as detailed in the table above.

Unissued Shares Under Option

At the date of this report, unissued ordinary shares of Alinta under option are:

Expiry date	Exercise Price	No. of Shares
5 March 2012	$4.0454	1,054,250
4 March 2013	$4.2650	1,127,000
7 May 2013	$4.9182	300,000
17 September 2013	$6.1614	100,000

All options expire on the earlier of their expiry date or as detailed in the Terms of Offer, following the termination of the employee’s employment.

Shares Issued on Exercise of Options

During or since the end of the financial year, Alinta issued ordinary shares as a result of the exercise of options as follows:

No. of Shares	Amount Paid on Each Share
103,750	$4.0454

There were no amounts unpaid on the shares issued.

INDEMNIFICATION OF OFFICERS AND AUDITORS AND INSURANCE PREMIUMS

The Company, through Deeds of Indemnity, Insurance and Access, has indemnified all Directors and certain executives of the Company against all liabilities and claims of a civil nature by reason of his or her Directorship or office of the Company. The indemnity does not extend to any claim by Alinta, nor any liability arising out of conduct of the Director or officer involving a lack of good faith.

In addition, Regulation 92 of the Company's Constitution provides an indemnity to each officer of the Company against any liability arising out of the business of the Company unless the liability was incurred by the officer through his or her own dishonesty, negligence, lack of good faith or breach of duty.

Alinta maintains a Directors and Officers insurance policy, which covers Directors, employees and former employees. As the coverage for Directors and Officers insurance forms part of the general third party liability policy, it is not possible to determine the premium applicable to the Directors and Officers insurance policy during the financial year ended 31 December 2003.

ENVIRONMENTAL REGULATION PERFORMANCE

The operations of the Company are not subject to any particular and significant environmental regulation under any law of the Commonwealth of Australia or of any State or Territory thereof.

However, the Company aims to control the impact of its activities on the environment and to the greatest extent possible, ensure that its operations, and those of its subsidiaries, are conducted in accordance with existing legislative requirements.

The Company has not incurred any liability (including any rectification costs) under any environmental legislation.

ROUNDING OF AMOUNTS

The parent entity is a company of a kind specified in Australian Securities and Investments Commission ("ASIC") Class Order 98/0100.

In accordance with that class order, amounts in the consolidated financial statements not technically correct have been rounded to the nearest thousand dollars unless specifically stated to be otherwise.

This report has been made in accordance with a resolution of the Directors.

A J Howarth
Chairman

Robert Browning

R B Browning
Director and Chief Executive Officer

27 February 2004

Alinta Limited
ABN 40 087 857 001

Annual report - 31 December 2003

Contents

Directors	Tony Howarth A O *Chairman*
	Robert Browning *Chief Executive Officer*
	Dwane Buckland *Director (resigned 30 April 2003)*
	Fiona Harris *Director*
	John Poynton *Director*
	Keith Stamm *Director (resigned 30 July 2003)*
	Timothy Healey *Director*
	Tina McMeckan *Director (appointed 20 October 2003)*
	Robert Holzwarth *Timothy Healey's alternate Director (appointment terminated 30 July 2003)*
	Paul Perkins *Keith Stamm's alternate Director (appointment terminated 30 July 2003)*
Company Secretary	Murray King
Principal registered office in Australia	Level 7 1 William Street PERTH WA 6000 Telephone +61 8 9486 3000 Facsimile +61 8 9486 3030 www.alinta.net.au
Auditor	KPMG

Alinta Limited
Statements of financial performance
31 December 2003

	Notes	Consolidated 2003 $'000	Consolidated 2002 $'000	Parent entity 2003 $'000	Parent entity 2002 $'000
Revenue from ordinary activities	4	**597,101**	391,978	**231,534**	70,805
Expenses from ordinary activities, excluding borrowing costs	5	**(442,711)**	(282,616)	**(71,941)**	(24,530)
Borrowing costs	5	**(33,953)**	(24,884)	**(8)**	(14)
Shares of net profits of associates accounted for using the equity method	39	**7,229**	1,198	**-**	-
Profit from ordinary activities before related income tax expense	5	**127,666**	85,676	**159,585**	46,261
Income tax expense	6	**(37,380)**	(27,481)	**(12,569)**	(2,746)
Profit from ordinary activities after related income tax expense		**90,286**	58,195	**147,016**	43,515
Net profit attributable to outside equity interest		**(2,685)**	-	**-**	-
Net profit attributable to members of Alinta Limited	27	**87,601**	58,195	**147,016**	43,515
Total changes in equity from non-owner related transactions attributable to members of Alinta Limited		**87,601**	58,195	**147,016**	43,515
		Cents	Cents		
Basic earnings per share	41	**58.6**	36.4		
Diluted earnings per share	41	**54.4**	36.4		

The above Statements of financial performance should be read in conjunction with the accompanying notes.

Alinta Limited
Statements of financial position
As at 31 December 2003

	Notes	Consolidated 2003 $'000	Consolidated 2002 $'000	Parent entity 2003 $'000	Parent entity 2002 $'000
Current assets					
Cash assets	7	**117,733**	15,222	**1**	1
Receivables	8	**130,045**	71,161	**7,979**	23,507
Inventories	9	**2,726**	651	**-**	-
Other	10	**16,169**	17,136	**331**	358
Total current assets		**266,673**	104,170	**8,311**	23,866
Non-current assets					
Receivables	11	**140,262**	12,971	**389,013**	287,145
Investments accounted for using the equity method	12	**53,332**	3,598	**-**	-
Other financial assets	13	**308**	-	**177,486**	2,400
Property, plant and equipment	14	**694,486**	564,071	**8,796**	6,841
Deferred tax assets	15	**23,365**	2,111	**2,980**	1,406
Intangible assets	16	**103,445**	83,758	**-**	-
Total non-current assets		**1,015,198**	666,509	**578,275**	297,792
Total assets		**1,281,871**	770,679	**586,586**	321,658
Current liabilities					
Payables	17	**115,751**	29,851	**16,493**	4,984
Interest bearing liabilities	18	**3,783**	83	**73**	83
Current tax liabilities	19	**27,378**	16,253	**12,640**	3,020
Provisions	20	**12,502**	27,130	**2,404**	25,531
Other	21	**10,903**	1,138	**-**	-
Total current liabilities		**170,317**	74,455	**31,610**	33,618
Non-current liabilities					
Interest bearing liabilities	22	**609,824**	335,073	**-**	73
Deferred tax liabilities	23	**15,058**	13,855	**59**	51
Provisions	24	**797**	745	**207**	310
Other	25	**7,918**	-	**124,407**	388
Total non-current liabilities		**633,597**	349,673	**124,673**	822
Total liabilities		**803,914**	424,128	**156,283**	34,440
Net assets		**477,957**	346,551	**430,303**	287,218
Equity					
Contributed equity	26	**292,525**	280,605	**292,524**	280,605
Retained profits	27	**137,697**	65,946	**137,779**	6,613
Total parent entity interest		**430,222**	346,551	**430,303**	287,218
Outside equity interest	28	**47,735**	-	**-**	-
Total equity		**477,957**	346,551	**430,303**	287,218

The above Statements of financial position should be read in conjunction with the accompanying notes.

	Notes	Consolidated 2003 $'000	Consolidated 2002 $'000	Parent entity 2003 $'000	Parent entity 2002 $'000
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		**597,935**	425,795	**53,273**	66,754
Payments to suppliers and employees (inclusive of goods and services tax)		**(402,075)**	(267,231)	**(30,110)**	(18,569)
		195,860	158,564	**23,163**	48,185
Dividends received		**1,005**	-	**1,005**	-
Interest received		**10,765**	2,288	**7,799**	39
Interest paid		**(31,909)**	(26,098)	**(78)**	(15)
Income taxes paid		**(35,372)**	(21,161)	**(4,610)**	(696)
GST (remitted to)/received from Australian Taxation Office		**(14,551)**	(13,626)	**2,527**	942
Net cash inflow (outflow) from operating activities	40	**125,798**	99,967	**29,806**	48,455
Cash flows from investing activities					
Payment for acquisition of controlled entities	38	**(201,251)**	-	**(201,251)**	-
Cash acquired on acquisition of entities		**12,730**	-	**-**	-
Payments for property, plant and equipment		**(74,902)**	(26,078)	**(6,396)**	(2,293)
Payments for management contract rights		**(24,640)**	-	**-**	-
Purchase of associated entities		**(51,263)**	-	**(51,263)**	-
Purchase of redeemable preference shares		**(124,384)**	-	**(124,384)**	-
Loans to related parties		**-**	(2,000)	**(40,300)**	(2,000)
Proceeds from sale of interest in controlled entity		**44,000**	-	**44,000**	-
Proceeds from sale of property, plant and equipment		**1,507**	580	**699**	116
Repayment of loans by related parties		**-**	2,000	**20,000**	2,000
Net cash inflow (outflow) from investing activities		**(418,203)**	(25,498)	**(358,895)**	(2,177)
Cash flows from financing activities					
Proceeds from issue of ordinary shares		**36,940**	-	**36,375**	-
Proceeds from issue of reset preference shares		**130,000**	-	**130,000**	-
Proceeds from borrowings		**689,824**	55,000	**-**	-
Reset preference share issue costs		**(1,071)**	-	**(1,071)**	-
Repayment of borrowings		**(411,500)**	(85,000)	**-**	-
Dividends paid	29	**(38,250)**	(35,200)	**(38,250)**	(35,200)
Dividend paid to outside equity interest		**(1,813)**	-	**-**	-
Payment of deferred borrowing costs		**(9,214)**	-	**-**	-
Net cash inflow (outflow) from financing activities		**394,916**	(65,200)	**127,054**	(35,200)
Net increase (decrease) in cash held		**102,511**	9,269	**(202,035)**	11,078
Cash at the beginning of the financial year		**15,222**	5,953	**266,758**	255,680
Cash at the end of the financial year	7	**117,733**	15,222	**64,723**	266,758

The above Statements of cash flows should be read in conjunction with the accompanying notes.

Contents

Note 1. Summary of significant accounting policies

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the *Corporations Act 2001*.

It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

(a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Alinta Limited ('Alinta' or 'parent entity') as at 31 December 2003 and the results of all controlled entities for the year then ended. Alinta Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated statement of financial performance and statement of financial position respectively.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

Investments in associates are accounted for in the consolidated financial statements using the equity method. Under this method, the consolidated entity's share of the post-acquisition profits and losses of associates is recognised in the consolidated statement of financial performance, and its share of post-acquisition movements in reserves is recognised in consolidated reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are those entities over which the consolidated entity exercises significant influence, but not control.

(b) Income tax

The consolidated entity adopts the income statement liability method of tax effect accounting.

Income tax expense in the statement of financial performance is calculated on operating profit adjusted for permanent differences (income and expenses never to be assessed or allowed for taxation purposes) between taxable and accounting income.

Income tax on cumulative timing differences (income and expense items recognised in different accounting periods for book and tax purposes) is set aside to the deferred tax liability or the deferred tax asset accounts at the rates which are expected to apply when those timing differences reverse.

Deferred tax assets are not brought to account unless realisation of the asset is assured beyond reasonable doubt, or if relating to tax losses, when realisation is virtually certain.

(c) Foreign currency translation

(i) Transactions

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange differences are recognised in determining the profit or loss for the year except where hedging specific anticipated transactions.

Note 1. Summary of significant accounting policies (continued)

(ii) Hedging of specific commitments

Hedging is undertaken in order to avoid or minimise possible adverse financial effects of movements in exchange rates. Gains or costs arising upon entry into a hedging transaction intended to hedge the purchase or sale of goods or services, together with subsequent exchange gains or losses resulting from those transactions are deferred in the statement of financial position from the inception of the hedging transaction up to the date of the purchase or sale and included in the measurement of the purchase or sale. The net amounts receivable or payable under the hedging transaction are also recorded in the statement of financial position using the foreign currency at reporting date. Any gains or losses arising on the hedging transaction after the recognition of the hedged purchase or sale are included in the statement of financial performance.

When anticipated purchase or sale transactions have been hedged, actual purchases or sales which occur during the hedged period are accounted for as having been hedged until the amounts of those transactions are fully allocated against the hedged amounts.

If the hedged transaction is not expected to occur as originally designated, or if the hedge is no longer expected to be effective, any previously deferred gains or losses are recognised as revenue or expense immediately.

If the hedging transaction is terminated prior to its maturity date and the hedged transaction is still expected to occur as designated, deferral of any gains and losses which arose prior to termination continues and those gains and losses are included in the measurement of the hedged transaction.

In circumstances where a hedging transaction is terminated prior to maturity because the hedged transaction is no longer expected to occur as designated, any previously deferred gains and losses are recognised in the statement of financial performance on the date of termination.

If a hedge transaction relating to a commitment for the purchase or sale of goods or services is redesignated as a hedge of another specific commitment and the original transaction is still expected to occur as designated, the gains and losses that arise on the hedge prior to its redesignation continue to be deferred and included in the measurement of the original purchase or sale when it takes place. If the hedge transaction is redesignated as a hedge of another commitment because the original purchase or sale transaction is no longer expected to occur as designated, the gains and losses that arise on the hedge prior to its redesignation are recognised in the statement of financial performance at the date of the redesignation.

(d) Acquisition of assets

All assets acquired, including property, plant and equipment and intangibles other than goodwill, are initially recorded at their cost of acquisition at the date of acquisition. Cost is determined as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

Where equity instruments are issued in an acquisition, the fair value of the instruments is their market price as at the acquisition date, except where the notional value at which they could be placed in the market is a better indication of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity, subject to the extent of proceeds received, otherwise expensed.

Note 1. Summary of significant accounting policies (continued)

Where an entity or operation is acquired and the fair value of the identifiable net assets acquired, including any liability for restructuring costs, exceeds the cost of acquisition, the difference, representing a discount on acquisition, is accounted for by reducing proportionately the fair values of the non-monetary assets acquired to zero until the discount is eliminated. Where, after reducing the recorded amounts of the non-monetary assets acquired to zero, a discount balance remains it is recognised as revenue in thestatement of financial performance, entitled "Profit on acquisition of entities".

(e) Revenue recognition

Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities as follows:

Note 1. Summary of significant accounting policies (continued)

(i) *Sales revenue*
Sales revenue represents revenue earned from the sale and distribution of gas and related services, and the provision of telecommunication services.

Revenue from the sale and distribution of gas is recognised on delivery of the gas. Customers are billed for gas sales on a periodic and regular basis. However, as at each balance date, sales and receivables include an estimation of gas sales for gas delivered to customers but not yet billed ("unread sales"). This estimation is based on previous consumption patterns and meter reading dates.

Telecommunications
Telecommunications service fees are recognised in the period the service is provided to the customer. Telecommunications connection revenue is recoginsed once the customer is connected to the network. In instances where substantial connection fees are received in advance of services provided, the revenue relating to this connection fee is capped at 20% of the total contract value. The remaining contract value is deferred and recognised over the period the service is provided.

Rendering of services
Revenue from rendering services is recognised in proportion to the stage of completion of the contract when the stage of contract completion can be reliably measured. The stage of completion is assessed by reference to surveys of work performed.

Where the outcome of a contract cannot be reliably estimated, contract costs are expensed as incurred. Where it is probable that the costs will be recovered, revenue is only recognised to the extent of costs incurred. An expected loss is recognised immediately as an expense.

The Company can receive revenue in advance of providing the services. This revenue is treated as unearned and is not recognised in the statement of financial performance but deferred to the statement of financial position.

Construction contracts
Contract revenue and expenses are recognised on an individual contract basis using the percentage completion method when the stage of completion can be reliably determined, costs to date can be clearly identified, and total contract revenue and costs to complete can be reliably estimated.

Stage of completion is measured by reference to an assessment of total labour hours and other costs incurred to date as a percentage of estimated total costs for each contract.

Where the outcome of a contract cannot be reliably estimated, contract costs are expensed as incurred. Where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred. An expected loss is recognised immediately as an expense.

(ii) *Interest revenue*
Interest revenue is recognised as it is earned.

(iii) *Sale of non-current assets*
The gross proceeds of non-current asset sales are included as revenue at the date control of the assets passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Note 1. Summary of significant accounting policies (continued)

(iv) Dividend income

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates are accounted for in accordance with the equity method of accounting.

(f) Receivables

Receivables are carried at amounts due, subject only to unread sales as outlined in note 1(e)(i) sales revenue above. Accounts are usually settled within no more than 30 days.

Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision is raised for any doubtful accounts.

(g) Inventories

Finished goods and gas inventory are stated at average cost. Stores are recorded at the lower of cost and net realisable value.

(h) Recoverable amount of non-current assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal. The carrying amounts of non-current assets are reviewed to determine whether they are in excess of their recoverable amount each balance date.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs.

In assessing the recoverable amounts of non-current assets, the relevant cash flows have been discounted using an appropriate discount rate.

(i) Investments

Interests in listed and unlisted securities, other than controlled entities and associates in the consolidated financial statements, are brought to account at cost and dividend income is recognised in the statement of financial performance when receivable. Controlled entities and associates are accounted for in the consolidated financial statements as set out in note 1(b).

Note 1. Summary of significant accounting policies (continued)

(j) Depreciation of property, plant and equipment

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each item of property, plant and equipment (excluding land) over its expected useful life. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives are as follows:

Category	Useful life	Depreciation basis
Gas distribution system:		
Mains	60 - 120 years	straight line
Secondary gate stations	40 years	straight line
Regulators	40 years	straight line
Meters	25 years	straight line
Telemetry and monitoring	25 years	straight line
Buildings	40 years	straight line
Fibre optic cable and associated infrastructure	30 years	straight line
Fibre optic network equipment	7 years	straight line
Other plant and equipment	3 - 10 years	straight line

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and commissioned as ready for use.

Major spares purchased specifically for particular plant are capitalised and depreciated on the same basis as the plant to which they relate.

(k) Leased non-current assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incident to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Finance Leases
Finance leases are capitalised. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the interest expense.

The leased asset is amortised on a straight line basis over the term of the lease, or where it is likely that the company will obtain ownership of the asset, the life of the asset.

Operating Leases

Payments under operating leases are expensed on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits derived from the leased property.

Note 1. Summary of significant accounting policies (continued)

(l) Intangible assets

(i) Management contract rights
Management contract rights relate to the Alinta Network Services Pty Ltd ("ANS") operating services agreements and are recognised at the net cost of acquisition, including restructuring costs, employee entitlement liabilities assumed net of the profit on disposal of an interest in AlintaGas Networks Pty Ltd. Management contract rights are being amortised over the estimated term of the ANS services agreements.

(ii) Distribution licences
The consolidated entity has distribution licences that entitle it to own and operate the gas distribution system and to distribute gas. The distribution licences have been brought to account having regard to the expected future net cash flows derived from holding the distribution licences, and are being amortised on a straight line basis over their estimated useful lives of 105 years.

(m) Trade and other creditors

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(n) Interest bearing liabilities

Loans are recognised when issued at the amounts of the net proceeds received. Interest is accrued over the period it becomes due.

(o) Derivative financial instruments

The consolidated entity enters into forward foreign exchange contracts, commodity contracts and interest rate swap agreements.

The accounting for forward foreign exchange contracts is in accordance with note 1(c). Commodity contracts are accounted for in the same manner as forward foreign exchange contracts.

The net amounts receivable or payable under open interest swaps and the associated deferred gains or losses are not recorded on the statement of financial position until the hedge transaction occurs.

Derivative financial instruments are not held for speculative purposes.

(p) Employee benefits

(i) Wages and salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other creditors in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Note 1. Summary of significant accounting policies (continued)

(ii) *Long service leave*
The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) *Bonus plans*
A liability for employee benefits in the form of bonus plans is recognised in other creditors when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- there are formal terms in the plan for determining the amount of the benefit
- the amounts to be paid are determined before the time of completion of the financial report, or
- past practice gives clear evidence of the amount of the obligation.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(iv) *Superannuation*
The consolidated entity contributes to several accumulated contribution superannuation plans and two defined benefit employee superannuation plans. Contributions are charged against income as they are made.

(v) *Termination benefits*
Liabilities for termination benefits, not in connection with the acquisition of an entity or operation, are recognised when a detailed plan for the terminations has been developed and a valid expectation has been raised in those employees affected that the terminations will be carried out. The liabilities for termination benefits are recognised in other creditors unless the amount or timing of the payments is uncertain, in which case they are recognised as provisions.

(vi) *Employee benefit on-costs*
Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(vii) *Employee share and option plans*
Where shares or options are issued to employees, including directors, as remuneration for past services, the difference between fair value of the shares or options issued and the consideration received, if any, from the employee is expensed. The fair value of the share or options is recorded in contributed equity.

(q) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred, unless they relate to qualifying assets, which have construction periods extending beyond one year, in which case they are capitalised to the qualifying asset.

Note 1. Summary of significant accounting policies (continued)

Borrowing costs capitalised are part of the total capital cost of the qualifying asset and are depreciated accordingly. Following the completion and commissioning of these assets, all subsequent borrowing costs are expensed as incurred.

Ancillary costs incurred in connection with the arrangement of borrowings, are capitalised and amortised over the life of the borrowings.

Borrowing costs include:

- interest on bank overdrafts and short-term and long-term borrowings, including amounts paid or received on interest rate swaps
- amortisation of discounts or premiums relating to borrowings
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings, and
- finance lease charges

(r) Cash

For purposes of the statement of cash flows, cash includes cash on hand and in banks, and deposits at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts. The parent entity also considers cash equivalents within the inter-company working accounts to be cash.

(s) Earnings per share

(i) Basic earnings per share
Basic earnings per share is determined by dividing the net profit after income tax attributable to members of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(t) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as a part of expenses.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statements of financial position.

Cash flows are included in the statements of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities that are recoverable from, or payable to, the ATO are classified as operating cash flows.

Note 1. Summary of significant accounting policies (continued)

(u) Cost of sales

Cost of sales includes the cost of gas purchases, the cost of gas transmission and the cost of energy.

(v) Contributed equity

Ordinary share capital is recorded at consideration received. The costs of issuing securities are charged against the share capital. Ordinary share capital bears no special terms or conditions affecting income or capital entitlements of the shareholders.

(w) Redeemable preference shares

United Energy Distribution Holdings Pty Ltd ("UEDH") issued Alinta with redeemable preference shares with the terms set out in note 11. These instruments have not been classified as an investment but as a receivable on the basis that Alinta has a contractual right to receive cash to settle this obligation.

(x) Reset Preference Shares

The reset preference shares have no fixed maturity, are redeemable at the option of the Company and have no cumulative interest obligations. Accordingly, the proceeds received are classified as equity and the related distributions as dividends. Upon the introduction of International Financial Reporting Standards, it is anticipated that the reset preference shares will be classified as debt.

Note 2. Change in accounting policy

Dividend provisions

The consolidated entity adopted Accounting Standard AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" effective from 1 January 2003. Previously, the consolidated entity has provided for ordinary share dividends where there was an expectation of payment after the reporting date. AASB 1044 now prohibits the recognition of dividends as liabilities where they were not declared, determined or publicly recommended on or before the reporting date. Accordingly, the consolidated entity has not provided for ordinary share dividends at 31 December 2003.

As a result of this change, the adjustments to the consolidated financial report as at 1 January 2003 are:

- $22.4 million increase in opening retained profits
- $22.4 million decrease in provision for ordinary dividends

There was no impact on profit or loss for the financial year ended 31 December 2003.

Note 3. Segment information

Business Segments
The consolidated entity's primary reporting is business segments which comprises the following main business segments.

Energy retail
Retail of gas and electricity.

Energy distribution
Distribution of gas and electricity.

Asset management services
Maintenance and construction services provided to the energy distribution segment and external customer; financial, information technology and other office support services provided to the energy distribution segment.

Co-generation
Construction and ownership of co-generation plant.

WLPG
Profit share arrangement with Wesfarmers Pty Ltd ("WLPG") and sale of gas.

Uecomm
Provision of telecommunications data and broadband services.

Other
Investment activities, business development activities and general corporate activities. None of these activities constitutes a separately reportable segment.

Geographical segments
The consolidated entity operates in predominately one geographical segment, that is Australia.

Primary reporting - business segments

	Energy retail $'000	Energy distribution $'000	Asset management services $'000	Co-generation $'000	Uecomm $'000	WLPG $'000	Other $'000	Inter-segment eliminations $'000	Consolidated $'000
2003									
Sales to external customers	317,098	4,868	139,714	-	27,029	82,645	621	-	571,975
Intersegment sales	2,859	130,998	29,743	-	529	-	5,716	(169,845)	-
Total sales revenue	319,957	135,866	169,457	-	27,558	82,645	6,337	(169,845)	571,975
Shares of net profits of associates	-	6,725	504	-	-	-	-	-	7,229
Total segment revenue	319,957	142,591	169,961	-	27,558	82,645	6,337	(169,845)	579,204
Segment result	55,386	57,599	11,136	-	1,083	26,413	(18,915)	(21,686)	111,016
Unallocated revenue less unallocated expenses									16,650
Profit from ordinary activities before income tax expense									127,666
Income tax expense									(37,380)
Profit from ordinary activities after income tax expense									90,286
Net profit									90,286
Segment assets	244,668	723,302	117,048	20,495	130,261	36,495	621,580	(611,978)	1,281,871
Total assets									1,281,871
Segment liabilities	195,228	636,695	93,223	20,495	85,423	-	226,127	(453,277)	803,914
Total liabilities									803,914
Investments in associates	-	53,332	-	-	-	-	-	-	53,332

Note 3. Segment information (continued)

Acquisition of property, plant and equipment, intangibles and other non-current segment assets	-	27,120	2,273	18,900	99,867	-	4,378	-	152,538
Depreciation and amortisation expense	10	21,224	2,624	-	6,751	-	4,036	(4,385)	30,260

Primary reporting - business segments

2002	Energy retail $'000	Energy distribution $'000	Asset management services $'000	Co-generation $'000	Uecomm $'000	WLPG $'000	Other $'000	Inter-segment eliminations $'000	Consolidated $'000
Sales to external customers	301,137	3,624	-	-	-	79,508	4,811	-	389,080
Intersegment sales	4,202	107,400	-	-	-	-	-	(111,602)	-
Total sales revenue	305,339	111,024	-	-	-	79,508	4,811	(111,602)	389,080
Shares of net profits of associates	-	-	1,198	-	-	-	-	-	1,198
Total segment revenue	305,339	111,024	1,198	-	-	79,508	4,811	(111,602)	390,278
Segment result	37,107	33,331	1,198	-	-	25,222	(40,237)	-	56,621
Unallocated revenue less unallocated expenses									29,054
Profit from ordinary activities before income tax expense									85,675
Income tax expense									(27,480)
Net profit									58,195
Segment assets	154,572	666,807	-	-	-	43,238	772,576	(866,514)	770,679
Total assets									770,679
Segment liabilities	159,485	647,102	-	-	-	-	485,252	(867,711)	424,128
Total liabilities									424,128
Investments in associates	-	-	2,400	-	-	-	-	-	2,400
Acquisition of property, plant and equipment, intangibles and other non-current segment assets	-	23,785	-	-	-	-	2,293	-	26,078
Depreciation and amortisation expense	19	20,060	-	-	-	-	5,511	-	25,590

Notes to and forming part of the segment information

(a) Accounting policies

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 1 and accounting standard AASB 1005 *Segment Reporting.*

Note 4. Revenue

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Revenue from operating activities				
Sales revenue	**410,130**	375,266	**-**	-
Service revenue	**150,479**	2,444	**-**	-
	560,609	377,710	**-**	-
Revenue from outside the operating activities				
Related party interest received or receivable	**7,050**	-	**8,136**	1,381
Interest received or receivable	**4,354**	2,288	**1,953**	39
Related party dividend received or receivable	**-**	-	**26,247**	39,400
Bad debts recovered	**25**	-	**-**	-
Foreign currency translation gains	**166**	-	**-**	-
Foreign currency gains	**54**	-	**-**	-
Inter-company recovery of corporate costs	**-**	-	**18,457**	25,065
Management services revenue	**-**	4,585	**4,652**	4,579
Profit on acquisition of entities*	**9,584**	-	**-**	-
Other revenue	**13,752**	6,815	**1,683**	225
Gross proceeds on sale of non-current assets	**1,507**	580	**170,406**	116
	36,492	14,268	**231,534**	70,805
Revenue from ordinary activities (excluding share of equity accounted net profits of associates)	**597,101**	391,978	**231,534**	70,805

*** Profit on Acquisition of entities**

The fair value of assets of controlled entities acquired during the period exceeded the cost of acquisition. The difference, representing a discount on acquisition was accounted for by reducing proportionately the fair values of the non-monetary assets acquired to zero. After reducing the recorded amounts of the non-monetary assets acquired to zero, a discount balance remained and has been recognised as revenue.

Note 5. Profit from ordinary activities

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Net gains and expenses				
Profit from ordinary activities before income tax expense includes the following specific net gains and expenses:				
Net Gains				
Net gain/(loss) on disposal				
Investments **	**199**	-	**147,905**	-
Property, plant and equipment	**(13)**	(28)	**294**	8
Expenses				
Cost of sales of goods	**195,026**	200,432	**-**	-
			-	-
Direct Labour	**52,046**	13,369	**6,982**	6,371
Depreciation and amortisation	**30,260**	23,925	**4,036**	5,511
Foreign Exchange Loss	**243**	-	**-**	-
Write down of land and buildings to recoverable amount	**-**	1,666	**-**	-
Write down of investment in associate*	**3,652**	-	**3,652**	-
Severance payments (redundancies)	**711**	109	**218**	-
Materials and services	**159,679**	42,506	**23,946**	12,540
Intercompany debt forgiveness expense	**-**	-	**10,900**	-
Carrying amount of non-current assets sold	**1,094**	609	**22,207**	108
Expenses from ordinary activities, excluding borrowing costs	**442,711**	282,616	**71,941**	24,530
Included in the above total is the following:				
Depreciation				
Buildings	**45**	151	**14**	-
Plant and equipment	**26,538**	23,047	**3,966**	5,511
Total depreciation	**26,583**	23,198	**3,980**	5,511
Amortisation				
Plant and equipment under finance leases	**193**	-	**56**	-
Deferred borrowing costs	**2,330**	-	**-**	-
Distribution licences	**817**	817	**-**	-
Management contract rights	**310**	-	**-**	-
Patents and trademarks	**27**	-	**-**	-
Total amortisation	**3,677**	817	**56**	-

Note 5. Profit from ordinary activities (continued)

Other charges against assets				
Bad and doubtful debts - trade debtors	**1,198**	1,024	**-**	-
Borrowing costs				
Interest and finance charges	**33,953**	24,884	**8**	14
Provisions				
Employee entitlements	**5,203**	5,475	**360**	3,441
Other provisions	**337**	-	**-**	-
Total other provisions	**5,540**	5,475	**360**	3,441
Rental expense relating to operating leases				
Minimum lease payments	**2,608**	1,353	**421**	630

*** Write down of investment in associate**

At 31 December 2003 the directors have assessed the recoverable amount of the investment in MGH, and based on this assessment have written down the investment by $3.652 million to a value of $47.320 million.

**** Net gain on disposal of investment**

The parent entity sold 25.9% of AlintaGas Networks to the Diversified Utility and Energy Trust No.1 & No.2 ("DUET"), and sold 24.1% to ANetworks Pty Ltd ("ANetworks"). Alinta Network Holdings Pty Ltd then acquired shares held in AlintaGas Networks from Alinta, ANetworks and DUET by issuing its own shares as consideration. This resulted in a profit on sale of investment of $147.905 million.

Note 6. Income tax

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Income tax expense				
(a) The income tax expenses for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:				
Profit from ordinary activities before income tax expense	**127,666**	85,676	**159,585**	46,261
Income tax calculated @ 30% (2002 - 30%)	**38,300**	25,703	**47,875**	13,878
Tax effect of permanent differences				
Non assessable profit on sale of investment	**-**	-	**(33,986)**	-
Depreciation of capital assets	**803**	804	**14**	15
Amortisation of distribution licences	**245**	245	**-**	-
Amortisation of intellectual property	**125**	-	**-**	-
Amortisation of goodwill	**128**	-	**-**	-
Additional depreciation and amortisation claimable	**(1,225)**	-	**-**	-
Non-deductible set up costs	**-**	646	**-**	646
Write-off of loan to associate	**(88)**	-	**-**	-
Rebatable dividends	**-**	-	**(7,440)**	(11,820)
Write-down of land to recoverable amount	**-**	330	**-**	-
Share of net profit of associates	**(1,716)**	(359)	**-**	-
Debt forgiveness expense	**-**	-	**3,270**	-
Non assessable profit on acquisition	**(2,874)**	-	**-**	-
Write-down of investment	**1,095**	-	**1,095**	-
Restatement of deferred tax in relation to tax losses	**282**	-	**-**	-
Non deductible expenses in relation to acquisition of entities	**1,900**	-	**1,900**	-
Other non-deductible expenses	**555**	31	**29**	16
Income tax adjusted for permanent differences	**37,530**	27,400	**12,757**	2,735
Under (over) provision in prior year	**(150)**	81	**(188)**	11
Income tax expense	**37,380**	27,481	**12,569**	2,746

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Tax losses				
(b) Part of the future income tax benefit shown in note 15 is attributable to tax losses. The directors estimate that that the potential future income tax benefit at 31 December 2003 in respect of tax losses not brought to account is	**2,327**	10,589	**-**	-

Note 6. Income tax (continued)

This benefit for tax losses will only be obtained if:

(i) the entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, or
(ii) the losses are transferred to an eligible entity in the consolidated entity, and
(iii) the entity continues to comply with the conditions for deductibility imposed by tax legislation, and
(iv) no changes in tax legislation adversely affect the entity in realising the benefit from the deductions for the losses.

Tax consolidation
During the year, legislation was enacted to allow groups, comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes. The legislation, which includes both mandatory and elective elements, is applicable to Alinta Limited.

As at reporting date, the Directors have made a decision to elect to be taxed as a single entity from 1 January 2004. In accordance with Urgent Issues Group (UIG) Consensus Views, UIG 39 "Effect of proposed tax consolidation legislation on deferred tax balances", the financial effect of the legislation has not been brought to account in the financial statements for the year ended 31 December 2003. This will not have a significant impact on the financial statements at 31 December 2003.

Note 7. Current assets - Cash assets

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Cash on hand	**12**	3	**1**	1
Cash at bank	**52,721**	15,219	**-**	-
Cash on deposit	**65,000**	-	**-**	-
	117,733	15,222	**1**	1

The above figures are reconciled to cash at the end of the financial year as shown in the statements of cash flows as follows:

	Consolidated 2003	Consolidated 2002	Parent entity 2003	Parent entity 2002
Balances as above	**117,733**	15,222	**1**	1
Add: cash equivalent component of net inter-company receivable/(payable)	**-**	-	**64,722**	266,757
Balances as per statements of cash flows	**117,733**	15,222	**64,723**	266,758

Note 8. Current assets - Receivables

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Trade debtors	**100,145**	69,402	**275**	968
Less: Provision for doubtful debts	**(2,491)**	(1,024)	**-**	-
	97,654	68,378	**275**	968
Other debtors	**27,777**	1,645	**7,704**	139
Hedge receivable	**3,975**	1,138	**-**	-
Interest receivable	**639**	-	**-**	-
Dividends due from subsidiary	**-**	-	**-**	22,400
	130,045	71,161	**7,979**	23,507

Note 9. Current assets - Inventories

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Manufactured gas, at cost	**587**	384	**-**	-
Stores, at cost	**2,139**	267	**-**	-
	2,726	651	**-**	-

Note 10. Current assets - Other

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Prepayments	**14,853**	13,771	**331**	358
Deferred hedge loss	**-**	3,365	**-**	-
Deferred expenses	**322**	-	**-**	-
Accrued revenue	**994**	-	**-**	-
	16,169	17,136	**331**	358

Note 11. Non-current assets - Receivables

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Other receivables	**5,097**	-	**-**	-
Less: Provision for doubtful other receivables	**(2,109)**	-	**-**	-
	2,988	-	**-**	-
Redeemable preference shares	**124,384**	-	**124,384**	-
Loans to related parties	**-**	-	**56,400**	-
Inter-company working accounts	**-**	-	**178,229**	267,145
Inter-company interest bearing loan accounts	**-**	-	**30,000**	20,000
Other debtors - non-interest bearing	**72**	153	**-**	-
Other debtors - interest bearing*	**12,818**	12,818	**-**	-
	140,262	12,971	**389,013**	287,145

* This debtor is due to be repaid in June 2005 and has an interest rate applicable of 13.63% per annum.

Interest on inter-company loans is calculated monthly and is based on the weighted average interest cost of the debt financing arrangements in place for Alinta Finance Pty Ltd. There are no fixed dates of repayment on these loans however it is intended that the amounts will be fully repaid within 10 years.

There is no interest on inter-company working accounts. There are no fixed dates of repayment on these loans.

The investment in redeemable preference shares in an associated company, United Energy Distribution Holdings Pty Ltd ("UEDH"), attracts cumulative interest at a rate of 13.5% per annum and the principal is redeemable 20 years from the date of issue. Each redeemable preference share has an issue price of $99 and is stapled to one ordinary share in UEDH with each ordinary share having an issue price of $1. The investment in UEDH ordinary shares is disclosed in note 39.

Included in loans to related parties is $54 million due from Uecomm Limited ("Uecomm"). On 23 July 2003, the Subordinated Loan Facility that Uecomm previously held with United Energy Limited ("UEL") was transferred from UEL to Alinta Finance Pty Ltd ("Alinta Finance"). The limit of this facility is $80 million and as at 31 December 2003 $54 million had been drawn down. Interest accrues daily on the outstanding principal at a fixed rate of 8% per annum. The facility can be drawn down until 29 June 2006 and repayment is due on or before 29 June 2007.

Note 12. Non-current assets - Investments accounted for using the equity method

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Shares in associates (notes 39)	**53,332**	3,598	**-**	-
	53,332	3,598	**-**	-

Shares in associates
Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting.

Note 13. Non-current assets - Other financial assets

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Shares in controlled entities - at cost (notes 38)	**-**	-	**129,874**	-
Shares in other related parties - at cost	**308**	-	**-**	-
Shares in associates - at recoverable amount (at cost 2002)	**-**	-	**47,612**	2,400
Total non-traded shares	**308**	-	**177,486**	2,400

Note 14. Non-current assets - Property, plant & equipment

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Land & buildings				
Freehold land				
At cost	**3,241**	1,214	**2,715**	-
At recoverable amount	**-**	2,400	**-**	-
	3,241	3,614	**2,715**	-
Buildings				
At cost	**1,516**	1,599	**914**	-
Less: Accumulated depreciation	**(68)**	(106)	**(14)**	-
	1,448	1,493	**900**	-
Leasehold improvements				
At cost	**394**	-	**-**	-
Less: Accumulated amortisation	**(103)**	-	**-**	-
	291	-	**-**	-
Total land and buildings	**4,980**	5,107	**3,615**	-
Plant and equipment				
Plant & equipment				
At cost	**771,509**	613,279	**20,608**	19,575
Less: Accumulated depreciation	**(114,582)**	(56,784)	**(18,808)**	(14,940)
	656,927	556,495	**1,800**	4,635
Plant & equipment under finance lease	**1,264**	223	**223**	223
Less: Accumulated depreciation	**(570)**	(60)	**(116)**	(60)
	694	163	**107**	163
Plant and equipment in the course of construction	**31,885**	2,306	**3,274**	2,043
Total plant and equipment	**689,506**	558,964	**5,181**	6,841
	694,486	564,071	**8,796**	6,841

Note 14. Non-current assets - Property, plant & equipment (continued)

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below:

	Freehold land $'000	Buildings $'000	Leasehold improvements $'000	Plant and equipment $'000	Assets under construction $'000	Leased Plant & Equipment $'000
Consolidated						
Carrying amount at 1 January 2003	3,614	1,493	-	556,495	2,306	163
Additions	-	914	41	47,064	20,689	-
Disposals	(373)	(1,480)	-	(333)	-	(34)
Additions through acquisition of entity (note 38)	-	-	276	66,250	22,853	758
Revaluations	-	566	-	-	-	-
Depreciation/amortisation expense (note 5)	-	(45)	(26)	(26,061)	(451)	(193)
Transfers	-	-	-	13,512	(13,512)	-
Carrying amount at 31 December 2003	3,241	1,448	291	656,927	31,885	694

	Freehold land $'000	Buildings $'000	Leasehold improvements $'000	Plant and equipment $'000	Assets under construction $'000	Leased Plant & Equipment $'000
Parent entity						
Carrying amount at 1 January 2003	-	-	-	4,635	2,043	163
Additions	3,088	914	-	852	1,511	-
Disposals	(373)	-	-	(1)	-	-
Depreciation/amortisation expense (note 5)	-	(14)	-	(3,966)	-	(56)
Transfers	-	-	-	280	(280)	-
Carrying amount at 31 December 2003	2,715	900	-	1,800	3,274	107

Note 15. Non-current assets - Deferred tax assets

	Consolidated		Parent entity	
	2003 $'000	2002 $'000	**2003 $'000**	2002 $'000
Future income tax benefits - tax losses	**12,000**	-	**-**	-
Future income tax benefits - timing differences	**11,365**	2,111	**2,980**	1,406
	23,365	2,111	**2,980**	1,406

Note 16. Non-current assets - Intangible assets

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Management contract rights at cost	**13,709**	-	**-**	-
Less: Accumulated amortisation	**(310)**	-	**-**	-
	13,399	-	**-**	-
Distribution licences at cost	**85,801**	85,801	**-**	-
Less: Accumulated amortisation	**(2,860)**	(2,043)	**-**	-
	82,941	83,758	**-**	-
Patents, trademarks & licences at cost	**296**	-	**-**	-
Less: Accumulated amortisation	**(75)**	-	**-**	-
	221	-	**-**	-
Deferred borrowing costs	**9,214**	-	**-**	-
Less: Accumulated amortisation	**(2,330)**	-	**-**	-
	6,884	-	**-**	-
	103,445	83,758	**-**	-

Reconciliations

Reconciliations of the consolidated carrying amounts of each class of intangible assets at the beginning and end of the current and previous financial year are set out below:

	Management Contract Rights $'000	**Distribution Licenses $'000**	**Deferred Borrowing Costs $'000**	**Patents and Trademarks $'000**
Consolidated				
Carrying amount at 1 January 2003	-	83,758	-	-
Additions	13,709	-	9,214	-
Additions through acquisition of entity (note 38)	-	-	-	248
Amortisation expense (note 5)	(310)	(817)	(2,330)	(27)
Carrying amount at 31 December 2003	13,399	82,941	6,884	221

Note 17. Current liabilities - Payables

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Trade creditors and accruals	**108,910**	21,178	**16,214**	4,855
Hedge payable	**-**	3,365	**-**	-
Other payables	**6,841**	5,308	**279**	129
	115,751	29,851	**16,493**	4,984

Note 18. Current liabilities - Interest bearing liabilities

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Unsecured				
Bank loans	**3,500**	-	**-**	-
Finance lease liability (note 35)	**283**	83	**73**	83
	3,783	83	**73**	83

Note 19. Current liabilities - Current tax liabilities

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Income tax payable	**27,378**	16,253	**12,640**	3,020
	27,378	16,253	**12,640**	3,020

Note 20. Current liabilities - Provisions

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Dividends payable	**-**	22,400	**-**	22,400
Annual leave (note 36)	**5,457**	1,746	**866**	1,128
Long service leave (note 36)	**2,915**	1,220	**491**	750
Other employee entitlements (note 36)	**3,353**	1,764	**1,047**	1,253
Provisions - other	**777**	-	**-**	-
	12,502	27,130	**2,404**	25,531

Reconciliations

Reconciliations of the carrying amounts of each class of current provisions at the beginning and end of the financial year, are set out below.

	Dividends payable $'000	**Annual Leave $'000**	**Long Service Leave $'000**	**Other employee entitlements $'000**	**Other Provision $'000**
Consolidated					
Carrying amount at 1 January 2003	22,400	1,746	1,220	1,764	-
Adjustment from change in accounting policy (note 2)	(22,400)	-	-	-	-
Additional provisions recognised	-	2,047	302	2,576	337
Provisions acquired (note 38)	-	3,363	1,353	-	440
Payments/other sacrifices of economic benefits	-	(1,699)	(395)	(987)	-
Transfer from non current provision(note 24)	-	-	435	-	-
Carrying amount at 31 December 2003	-	5,457	2,915	3,353	777

Note 21. Current liabilities - Other

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Unsecured				
Deferred income	**6,928**	-	**-**	-
Deferred hedge gain	**3,975**	1,138	**-**	-
	10,903	1,138	**-**	-

Note 22. Non-current liabilities - Interest bearing liabilities

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Unsecured				
Bank loans - senior facility	**530,000**	335,000	**-**	-
Subordinated loan	**79,824**	-	**-**	-
Finance lease liability (note 35)	**-**	73	**-**	73
Total unsecured non-current interest bearing liabilities	**609,824**	335,073	**-**	73
Total non-current interest bearing liabilities	**609,824**	335,073	**-**	73

Financing arrangements

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
The consolidated entity has access to the following financing facilities with a syndicate of Australian and overseas banks:				
Total facilities				
Bank loan facilities	**563,000**	470,000	**-**	-
Used at balance date				
Bank loan facilities	**535,428**	335,000	**-**	-
Unused at balance date				
Bank loan facilities	**27,572**	135,000	**-**	-

The senior debt facilities include a $530 million facility provided by a syndicate of Australian and overseas banks with a $230 million tranche maturing in January 2004 and a $300 million tranche maturing in July 2006. The maturity of Tranche A was extended to March 2004. CBA, Citibank, N.A. and Westpac have agreed to provide a three year Club Facility from March 2004 on agreed terms and conditions. Final documentation is in progress.

Westpac Banking Corporation and Citibank, N.A. also provide a $15 million working capital facility and a $15 million capital expenditure facility. The working capital facility is currently undrawn however $3.5 million has been drawn down on the capital expenditure facility.

The interest rates for all facilities are based on a margin above the prevailing bank bill rate and are re-set every one, two, three or six months. Interest rate swaps are used to fix the interest rate of a portion of the floating rate borrowings. All of the facilities are unsecured based on negative pledge covenants.

There is also a subordinated loan of $79.8 million, jointly with Diversified Utility and Energy Trust No. 1 & No. 2, maturing in July 2018. The interest rate on this loan is fixed at 8.25%.

Westpac Banking Corporation, CBA and WestLB AG are also negotiating to provide a $121 million facility maturing 15 years after completion of construction of the Alcoa Co-generation plant (currently forecast for June 2005).

ANZ Bank provide a $3m facility for construction guarantees for one of the wholly owned subsidiaries of the group.

Note 23. Non-current liabilities - Deferred tax liabilities

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Provision for deferred income tax	**15,058**	13,855	**59**	51

Note 24. Non-current liabilities - Provisions

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Long service leave	**797**	745	**207**	310
	797	745	**207**	310

Reconciliation
Reconciliations of the carrying amount of each class of non-current provisions at the beginning and end of the financial year, are set out below.

	Long service leave $'000
Consolidated	
Carrying amount at 1 January 2003	745
Additional provisions recognised	278
Provisions acquired (note 38)	209
Transfer to current provision(note 20)	(435)
Carrying amount at 31 December 2003	797

Note 25. Non-current liabilities - Other

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Unsecured				
Inter-company workings accounts	**-**	-	**124,407**	388
Deferred income	**7,918**	-	**-**	-
	7,918	-	**124,407**	388

There is no interest on inter-company working accounts. There are no fixed dates of repayment on these loans.

Note 26. Contributed equity

	Notes	Parent entity **2003** **Shares**	Parent entity 2002 Shares	Parent entity **2003** **$'000**	Parent entity 2002 $'000
(a) Contributed equity					
Ordinary shares (b)		**168,092,750**	160,000,000	**316,980**	280,605
Less: Treasury stock (c)		**(36,000,000)**	-	**(153,385)**	-
		132,092,750	-	**163,595**	-
Reset preference shares (d)		**1,300,000**	-	**128,929**	-
				292,524	280,605

(b) Movements in ordinary share capital

Date	Details	Notes	Number of shares	Issue price	$'000
1-01-2003	Opening balance		160,000,000		280,605
1-05-2003	Issue of ordinary shares		8,000,000	$4.50	36,000
			168,000,000		316,605
22-07-2003	Exercise of Executive Options	(e)	26,000	$4.05	105
20-08-2003	Exercise of Executive Options	(e)	40,250	$4.05	163
21-08-2003	Exercise of Executive Options	(e)	13,500	$4.05	54
5-09-2003	Exercise of Executive Options	(e)	13,000	$4.05	53
31-12-2003	Closing Balance		168,092,750		316,980

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(c) Treasury Stock

During the period the company acquired WA Gas Holdings Pty Ltd ("WAGH") who owns 36,000,000 ordinary shares in the Company ("Treasury Stock"). It is intended that the Treasury Stock will be bought back and cancelled as approved at a shareholders' meeting held in July 2003. On this basis the Treasury Stock is deducted from ordinary share capital at its purchase price of $4.26 per share.

The rights attaching to the Treasury Stock are the same as ordinary shares in (b) above.

(d) Reset preference shares

During the period the Company issued 1,300,000 reset preference shares at an issue price of $100.00 each, raising $130,000,000 less issue costs totalling $1,071,000.

Reset preference shares entitle the holder to participate in preferential non-cumulative dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held and rank in priority to ordinary shares. The parent entity may not issue shares ranking in priority to the reset preference shares without the prior approval of holders of these shares. The reset preferences shares attract a dividend rate of 5.755%. Reset preference shares are perpetual but are also convertible into ordinary shares in certain circumstances. Terms of the reset preferences shares may be reset at the discretion of the parent entity on any reset date. The next reset date is 30 September 2006. Reset preference shares do not have voting rights, except in limited circumstances.

(e) Options

Note 26. Contributed equity (continued)

Information relating to the Executive Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year are set out in note 36.

Note 27. Retained profits

	Notes	Consolidated 2003 $'000	Consolidated 2002 $'000	Parent entity 2003 $'000	Parent entity 2002 $'000
Retained profits at the beginning of the financial year		**65,946**	47,751	**6,613**	3,098
Net profit attributable to members of Alinta Limited		**87,601**	58,195	**147,016**	43,515
Dividends provided for or paid	29	**(15,850)**	(40,000)	**(15,850)**	(40,000)
Retained profits at the end of the financial year		**137,697**	65,946	**137,779**	6,613

Note 28. Outside equity interests in controlled entities

	Consolidated 2003 $'000	Consolidated 2002 $'000
Interest in:		
Share capital	**143,854**	-
Accumulated Losses	**(98,804)**	-
Profit from ordinary activities	**2,685**	-
	47,735	-

Note 29. Dividends

	Parent entity	
	2003	2002
	$'000	$'000
Ordinary shares		
Interim dividend in relation to the 2003 financial year of 12 cents (2002 - 11 cents) per fully paid share paid on 29 September 2003 (2002 - 16 September 2002)		
Fully franked at the tax rate of 30%	**20,170**	17,600
Less: dividends retained in Group from Treasury Stock	**(4,320)**	-
	15,850	17,600
Final dividend in relation to the 2002 financial year of 14 cents per fully paid share paid on 14 March 2003 recognised as a liability at 31 December 2002 but adjusted against retained profits at the beginning of the financial year on the change in accounting policy for providing for dividends (note 2)		
Fully franked at the tax rate of 30%	**-**	22,400
Total dividends provided for or paid	**15,850**	40,000

Subsequent Events
Since the end of the financial year, the directors declared the following dividends:

*Final - ordinary shares - fully franked at 21 cents per share totalling $35.30 million, less an amount of $7.56 million retained withing the group being payment in relation to Treasury Stock.
*Reset Preference Shares - fully franked at $3.98 per Reset Preference Share totalling $5.17 million, which represents 5.755% payable for the period 24 July 2003 to 31 March 2004.

	Parent entity	
	2003	2002
	$'000	$'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2002 - 30%)	**47,326**	32,497

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:
(a) franking credits that will arise from the payment of the current tax liability
(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date, and
(d) franking credits that may be prevented from being distributed in subsequent financial years.

Note 30. Financial instruments

The consolidated entity utilises derivatives to hedge its interest rate, foreign currency and, with specific Board approval, commodity exposures. It does not use derivatives for trading purposes.

The Company has clearly defined objectives in relation to the management of interest rate, foreign currency and commodity exposures. These objectives have been outlined in a Board approved document, the "Treasury Policy Statement", recognising the requirement for appropriate operating procedures and information systems.

Note 30. Financial instruments (continued)

Interest rate swap contracts
The consolidated entity enters into interest rate swap contracts in order to manage interest rate exposures on Australian dollar borrowings. Interest rate swaps are used to convert a portion of the consolidated entity's floating interest rate exposures to fixed interest rate exposures, thereby reducing the volatility of interest costs between financial reporting periods.

At 31 December 2003, the notional principal amounts and periods of expiry of the interest rate swap contracts held by the consolidated entity are as follows:

	2003 $'000	2002 $'000
1 - 2 years	**55,000**	70,000
2 - 3 years	**85,000**	25,000
3 - 4 years	**85,000**	40,000
4 - 5 years	**200,000**	70,000
	425,000	205,000

Forward exchange contracts
The consolidated entity may enter into forward foreign exchange contracts and other currency derivatives in order to manage the notional USD exposures of the revenue receivable under the contract with Wesfarmers WLPG Pty Ltd.

Hedging may be undertaken to lock in the forecast Australian Dollar ("AUD") revenue under this contract.

The following table summarises the AUD value of USD denomination foreign exchange agreements and foreign currency options held by the consolidated entity. The USD amounts are translated at rates current as at 31 December 2003. The 'sell' amount represents the AUD equivalent of the forward sale of USD. The average exchange rate is based on dealt rates.

	Sell		**Average exchange rate**	
	2003 $'000	2002 $'000	**2003**	2002
Forward foreign exchange contracts				
United States dollars				
0 - 6 months	**8,000**	4,065	**0.5014**	0.5200
6 - 12 months	**-**	16,121	**-**	0.5200
	-	20,186		

Note 30. Financial instruments (continued)

Commodity Swaps

Alinta may enter into commodity swaps in order to manage the notional commodity exposures of the revenue receivable under the contract with Wesfarmers LPG Pty Ltd.

Hedging may be undertaken against the price to be received for the export shipments under the contract. The commodity swap contracts are settled in United States dollars ("USD") and are used to lock in the forecast USD revenue under the contract.

No commodity swaps were outstanding as at 31 December 2003. The consolidated entity had the following commodity swaps outstanding as at 31 December 2002:

	2003 tonnes	2002 tonnes
Propane quantities hedged		
6 months or less	-	45,000

(a) Credit risk exposures

Credit risk is the potential for loss when a counterparty fails to honour a financial obligation. The magnitude of the potential exposure is dependent upon the type of financial transaction and its term.

The aim of credit risk management is to reduce the potential for default. The consolidated entity does this by establishing a credit policy and credit limits and by establishing an effective monitoring and review process.

At 31 December 2003, the credit risk on the financial assets of the consolidated entity that have been recognised on the balance sheet was the carrying amount net of the provision for doubtful debts. For off-balance sheet financial instruments (derivatives) that are deliverable, credit risk also arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity.

Concentration of credit risk on trade and term debtors exists with respect to Wesfarmers LPG Pty Ltd. As at 31 December 2003 approximately 13.5% (31 December 2002: 51%) of total receivables was owed by Wesfarmers LPG Pty Ltd.

In accordance with the Treasury Policy Statement, the consolidated entity only deals with counterparties that have a long-term credit rating of AA- or better or are specifically approved by the Board.

(b) Interest rate risk exposures

Interest rate risk is the risk faced in the resetting of interest rates on all financial instruments and includes borrowings, debt management instruments and investments.

The financial exposure to changes in the level of interest rates occurs when the timing, amount and flexibility of income from assets does not match the timing, amount and flexibility of the interest expense of the borrowings funding those assets.

The consolidated entity's exposure to interest rate risk, and the effective weighted average interest rate for each class of financial assets and financial liabilities as at 31 December 2003 is as follows:

Note 30. Financial instruments (continued)

2003	Notes	Weighted average interest rate %	Floating interest rate $'000	Fixed interest maturing in: 1 year or less $'000	Over 1 to 5 years $'000	More than 5 years $'000	Non interest bearing $'000	Total $'000
Financial assets								
Cash at bank and on hand	7	5.09	57,721	-	-	-	12	57,733
Cash on deposit	7	5.38	-	65,000	-	-	-	65,000
UEDH redeemable preference shares	11	13.5	-	-	-	124,384	-	124,384
Receivables	8,11	13.63	-	-	12,818	-	133,105	145,923
			57,721	65,000	12,818	124,384	133,117	393,040
Financial liabilities								
Bank loans	18,22	6.10	533,500	-	-	-	-	533,500
Payables	17		-	-	-	-	115,751	115,751
Subordinated loan	22	8.25	-	-	-	79,824	-	79,824
Provisions	19,20,24		-	-	-	-	40,677	40,677
Lease liabilities	18	7.68	-	283	-	-	-	283
AUD Interest rate swaps - Fixed*		4.85	-	-	425,000	-	-	425,000
AUD Interest rate swaps - Floating*		5.19	(425,000)	-	-	-	-	(425,000)
			108,500	283	425,000	79,824	156,428	770,035
Net financial assets (liabilities)			(50,779)	64,717	(412,182)	44,560	(23,311)	(376,995)

* Notional principal amounts

Note 30. Financial instruments (continued)

2002	Notes	Weighted average interest rate %	Floating interest rate $'000	Fixed interest maturing in: 1 year or less $'000	Over 1 to 5 years $'000	More than 5 years $'000	Non interest bearing $'000	Total $'000
Financial assets								
Cash and deposits	7	4.51	15,219	-	-	-	3	15,222
Receivables - Trade	8,11		-	-	-	-	68,378	68,378
Receivables - Other	11	13.63	-	-	12,818	-	2,920	15,738
			15,219	-	12,818	-	71,301	99,338
Financial liabilities								
Payables	17	6.98	-	-	-	-	29,851	29,851
Provisions	20,24		-	-	-	-	27,875	27,875
Lease Liabilities	22	6.98	-	83	73	-	-	156
AUD Long Term Loans	22	5.65	335,000	-	-	-	-	335,000
AUD Interest rate swaps - Fixed*		5.95	-	-	205,000	-	-	205,000
AUD Interest rate swaps - Floating*		4.86	(205,000)	-	-	-	-	(205,000)
			130,000	83	205,073	-	57,726	392,882
Net financial assets (liabilities)			(114,781)	(83)	(192,255)	-	13,575	(293,544)

(c) Net fair value of financial assets and liabilities

(i) **On-balance sheet**

Net fair values of financial assets and financial liabilities are determined by the consolidated entity on the following basis:

Cash, Receivables, Investments, Payables, Provisions for Employee Entitlements and Borrowings - the carrying amount approximates fair value.

The valuation of financial instruments reflects the estimated amounts at which the consolidated entity expects to pay or receive to terminate the derivatives contracts (net of transaction costs) or replace the derivatives contracts at their current market rates as at reporting date. This is based on independent market quotations and determined using standard valuation techniques. The net fair value of interest rate swaps is off balance sheet, however the net fair value of foreign currency hedges and commodity hedges recognised on the balance sheet.

Note 30. Financial instruments (continued)

The carrying amounts and net fair values of financial assets and liabilities at balance date are:

	2003		2002	
	Carrying amount $'000	**Net fair value** $'000	Carrying amount **$'000**	Net fair value $'000
On-balance financial instruments				
Financial assets				
United States dollar/Australian dollar hedges	**3,975**	**-**	-	-
Commodity swaps	**-**	**-**	3,365	3,365
Non-traded financial assets	**3,975**	**-**	3,365	3,365
Financial liabilities				
United States dollar/Australian dollar hedges	**-**	**1,510**	1,138	1,138
Non-traded financial liabilities	**-**	**1,510**	1,138	1,138
Off-balance sheet financial instruments				
Financial assets				
Australian dollar interest rate swaps	**-**	**15,908**	-	(3,521)
	-	**15,908**	-	(3,521)

Note 31. Remuneration of directors

	Consolidated entity		Parent entity	
	2003	2002	**2003**	2002
	$	$	**$**	$
Income paid or payable, or otherwise made available, to directors by entities in the consolidated entity and related parties in connection with the management of affairs of the parent entity or its controlled entities				
Directors' fees/remuneration	**1,631,606**	1,684,405	**1,378,673**	1,684,405

The numbers of parent entity directors who were paid, or were due to be paid, income (including brokerage, commissions, bonuses, retirement payments and salaries) directly or indirectly from the parent entity or related parties was within the specified bands are as follows:

$		$	**2003**	2002
0,000	-	9,999	**-**	2
10,000	-	19,999	**2**	-
20,000	-	29,999	**1**	-
40,000	-	49,999	**-**	2
50,000	-	59,999	**-**	3
60,000	-	69,999	**2**	-
80,000	-	89,999	**1**	-
100,000	-	109,999	**-**	1
120,000	-	129,999	**1**	-
1,000,000	-	1,009,999	**1**	-
1,310,000	-	1,319,999	**-**	1

The remuneration bands are not consistent with the emoluments disclosed in the Directors' Report as the basis of calculation differs due to the directing requirements of the Corporations Act 2001 and the Australian Accounting Standards.

Note 32. Remuneration of executives

	Consolidated entity		Parent entity	
	2003 **$**	2002 $	**2003** **$**	2002 $
Remuneration received, or due and receivable, from entities in the consolidated entity and related parties by Australian based executive officers (including directors) whose remuneration was at least $100,000:				
Executive officers of the parent entity	**4,489,000**	3,594,000	**4,489,000**	3,594,000
Executive officers of other entities in the consolidated entity	**1,121,000**	1,897,000	**-**	-
Total executives' remuneration	**5,610,000**	5,491,000	**4,489,000**	3,594,000

Note 32. Remuneration of executives (continued)

The numbers of Australian based executive officers (including directors) whose remuneration from entities in the consolidated entity and related parties was within the specified bands are as follows:

			Consolidated entity		Parent entity	
$		$	**2003**	2002	**2003**	2002
100,000	-	109,999	**-**	1	**-**	1
110,000	-	119,999	**1**	-	**1**	-
120,000	-	129,999	**1**	-	**1**	-
130,000	-	139,999	**1**	-	**1**	-
140,000	-	149,999	**4**	8	**-**	4
150,000	-	159,999	**4**	2	**4**	1
160,000	-	169,999	**1**	2	**-**	1
170,000	-	179,999	**1**	-	**-**	-
180,000	-	189,999	**-**	1	**-**	1
190,000	-	199,999	**1**	3	**-**	2
210,000	-	219,999	**1**	-	**1**	-
220,000	-	229,999	**-**	1	**-**	1
250,000	-	259,999	**-**	1	**-**	1
290,000	-	299,999 *	**1**	1	**1**	-
300,000	-	309,999	**1**	-	**1**	-
320,000	-	329,999	**-**	1	**-**	1
330,000	-	339,999	**1**	-	**1**	-
410,000	-	419,999	**1**	-	**1**	-
420,000	-	429,999	**1**	-	**1**	-
430,000	-	439,999 *	**-**	1	**-**	-
530,000	-	539,999	**1**	-	**1**	-
1,000,000	-	1,009,999	**1**	-	**1**	-
1,310,000	-	1,319,999	**-**	1	**-**	1

* 2002 - Relates to services provided to the consolidated entity by Aquila, Inc., which had a 50% ownership of WA Gas Holdings Pty Ltd, and was entitled to management fees for providing such services on the terms set out in an Operating Services Agreement. Executives on secondment from Aquila, Inc., were remunerated in line with their overseas organisations' expatriate employment policies.

Income of executives comprises amounts paid or payable to executive officers, directly or indirectly, by the consolidated entity or any related party in connection with the management of the affairs of the entity or consolidated entity, whether as executive officers or otherwise.

The remuneration bands are not consistent with the emoluments disclosed in the Directors' Report as the basis of calculation differs due to the differing requirements of the Corporations Act 2001 and the Australian Accounting Standards.

Note 33. Remuneration of auditors

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$	$	**$**	$
During the year, the auditor of the parent entity and its related practices earned the following remuneration:				
Current Auditor				
Audit or review of financial reports of the entity or any entity in the consolidated entity	**364,633**	58,100	**226,133**	58,100
Other regulatory audits	**22,000**	20,000	**22,000**	20,000
Total audit services	**386,633**	78,100	**248,133**	78,100
Other assurance services	**41,014**	-	**4,785**	-
Other regulatory services (a)	**81,000**	-	**-**	-
Other taxation services (b)	**33,000**	-	**33,000**	-
Other accounting services (c)	**451,000**	-	**451,000**	-
Total remuneration	**992,647**	78,100	**736,918**	78,100
Former Auditor				
Total audit and other assurance services	**-**	26,900	**-**	26,900
Advisory services	**-**	8,865	**-**	8,865
Taxation	**-**	5,309	**-**	5,309
Total remuneration	**-**	41,074	**-**	41,074

(a) Other regulatory services comprises advisory services regarding the revision of the Access Arrangement for the Mid-west and South West gas distribution systems.

(b) Other taxation services relates to the preparation of a letter detailing "Australian tax consequences of investing in Reset Preference Shares", included in the Alinta prospectus for the issue of reset preference shares.

(c) Other accounting services comprises assistance provided to Alinta in preparing the financial information contained in the Alinta prospectus for the issue of reset preference shares.

All other services carried out by the external auditor were in compliance with the Board policy on transactions with external auditors. The Board is of the opinion that audit independence was not impaired as a result of the provision of these services.

Note 34. Contingent liabilities and contingent assets

Details and estimates of maximum amounts of contingent liabilities are as follows:

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Guarantees				
Bank guarantees in favour of customers, suppliers or various building owners for access to their buildings	**4,324**	-	-	-

A subsidiary of the consolidated entity has varying service requirements built into their sales contracts. If the requirements of these service levels are not met, penalties and/or additional costs may be incurred. Management is not aware of any instances where penalties of a material nature have become due and do not have any reason to believe any penalties of a material nature will be incurred in the future.

Epic Energy

A dispute currently exists between Epic Energy (WA) Transmission Pty Ltd ("Epic Energy") and the consolidated entity regarding the price of gas transmission.

Under Section 20 of the Dampier to Bunbury Pipeline Act, Epic Energy is obliged to offer to shippers with existing transmission contracts a variation of those contracts to incorporate the "statutory price" for the relevant service.

The "statutory price" is the price a person could insist upon paying if entering, at that time, into a contract for the service concerned.

From 1 January 2000, Epic Energy has invoiced the consolidated entity (prior to 1 July 2000 the Gas Corporation trading as AlintaGas) at $1.18 per gigajoule (as escalated). The consolidated entity has disputed these invoices and has only processed for payment the undisputed portion of $1.00 per gigajoule (as escalated). The disputed portion of approximately $0.18 per gigajoule has been excluded from the consolidated entity's accounting records.

The maximum amount of contingent liability that may become payable as a result of the above is $40.034 million.

It is currently unresolved between the consolidated entity and Epic Energy whether an offer under Section 20 has been made and accepted.

Super Equity
A contingent liability exists with respect to Alinta's obligations under the Super Equity Subscription Agreement between Alinta Limited, Multinet Group Holdings Pty Ltd, AMP Henderson Global Investors Limited, Diversified Utility and Energy Trust No. 1 (DUET 1) and Diversified Utility and Energy Trust No. 2 (DUET 2), dated 14 July 2003.

Under the terms of this agreement, Alinta Limited may be called upon to subscribe for up to 11.0 million $1.00 Class B Shares of Multinet Group Holdings Pty Ltd ("MGH"), though the number of subscription shares in any one period can not exceed 5,000,000 depending on the cash distribution yields of MGH through to 30 June 2006. It is probable that Alinta Limited will be required to subscribe for 5,000,000 $1.00 Class B Shares of Multinet Group Holdings Pty Ltd, on 30 June 2004, which is the next subscription date, and this has been recognised at 31 December 2003.

Other matters
In the course of its normal business, the consolidated entity occasionally receives claims and other matters arising from its operations.

In the opinion of the Directors, all such matters are covered by insurance, or, if not so covered, are without merit or are of such kind or involve such amounts that would not have a material adverse effect on the operating results or the financial position of the consolidated entity if settled unfavourably.

Note 35. Commitments for expenditure

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Capital commitments				
Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	**60,791**	9,511	**2,390**	-
Later than one year but not later than 5 years	**18,091**	-	**-**	-
	78,882	9,511	**2,390**	-

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Other commitments				
Commitments for the cost of various goods and services supplied to the consolidated entity but not recognised as liabilities, payable:				
Within one year	**22,587**	-	**-**	-
Later than one year but not later than 5 years	**34,709**	-	**-**	-
	57,296	-	**-**	-

The parent entity may be called upon to provide an additional $26 million to Uecomm under the loan facility as detailed in note 11.

Note 35. Commitments for expenditure (continued)

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Operating leases				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	**6,024**	806	**972**	806
Later than one year but not later than 5 years	**11,480**	3,428	**2,107**	3,428
Later than 5 years	**1,885**	-	**-**	-
Commitments not recognised in the financial statements	**19,389**	4,234	**3,079**	4,234

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Finance leases				
Commitments in relation to finance leases are payable as follows:				
Within one year	**293**	91	**76**	91
Later than one year but not later than 5 years	**-**	76	**-**	76
Minimum lease payments	**293**	167	**76**	167
Less: Future finance charges	**10**	11	**3**	11
Recognised as a liability	**283**	156	**73**	156
Total lease liabilities	**283**	156	**73**	156
Representing lease liabilities:				
Current (note 18)	**283**	83	**73**	83
Non-current (note 22)	**-**	73	**-**	73
	283	156	**73**	156

Finance leases are entered into as a means of funding the acquisition of minor items of plant and equipment. Rental payments are fixed. No leases have escalation clauses other than in the event of default payment. None of these finance leases contain restrictions on financing or other leasing activities.

Note 36. Employee benefits

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Employee benefit and related on-costs liabilities				
Provision for employee entitlements - current (note 20)	**11,725**	4,730	**2,404**	3,131
Provision for employee entitlements - non-current (note 24)	**797**	745	**207**	310
Aggregate employee benefit and related on-costs liabilities	**12,522**	5,475	**2,611**	3,441
	Number	Number	**Number**	Number
Employee numbers				
Number of employees	**1,112**	141	**56**	91

The amounts for long service leave that are expected to be settled more than 12 months from the reporting date are measured at their present values. The discount rates used by Alinta at the 31 December 2003 balance date range from 5.8% through to 6.3%. The assumed rates of increase in annual employee entitlements to settlement of the liabilities ranged from 2% through to 3.8%.

Executive Option Plan

Alinta has an Executive Option Plan in place under which nominated executives can at the Board's discretion, be eligible for a grant of options in Alinta Limited as part of a long term incentive plan. Three issues of options were made during the year .

Set out below are summaries of options granted under the plan and still outstanding at the beginning and/or the end of the financial year.

Grant date	Expiry date	Exercise price	Balance at start of the year	Issued during the year	Exercised during the year	Lapsed during the year	Balance at the end of the year
			Number	Number	Number	Number	Number
2003							
5-03-2002	(a)	4.0454	1,197,000	-	92,750	-	1,104,250
4-03-2003	(a)	4.2650	-	1,175,000	-	-	1,175,000
8-05-2003	(a)	4.9182	-	300,000	-	-	300,000
17-09-2003	(a)	6.1614	-	100,000	-	-	100,000
			1,197,000	1,575,000	92,750	-	2,679,250
2002							
05-03-2002	(a)	4.0454	-	1,197,000	-	-	1,197,000

(a) These options expire ten years after the date of grant or upon cessation of employment.

The options issued on 4 March 2003 and 17 September 2003 are exercisable from the following dates:
* 25% of individual Executives' options on 1st anniversary of grant date
* 25% of individual Executives' options on 2nd anniversary of grant date
* 50% of individual Executives' options on 3rd anniversary of grant date

The options issued on 8 May 2003 are exercisable from the following dates:
* 33.3% of individual Executives' options on 1st anniversary of grant date
* 33.3% of individual Executives' options on 2nd anniversary of grant date

Note 36. Employee benefits (continued)

* 33.3% of individual Executives' options on 3rd anniversary of grant date

Options exercised during the financial year and number of shares issued to employees on the exercise of options:

		Consolidated		Parent entity	
		2003	2002	**2003**	2002
Exercise date	**Fair value of shares at exercise date**	**Number**	Number	**Number**	Number
22-07-2003	5.89	26,000	-	26,000	-
20-08-2003	5.92	40,250	-	40,250	-
21-08-2003	6.09	13,500	-	13,500	-
5-09-2003	6.15	13,000	-	13,000	-
		92,750	-	**92,750**	-

The fair value of shares issued on the exercise of options is the average price at which the company's shares were traded on the Australian Stock Exchange on the day prior to the exercise of the options.

Deferred Employee Share Plan

On 8 February 2002 and on various dates since then, Alinta has offered its employees the opportunity to participate in the Alinta Deferred Employee Share Plan (the "DESP"). Participation in the DESP allows employees to acquire Alinta Limited ordinary shares using pre-tax salary on a purely voluntary basis.

The key features of the DESP are:

- Participation in the DESP is available to employees of Alinta who are Australian residents for tax purposes;
- Participating employees may sacrifice pre-tax salary to purchase Alinta Limited ordinary shares on market;
- Tax on the market value of the shares may be deferred for up to 10 years after the acquisition date, unless the employee chooses to withdraw the shares or terminates employment with Alinta;
- Contributions can be any nomination in increments of $500 up to a maximum of 35% of pre-tax base salary;
- Alinta meets all plan administration costs and funds the brokerage on share purchases;
- Any dividends on Alinta shares are distributed by the Plan Trustee to the participants based on their Plan shareholdings and are taxable at personal marginal tax rates applicable at the time, less any franking credits; and
- Shares may be withdrawn from the DESP one year after their acquisition date or when the employee leaves Alinta.

The DESP complies with current Australian Tax legislation.

Details of the movement in employee shares under the DESP are as follows:

	2003	2002
Number of shares at beginning of the year	**66,567**	-
Number of shares purchased by the Trust on behalf of employees	**80,558**	66,567
Number of shares withdrawn	**(6,343)**	-
Number of shares at end of the year	**140,782**	66,567

Note 36. Employee benefits (continued)

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Shares purchased on market under the plan on behalf of participating employees on 31 December 2003 (2002 - 31 December 2002)	**140,782**	66,567	**140,782**	66,567

Superannuation Plans

The consolidated entity contributes to several accumulated contribution superannuation plans and two defined benefit employee superannuation plans. In the case of the accumulated contribution superannuation plans, contributions are charged against income as they are made.

In accordance with the provision of Labour Services Agreements between Alinta Network Services Pty Ltd ("ANS") and United Energy Distribution Holdings Pty Ltd ("UEDH") and Multinet Group Holdings Pty Ltd ("MGH"), ANS manages the employee obligations of UEDH and MGH in relation to defined benefit employee superannuation plans currently in place. To the extent permitted by law, ANS has assumed the financial risks and benefits associated with the superannuation funds.

Defined Benefit Employee Superannuation Plans for UEDH and MGH

All permanent employees of UEDH and MGH and casual employees hired directly, are required to be members of Equipsuper. Permanent employees engaged after 2 October 1994 and all direct hire casual employees are members of an accumulation plan. All other permanent employees of UEDH and MGH are members of their own Defined Benefit Employee Superannuation Plan. The effective date of the last audit of the Defined Benefit Employee Superannuation Plans was 30 June 2003. Based on that audit, the (surplus)/deficit of the individual funds, in respect of the Employee Benefit Account as at 30 June 2003 was:

	UEDH	MGH
	2003	**2003**
	$'000	**$'000**
Present value of employees' accrued benefits	**34,000**	**13,400**
Net market value of assets held by the Fund to meet future benefit payments	**31,000**	**14,000**
Excess of the present value of employees' accrued benefits over assets held to meet future benefit payments	**3,000**	**(600)**
Vested benefits	**34,000**	**13,400**

Prior to the last actuarial assessment as at 30 June 2003, the payment being made to the fund by United Energy Limited was 12.9% of each members salary. This has now been increased to 16.8% to correct the fund deficit over time.

In accordance with the various Trust Deeds, Alinta and its controlled entities are under no legal obligation to make up any shortfall in the plan's assets to meet payments due to employees and accordingly no provision has been raised for the deficiency at 31 December 2003.

Note 37. Related parties

Directors
The names of persons who were directors of Alinta Limited at any time during the financial year are as follows:

A J Howarth A O - Chairman
R B Browning - Director and Chief Executive Officer
D P Buckland - Director (resigned 30 April 2003)
F E Harris - Director
J H Poynton - Director
K G Stamm - Director (resigned 30 July 2003)
T C Healey - Director
T R McMeckan - Director (appointed 20 October 2003)
R W Holzwarth - T C Healey's alternate Director (appointment terminated 30 July 2003)
P R Perkins - K G Stamm's alternate Director (appointment terminated 30 July 2003)

Remuneration benefits
Information on remuneration of directors is disclosed in note 31.

Transactions of directors and director-related entities concerning shares or share options

Aggregate numbers of shares and share options of Alinta Limited held directly, indirectly or beneficially by directors of the company or the consolidated entity or their director-related entities at balance date:

	2003 Number	2002 Number
Ordinary shares*	**72,000**	72,080,830
Reset preference shares	**232**	-
Options over ordinary shares	**300,000**	-

* KG Stamm and TC Healey were directors of WA Gas Holdings Pty Ltd which held 72,000,000 shares in the prior year.

Other transactions with directors and director-related entities

Related parties, including directors, make purchases of gas for domestic use from the consolidated entity. These transactions are undertaken on normal commercial terms and conditions.

Wholly-owned group
The wholly-owned group consists of Alinta Limited and its wholly-owned controlled entities. Ownership interests in these controlled entities are set out in note 38.

Transactions between Alinta Limited and other entities in the wholly-owned group during the years ended 31 December 2003 and 2002 consisted of:
(a) loans advanced
(b) loans repaid
(c) the payment of interest on the above loans
(d) the payment of dividends
(e) construction and maintenance services, and
(f) financial, information technology and other office support services

Note 37. Related parties (continued)

	Parent entity	
	2003	2002
	$'000	$'000
Aggregate amounts included in the determination of profit from ordinary activities before income tax that resulted from transactions with entities in the wholly-owned group:		
Interest revenue	**3,030**	1,420
Dividend revenue	**25,243**	-
Operational and service fee revenue	**2,626**	5,526
Management fee revenue	**18,081**	25,065
Other revenue	**35**	-
Interest expense	**-**	1
Management fee expense	**-**	3,562
Dividends paid	**4,320**	-
Debt forgiveness expense	**10,900**	-
Other expenses	**114**	-
Aggregate amounts receivable from/payable to entities in the wholly-owned group at balance date:		
Current receivables	**51**	964
Non-current receivables (loans)	**264,514**	-
Current payables	**5,056**	1,681
Non-current payables - loans	**124,407**	-

Note 37. Related parties (continued)

Other related parties
Aggregate amounts included in the determination of profit from ordinary activities before income tax that resulted from transactions with each class of other related parties:

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Interest revenue				
Associates	**7,050**	41	**7,050**	41
Dividend revenue				
Associates	**-**	-	**1,005**	-
Construction and maintenance revenue				
Associates	**120,919**	-	**-**	-
Management fee revenue				
Associates	**2,026**	-	**-**	-
Recovery of corporate costs				
Associates	**113**	-	**-**	-
Interest expense				
Associated entity	**2,928**	-	**-**	-
Other expense				
Associated entity	**-**	220	**-**	158

Aggregate amounts brought to account in relation to other transactions with each class of other related parties:

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Loans advanced to				
Associates	**124,384**	2,000	**-**	2,000
Loans advanced from				
Associated entity	**79,824**	-	**-**	-

Transactions relating to dividends were on the same terms and conditions that applied to other shareholders of the associate. Refer to notes 11 and 22 for terms of loans to and from associates. Other transactions were made on normal commercial terms and conditions and at market rates.

Note 37. Related parties (continued)

Aggregate amounts receivable from, and payable to, each class of other related parties at balance date:

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Current receivables				
Associates (trade debtors)	**3,246**	3	**-**	3
Current payables				
Associates	**20,595**	-	**-**	-

Controlling entities
The ultimate parent entity in the wholly-owned group is Alinta Limited.

Ownership interests in related parties
Interests held in the following classes of related parties are set out in the following notes:
(a) controlled entities - note 38
(b) associates - note 39

Note 38. Investments in controlled entities

Name of entity	Equity holding **2003** **%**	2002 %
Alinta Sales Pty Ltd	**100**	100
Alinta Finance Pty Ltd	**100**	100
Alinta Electricity Trading Pty Ltd	**100**	100
Alinta Co-generation (Alcoa) Pty Ltd	**100**	100
Alinta Co-generation (Alcoa Pinjarra) Pty Ltd	**100**	100
Alinta Network Services Pty Ltd	**100**	-
ANetworks Pty Ltd	**100**	-
WA Gas Holdings Pty Ltd	**100**	-
National Power Services Pty Ltd	**100**	-
National Power Services (Western Australia) Pty Ltd	**100**	50
National Power Services (New Zealand) Ltd	**100**	-
Data Engineering Ltd	**100**	-
Stageport Pty Ltd	**100**	-
Alinta Network Holdings Pty Ltd	**74.1**	-
AlintaGas Networks Pty Ltd	**100**	100
Uecomm Limited	**66**	-
UE Access Pty Ltd	**66**	-
Unite.com Pty Ltd	**66**	-
Uecomm Operations Pty Ltd	**66**	-
UE Vialight Pty Ltd	**47**	-

As part of the series of transactions involving Aquila Inc's Australian assets, the Group disposed of a 25.9% interest in AlintaGas Networks Pty Ltd. The net profit on disposal has been recognised as a reduction in the cost of Management Contract Rights (refer Note 1(l)(i)).

Acquisition of controlled entity
On 23 July 2003 the parent entity acquired 66% of Uecomm Limited, 100% of W A Gas Holdings Pty Ltd and 100% of National Power Services Pty Ltd. The operating results of these newly controlled entities have been included in the consolidated statement of financial performance since the date of acquisition.

Details of the acquisitions are as follows:

	2003 $'000
Fair value of net assets of controlled entities acquired	
Plant and equipment	**90,137**
Trade debtors	**30,145**
Inventories	**2,337**
Cash	**12,730**
Deferred expenses	**300**
Prepayments	**3,477**
Treasury Stock acquired	**153,385**
Accrued revenue	**1,682**
Intangibles	**248**
Deferred tax assets	**15,759**
Payables	**(38,991)**

Note 38. Investments in controlled entities (continued)

Unearned revenue	**(11,621)**
Provisions	**(4,925)**
Current tax liabilities	**(1,468)**
Deferred Income Tax	**(129)**
Lease liabilities	**(315)**
Total net assets acquired	**252,751**
Less: Outside equity interests	**(41,916)**
	210,835
Profit on acquisition	**(9,584)**
Cash Consideration, inclusive of incidental costs of acquisition	**201,251**

Note 39. Investments in associates

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the parent entity. Information relating to the associates is set out below.

Name of company	Principal activity	Ownership interest		Consolidated carrying amount		Parent entity carrying amount	
		2003 %	2002 %	**2003 $'000**	2002 $'000	**2003 $'000**	2002 $'000
United Energy Distribution Holdings Pty Ltd	Electricity distribution	**34**	-	**6,012**	-	**1,257**	-
Multinet Group Holdings Pty Ltd (a)	Gas distribution	**20.1**	-	**47,320**	-	**46,355**	-
National Power Services (Western Australia) Pty Ltd	Maintenance and construction services	**-**	50	**-**	3,598	**-**	2,400
Pacific Indian Energy Services Pty Ltd	Management services	**33**	-	**-**	-	**-**	-
				53,332	3,598	**47,612**	2,400

	Consolidated	
	2003 $'000	2002 $'000
Movements in carrying amounts of investments in associates		
Carrying amount at the beginning of the financial year	**3,598**	-
Investment in associates acquired - per parent entity note 13	**47,612**	2,400
Share of profit from ordinary activities after income tax	**7,229**	1,198
Dividends received/receivable	**(1,005)**	-
Disposal of investment in associate	**(4,102)**	-
Carrying amount at the end of the financial year	**53,332**	3,598

Note 39. Investments in associates (continued

Results attributable to associates		
Profits from ordinary activities before income tax	**9,696**	1,605
Income tax expense	**(2,467)**	(407)
Profits from ordinary activities after income tax	**7,229**	1,198
Share of net profits attributable to associates at the end of the financial year	**7,229**	1,198
Share of associates' expenditure commitments		
Lease commitments	**1,487**	424
Summary of share of reserves and financial position of associates		
Our share of aggregate profits, assets and liabilities of associates are:		
Share of associates retained profits at the end of the year	**6,224**	1,198
Assets	**924,597**	3,765
Liabilities	**873,491**	1,946

(a) At 31 December 2003 the directors have assessed the recoverable amount of the investment in MGH, and based on this assessment have written down the investment by $3.652 million to a value of $47.320 million.

(b) MGH has disclosed in its financial statements that it is a party to a Federal Court action in relation to the interruption to gas supply caused by the Longford explosion on 25 September 1998. MGH may have a potential liability, however at this stage it is not possible to assess the quantum of damages that may arise, or how the liability may be allocated between the parties.

(c) The ATO has conducted a client risk review of United Energy Distribution Pty Ltd ("UED"), formerly United Energy Limited, a subsidiary of UEDH, in respect to a deferred tax benefit for the years ended 31 December 1999 to 31 December 2001. This related to the transfer of intellectual property from UED to UEIP Pty Ltd whereby the ATO wishes to consider whether the gains on disposal of that intellectual property are capital gains or assessable as a balancing charge. In the event of the gains being assessable as a balancing charge, UED may have to reverse the deferred tax benefit through to its profit and loss accounts. Alinta's share of this contingent liability is approximately $5.0 million.

Note 40. Reconciliation of profit from ordinary activities after income tax to net cash inflow from operating activities

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Profit from ordinary activities after income tax	**90,286**	58,195	**147,016**	43,515
Depreciation and amortisation	**30,260**	24,015	**4,036**	5,511
Write down of investments to recoverable amount	**-**	1,576	**-**	-
Net (gain)/loss on sale of non-current assets	**(413)**	28	**(295)**	(8)
Net (gain)/loss on sale of investments	**(9,584)**	-	**(152,961)**	-
Share of profits of associates	**(7,229)**	(1,198)	**-**	-
Dividend received from associate	**1,005**	-	**-**	-
Write down of investment in associate	**3,652**	-	**3,652**	-
Doubtful debts	**1,198**	1,143	**-**	-
Non cash dividend received from controlled entity	**-**	-	**(16,736)**	-
Change in operating assets and liabilities				
Decrease (increase) in trade debtors	**(27,686)**	(3,442)	**(2,552)**	(13)
Decrease (increase) in inventories	**262**	(10)	**-**	-
Decrease (increase) in deferred tax asset	**(10,917)**	(1,178)	**(1,574)**	(960)
Decrease (increase) in intercompany dividend receivable	**-**	-	**-**	(4,400)
Decrease (increase) in prepayments	**2,395**	(3,991)	**14**	(123)
Decrease (increase) in gas contractual prepayments	**-**	12,833	**-**	-
Decrease (increase) in reservation charge prepayment	**-**	(1)	**-**	-
Decrease (increase) in deferred expenses	**(22)**	-	**-**	-
Decrease (increase) in accrued revenue	**(994)**	-	**-**	-
Decrease (increase) in accrued interest receivable	**(639)**	-	**-**	-
Decrease (increase) in dividends receivable	**-**	-	**22,400**	-
Decrease (increase) in loan receivable from controlled entity	**-**	-	**10,900**	-
Increase (decrease) in trade creditors	**35,249**	3,780	**7,109**	592
Increase (decrease) in unearned revenue	**3,225**	-	**-**	-
Increase (decrease) in provision for income taxes payable	**9,657**	4,896	**9,620**	3,003
Increase (decrease) in provision for deferred income tax	**1,074**	2,602	**8**	8
Increase (decrease) in other provisions	**2,975**	1,912	**(831)**	1,330
Increase (decrease) in accrued borrowing costs	**2,044**	(1,193)	**-**	-
Net cash inflow from operating activities	**125,798**	99,967	**29,806**	48,455

Note 41. Earnings per share

	Consolidated 2003 Cents	Consolidated 2002 Cents
Basic earnings per share	**58.6**	36.4
Diluted earnings per share	**54.4**	36.4

	Consolidated 2003 Number	Consolidated 2002 Number
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share (c)	**149,525,849**	160,000,000
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**161,175,461**	160,055,476

	Consolidated 2003 $'000	Consolidated 2002 $'000
Reconciliations of earnings used in calculating earnings per share		
Basic earnings per share		
Net profit	**90,286**	58,195
Net profit attributable to outside equity interest	**(2,685)**	-
Earnings used in calculating basic earnings per share ("EPS")	**87,601**	58,195
Diluted earnings per share		
Net profit	**90,286**	58,195
Net profit attributable to outside equity interest	**(2,685)**	1
Earnings used in calculating diluted earnings per share	**87,601**	58,196
Reconciliation of weighted average number of shares used as the denominator		
Weighted average number of shares used in calculating basic EPS	**149,525,849**	160,000,000
Effect of executive share options on issue	**911,068**	55,476
Effect of reset preference shares on issue	**10,738,544**	-
Weighted average number of shares used in calculating diluted EPS	**161,175,461**	160,055,476

Information concerning the classification of securities

(a) Options

Options granted to employees under the Executive Option Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 26(e).

(b) Reset Preference Shares

Reset preference shares issued during the year are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share. The Reset preference shares have not been included in the determination of basic earnings per share. Details relating to these shares are set out in note 26(b).

Note 41. Earnings per share (continued)

(c) Treasury Stock

The Treasury Stock, detailed further in note 26(c) has been excluded from the determination of the weighted average number of ordinary shares.

Note 42. Economic dependency

The normal trading activities of the consolidated entity depend significantly upon major contractual arrangements as follows:
- With the North West Shelf Joint Venture Partners for the supply of natural gas.
- With Epic Energy (WA) Transmission Pty Ltd for the transmission of natural gas through the Dampier to Bunbury Natural Gas Pipeline.
- With Wesfarmers LPG Pty Ltd for the sale of natural gas.

The ongoing expansion and continued operation of Uecomm's network depends on a number of access arrangements with third parties. If Uecomm is not able to maintain or secure suitable access rights at the prices forecast, if existing rights are terminated early or underlying infrastructure is damaged or removed or relocated, or if there is a delay in securing new or renewing existing access rights, there may be material adverse effect on Uecomm's financial position and performance.

Note 43. Events occurring after reporting date

Refer note 22 for details concerning subsequent events in relation to bank facilities.

Refer note 29 for details regarding subsequent events in relation to dividends.

Other than this matter there were no significant events occuring after reporting date.

Alinta Limited
Directors' declaration
31 December 2003

The directors declare that the financial statements and notes set out on pages 2 to 60:

(a) comply with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
(b) give a true and fair view of the company's and consolidated entity's financial position as at 31 December 2003 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the directors' opinion:

(a) the financial statements and notes are in accordance with the *Corporations Act 2001*; and
(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

A J Howarth A O
Chairman

R B Browning
Director and Chief Executive Officer

Perth
27th February 2004

KPMG

Independent audit report to members of Alinta Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Alinta Limited (the "Company") and the Consolidated Entity, for the year ended 31 December 2003. The Consolidated Entity comprises both the Company and the entities it controlled during that year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

KPMG

Audit opinion

In our opinion, the financial report of Alinta Limited is in accordance with:

a) 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 2003 and of their performance for the financial year ended on that date; and

   ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

b) other mandatory professional reporting requirements in Australia.

KPMG

KPMG

D McComish

D P McCOMISH
Partner

Perth
27 February 2004