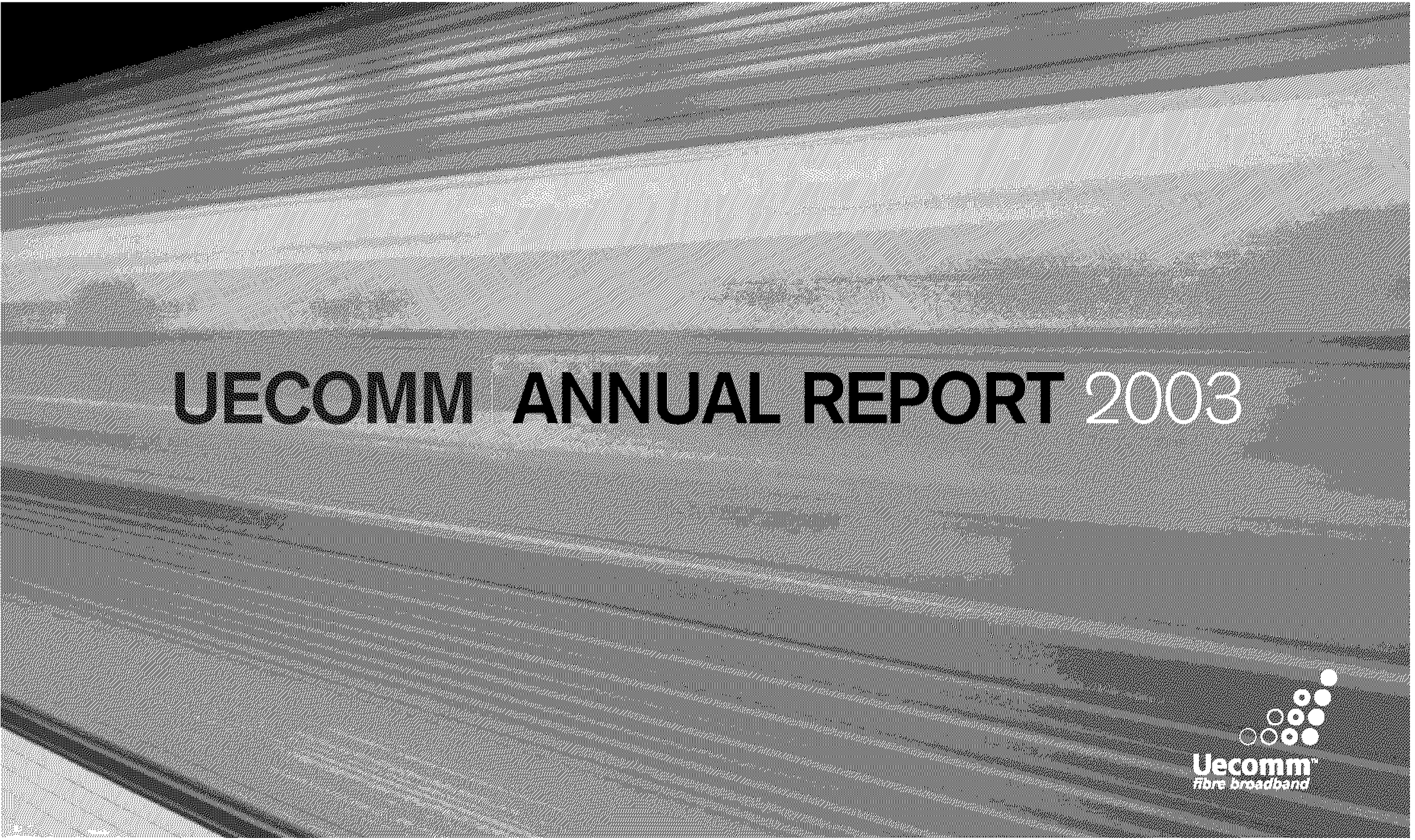
UECOMM ANNUAL REPORT 2003



Uecomm™
fibre broadband

network reach, quality products

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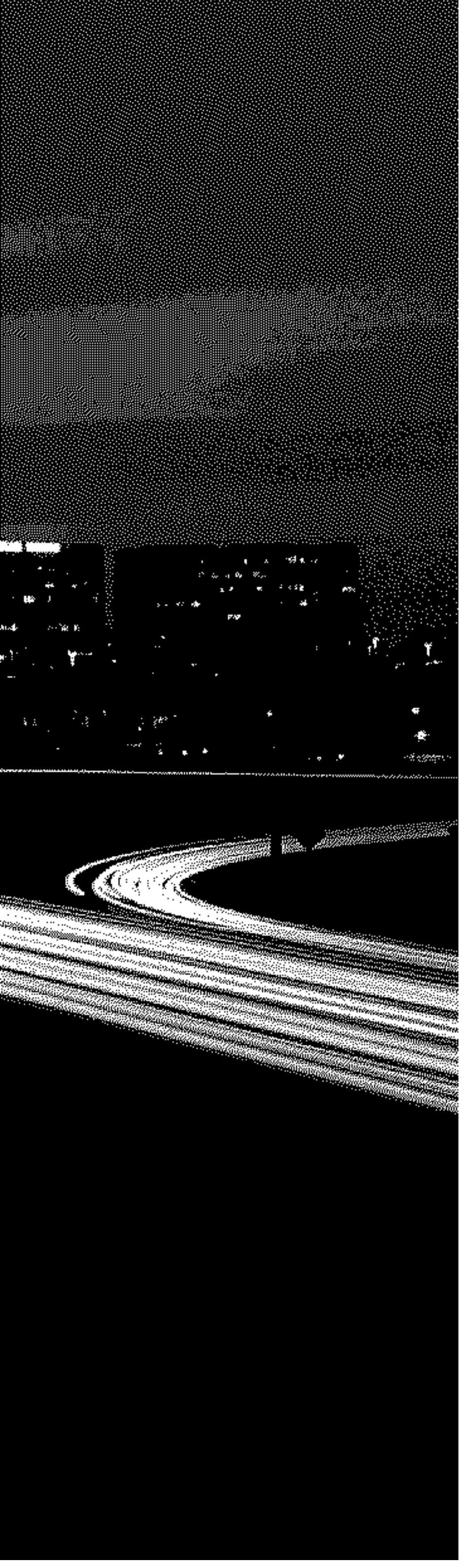


CHAIRMAN'S LETTER

Dear Shareholder,

It is with great satisfaction that I present Uecomm's Annual Report for 2003. I am happy to report that over the past year Uecomm has continued to achieve impressive growth and performance. By remaining focused on our customers' business needs, we have delivered very good results in today's competitive telecommunications market.

The telecommunications market has been characterised by relatively flat growth, yet Uecomm has delivered a remarkable performance. We signed new sales contracts in 2003 valued at $58.0 million and increased total revenue by 42 per cent, to $63.3 million.

The driving force behind 2003's strong financial performance was a singular focus on our business strategy. Uecomm's mission is to be the leading provider of high quality data communications solutions to the corporate, government and wholesale markets.

Our competitive advantage lies in owning our own fibre-optic network that spans more than 2000 kilometres in the CBD, metropolitan and outer metropolitan areas of Australia's major capital cities. Focused management and staff, quality products and high-value data services have positioned Uecomm to win major corporate and government contracts. We can also provide whole-of-network solutions by leasing network access from other telecommunications carriers.

Our business strategy has enabled us to emerge strongly from a difficult period in the telecommunications industry. For many IT&T firms, 2003 was a year of rationalisation and consolidation. For Uecomm, it was a year of notable achievements and profit growth.

Uecomm is well positioned to benefit from emerging opportunities in the Australian telecommunications marketplace. We are a specialist company in a market of generalists. This deliberate positioning strategy sets us apart from the "one-stop-shop" telecommunications providers.

Uecomm's flexible and customer-oriented approach helps us consistently win contracts to provide large organisations with their broadband data networks. This individual approach demonstrates the Company's other great strength – our people. It creates a framework across the business and allows Uecomm to develop the customer relationships on which the future of our business is based.

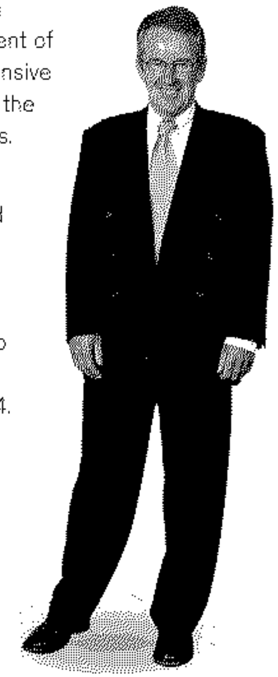
The past year saw some changes within Uecomm. In July, our major shareholder United Energy Limited was acquired by interests associated with AMP and Alinta Limited. As part of the acquisition, United Energy's 66 per cent shareholding in Uecomm and our $80 million funding facility were transferred to Alinta.

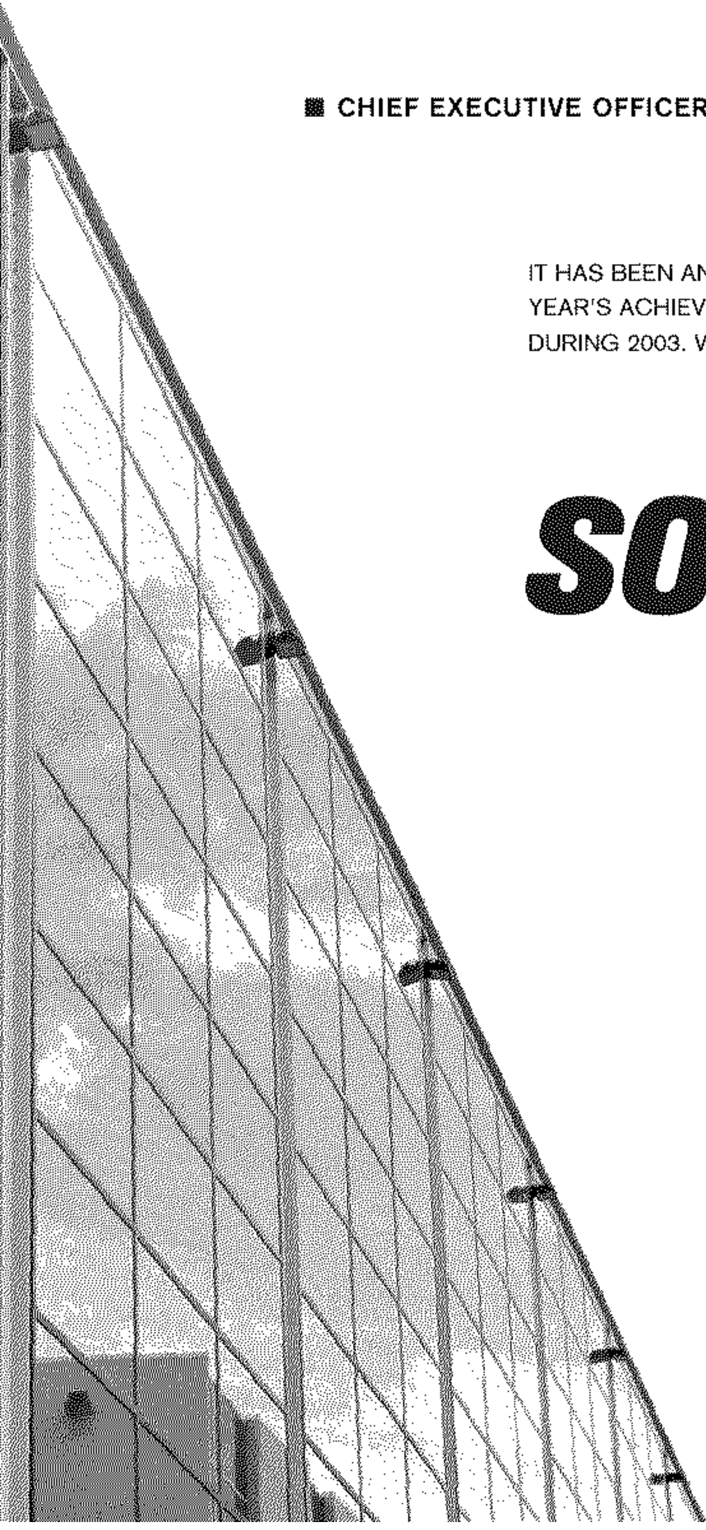
After the exit of United Energy as Uecomm's major shareholder, Board members Bob Holzwarth, Doug Evanson and Keith Stamm stood down as directors. I welcome the appointment of Tim Healey and John Cahill to the Board. They bring extensive financial and public company experience, complementing the industry and financial expertise of current Board members.

On behalf of my fellow directors, I would like to thank Uecomm customers and shareholders for their support and loyalty. I would like to recognise the efforts of Uecomm's management team and staff who were responsible for the Company's strong financial and operational performance in 2003. Their efforts have ensured Uecomm is well placed to meet challenges and take advantage of opportunities. We look forward to reporting more successes throughout 2004.

Peter Shore

Peter Shore
Chairman





IT HAS BEEN ANOTHER STRONG YEAR FOR UECOMM. WE HAVE BUILT ON THE PREVIOUS YEAR'S ACHIEVEMENTS AND MET THE FINANCIAL TARGETS PROVIDED TO THE MARKET DURING 2003. WE MOVE INTO 2004 WELL POSITIONED TO CAPITALISE ON OUR STRENGTHS.

solid performance

The 2003 financial year was a period of continued strong performance for Uecomm against a backdrop of ongoing IT&T industry rationalisation and increased competitive pressure. Impressive revenue growth through continued strong sales performance has led to eight consecutive quarters of EBITDA growth. The resulting profit performance for the year is testament to the success of our business strategy.

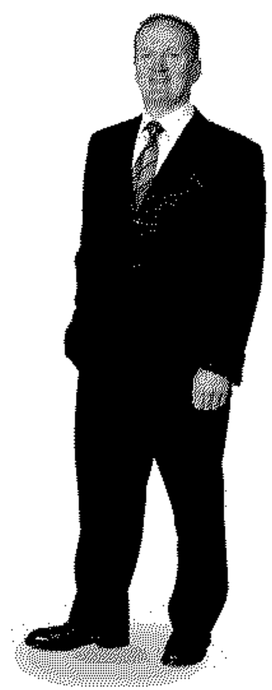
Total revenue for the year was $63.3 million, up 42 per cent on 2002. Core revenue from operations excluding significant items was $58.0 million, up 58 per cent on the previous year. Earnings before interest, tax, depreciation and amortisation (EBITDA) excluding significant items was $22.0 million, more than four times higher than the 2002 result. The improvement in Uecomm's underlying business was also evident in a strong profit result. Profit before tax was $3.2 million – a $12.5 million turnaround on 2002 – while profit after tax was $10.3 million.

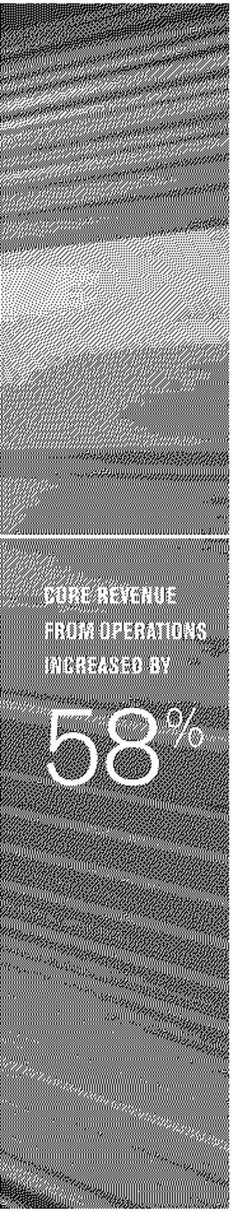
CUSTOMER RELATIONSHIPS ARE KEY

During the year ended 31 December 2003, Uecomm signed over 500 new sales contracts with a value of $58.0 million, demonstrating another solid performance by our sales team. These contracts have an average value of $125,000 and an average term of 30 months. Almost 60 per cent of all new sales contracts were with existing customers.

Uecomm has also been very successful renewing existing customer contracts, with $8.0 million in contract renewals being signed, taking the total value of sales contracts in the year to about $66.0 million.

The sales performance reflects Uecomm's successful strategy to build the core strength of the business by leveraging our existing customer base for future growth and vigorously pursuing new business opportunities.





2004 promises to be another good year for Uecomm. We have a high profile and are well regarded within our target market, and our products are in demand by customers.

MEETING CUSTOMERS' BANDWIDTH REQUIREMENTS

At Uecomm, we are proud of our blue-chip customer base. Spanning the corporate and government sectors, our customers are predominantly ranked in Australia's top 1500 by IT spend. These businesses and organisations have extensive high-speed data communications requirements, to which Uecomm's large fibre-optic network is ideally suited.

Our corporate customers include multinational, public and private companies such as Australian Unity, AXA Australia, Coles Myer, Comalco, Colorado, National Foods, Spotlight and Transurban. In the government sector our customers include the Melbourne Metropolitan Fire and Emergency Services Board, the NSW Department of Education and Training, Queensland Health, St John Ambulance Australia (NSW), Yarra Valley Water and many Australian universities.

FIBRE-OPTIC NETWORK SETS NEW STANDARD IN EDUCATION

One of Uecomm's most significant achievements of 2003 was the completion of the NSW Department of Education and Training fibre-optic network. Construction of this network involved rolling out fibre-based Ethernet data services to over 200 schools and TAFE colleges in metropolitan and outer-metropolitan Sydney.

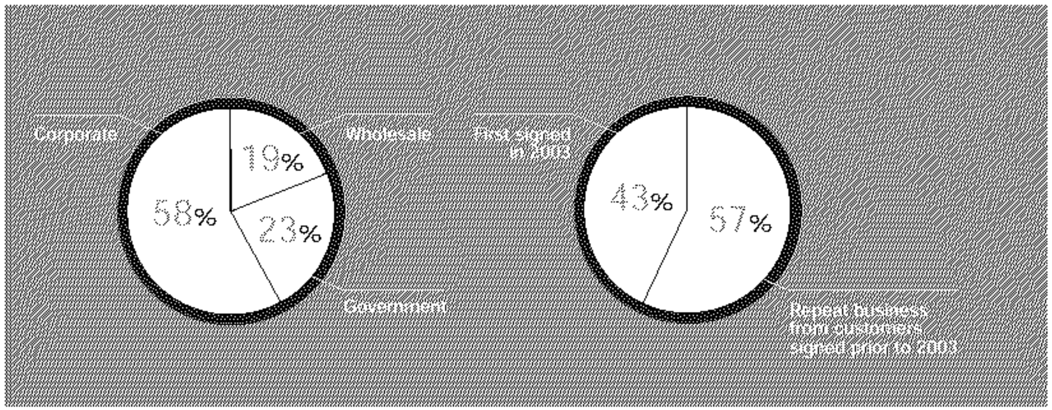
NETWORK REACH A KEY TO COMPETITIVE ADVANTAGE

Uecomm's extensive fibre-optic network is a key feature of our competitive advantage. By the close of 2003, Uecomm's network spanned more than 2000 kilometres in Australia's major capital cities.

Connecting geographically dispersed offices is essential to our customers, particularly large corporations. Over the year, Uecomm has extended its delivery capacity through complementary products that increase our network reach and product enhancements. We introduced new connection options for our flagship Ethernet Virtual Local Area Network (VLAN) service that have significantly increased our network's geographic reach.

We extended our delivery capacity to include international connectivity for our high-speed data customers. This means Australian-based enterprises can enjoy international data connections to a number of locations outside Australia via the Uecomm network.

SALES BY CUSTOMER GROUPING 2003



During the year, Uecomm started commercial operations in Canberra – Australia's capital city and the largest single government marketplace. The network enhancement is strategically significant, giving Uecomm access to more than 170 government buildings.

In 2003, Uecomm invested more than $10.0 million in network and system upgrades and enhancements, including:

- an upgrade of the Ethernet switching network to provide increased capacity and enhanced features;
- the introduction of a service performance system to enable customers to monitor statistics such as network availability and utilisation online; and
- implementing a new ordering and provisioning system to enhance the customer connection and provisioning process.

SIGNIFICANT ITEMS

The 2003 financial year was notable for the finalisation of the sale of our Perth network and the transfer of United Energy's 66 per cent shareholding in Uecomm to Alinta.

In late 2002, we agreed to sell the Perth network to Western Power. We retained the right to use capacity on the network. The transaction was finalised in April 2003.

Interests associated with AMP and Alinta assumed control of Uecomm's major shareholder, United Energy, in July 2003 and with it the obligations for the $80.0 million funding facility. The facility is provided under contract with Alinta and cannot be altered without Uecomm's consent.

ANOTHER PROMISING YEAR AHEAD

Uecomm's success in 2003 has positioned us for strong growth. We have set a clear strategic direction for the Company and have the products and network strength to provide the best value for our customers.

SOLUTION PROFILE

QUEENSLAND UNIVERSITY OF TECHNOLOGY (QUT)

Queensland University of Technology is one of Australia's largest universities with about 40,000 student enrolments per year.

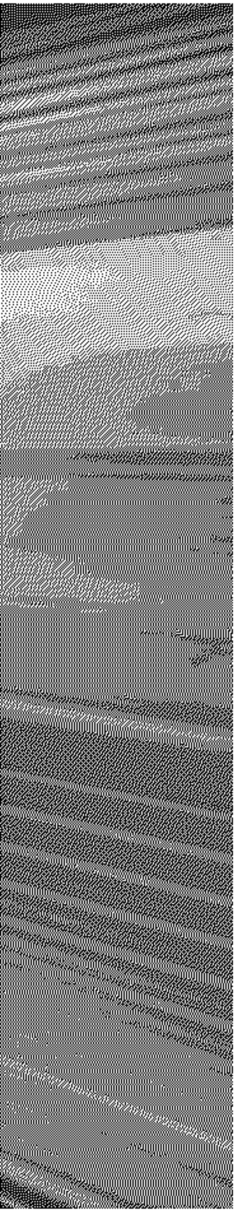
University students and staff use applications including a sophisticated web-based administration service, an online teaching system and a web-based student email service. QUT wanted to ensure that students could access information and service regardless of their location. The University also wanted to link its three campuses to enhance collaborative research and entrepreneurial capabilities.

"As one of Australia's leading higher-education institutions, it was essential that we had access to the latest technology," says QUT IT Team Leader Peter Kurtz. "This included not just hardware and software but also an Internet connection that could transmit large amounts of data quickly and with minimal disruptions.

"Uecomm's products allowed us to do just that as well as run complex and high-bandwidth applications, something we weren't able to do before.

"The connectivity and reach gained through Uecomm's fibre network opens up a whole new dimension for the university, enabling us to run applications to support Voice over IP, video conferencing and video streaming. This gives us the flexibility to run lectures via online learning, a trend that is catching on with many universities."

With Uecomm, QUT can now control its bandwidth, protocols and network equipment with less hassle and greater ease of use. The faster network connection has also enhanced the learning experience for students and staff.



Forecasts of a cyclical upturn in the IT&T industry and a generalised pick-up in the Australian and global economies during 2004 should create conditions favourable to continued growth. The data communications market in Australia is reported to be worth $2.7 billion, and growing.

Uecomm is well placed to capitalise on our inherent strengths in this market. We are a highly respected specialist provider of high-speed data services, our products are in demand and our networks are located in the centres of strongest growth.

The healthy business outlook is reflective of Uecomm's strong management and consistent growth over several years. Our robust sales pipeline also points to steady growth in revenue and profits over 2004.

In 2004 we are forecasting continued growth in the business, including:

- operating revenue between $70 million and $80.0 million;
- EBITDA of approximately $30.0 million; and
- capital expenditure of approximately $20.0 million.

Our target is to be cash-flow positive in 2004 after capital expenditure. This will be a significant achievement for an infrastructure-based telecommunications company such as ourselves.

Many changes have taken place over the year and our stakeholders have shown great support. I take this opportunity to thank them all, especially our customers.

The coming year holds great promise for Uecomm to add customers from new markets and increase network utilisation and revenue.

Peter McGrath
Chief Executive Officer

SOLUTION PROFILE

MEDICAL BENEFITS AUSTRALIA LTD

MBF has been looking after the health funding needs of Australians for nearly 60 years and provides health insurance cover to about two million Australians. Each year, it pays health service benefits in excess of $1.0 billion. At MBF, data security is paramount.

Before becoming a Uecomm customer in 2003, MBF had a disaster recovery solution that relied on critical data being backed up to tape and transported to a separate recovery location on a daily basis. The process was manual, prone to human error and caused unnecessary costs.

So MBF turned to Uecomm for a solution. MBF moved to a semi-automated disaster recovery solution using Uecomm Ethernet VLAN to connect its head office in Sydney to a disaster recovery site in Brisbane.

The Uecomm Ethernet VLAN disaster recovery solution was appropriate for MBF's business needs. It helped better manage costs, eliminate manual processes and cover the distances between the sites.

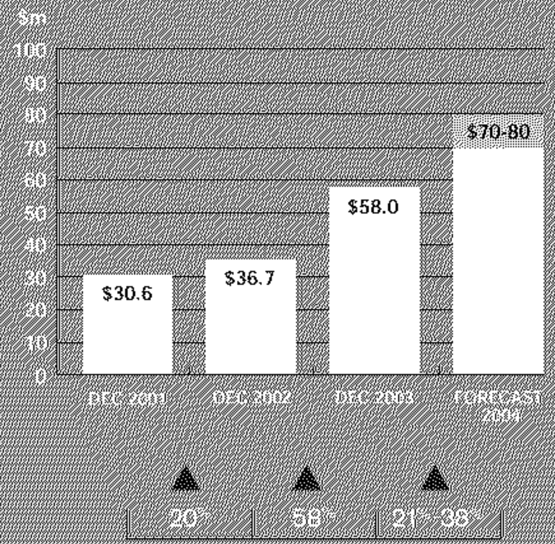
"The solution we now have in place gives MBF a great deal of flexibility with how we move forward in terms of frequency of data replication and the ability to increase the volume of data we back up," says MBF Manager of Information Technology Services Chris Lawrenson.

2003 HIGHLIGHTS

CORE REVENUE FROM OPERATIONS*

2003 RESULT (MILLIONS)	% CHANGE FROM '02
$58.0	+58%

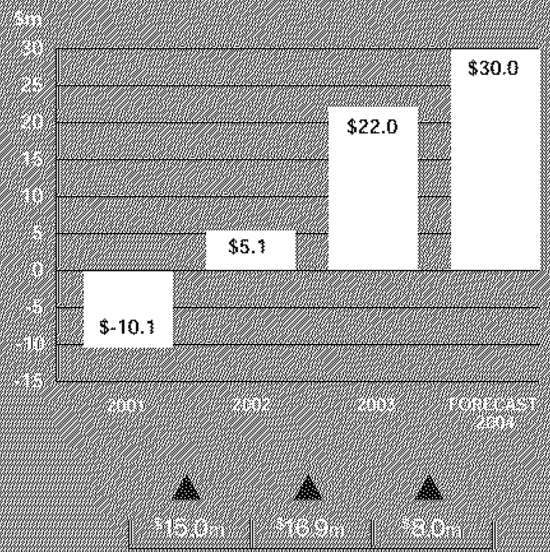
*excluding significant items

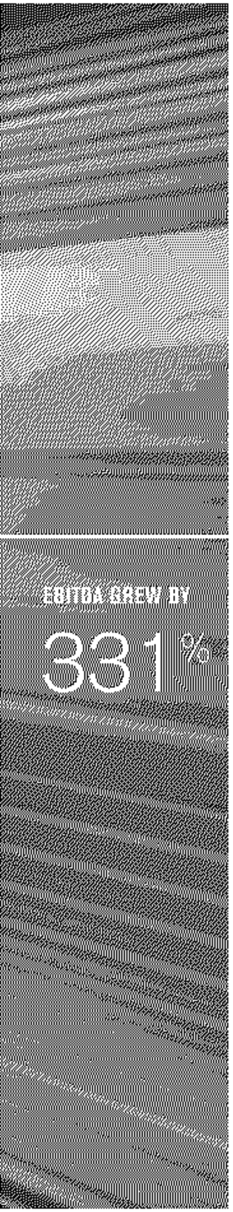


EBITDA*

2003 RESULT (MILLIONS)	% CHANGE FROM '02
$22.0	+331%

*excluding significant items





RELIABLE AND EFFICIENT ACCESS TO INFORMATION IS ESSENTIAL TO THE PURSUIT OF COMPETITIVE ADVANTAGE IN TODAY'S BUSINESS WORLD.

built for speed

In addition to being a year of change within the telecommunications industry, 2003 was a year in which Uecomm's competitive strengths came into their own. We achieved growth and maintained strategic focus by continuing to deliver in-demand products backed by outstanding service.

COMPETITIVE ADVANTAGE LIES IN SPEED AND SECURITY

The strong synergies between very fast fibre-optic network connections and the levels of resilience, security and scalability that this technology offers provide Uecomm with a strong competitive advantage. In 2003, the Company rolled out numerous Wide Area Networks (WAN) for large corporate customers.

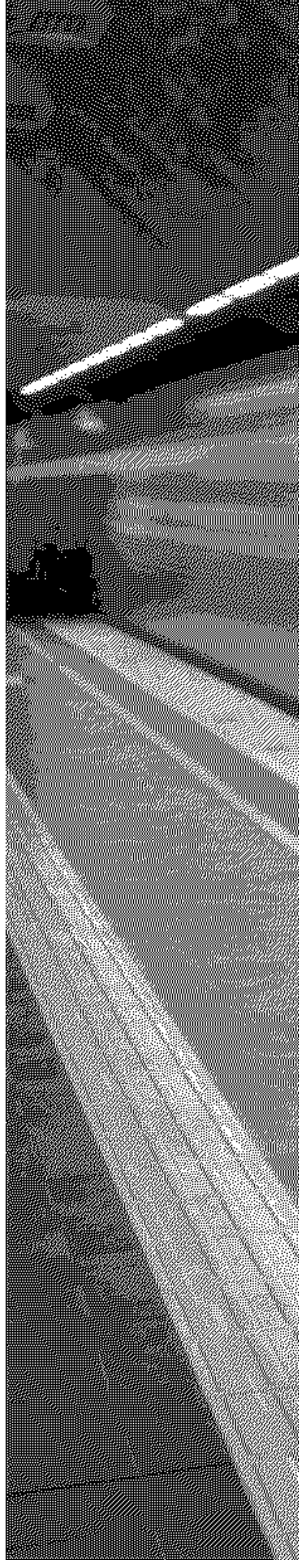
Multinational and blue-chip enterprises are among the new customers to have experienced the additional value and security of Uecomm's fibre network.

Uecomm's extensive fibre-optic network is purpose-built for today's businesses. While some other carriers' networks provide CBD coverage, Uecomm's network covers the greater metropolitan areas of Sydney, Melbourne, Brisbane and the Gold Coast. Uecomm also offers very high-speed fibre-based services in Canberra, Adelaide and Perth.

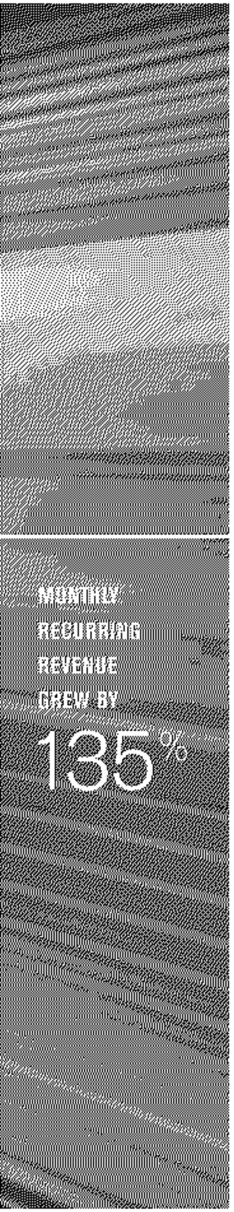
Customers use our managed network services to:

- connect data networks within and between offices;
- deliver business applications to employee desktops;
- secure and replicate data for disaster recovery;
- deliver voice and video traffic between offices;
- make data storage systems accessible across a company; and
- deliver business services to the Internet and to connect businesses to their suppliers and partners.

Uecomm also delivers services to the wholesale market, providing third parties with geographic coverage that their own networks lack. Wholesale carriers and service providers also act as a channel to smaller enterprises not dealt with by Uecomm's direct sales force.




MISSION CRITICAL DATA > NETWORK SECURITY > QUALITY OF SERVICE > CUSTOMER CARE



Our east coast network spans more than 2000 kilometres, reaching the majority of Australian businesses and government organisations. During the year we installed network facilities and established a sales office in Canberra. This investment enabled Uecomm to provide a more cost effective way of connecting the Federal Government and other Canberra based customers to the national network.

Uecomm launched an international product in 2003 that uses Sprint Telecommunications to provide services for Australian customers with overseas sites. The first customers to take advantage of the service were Sony Australia and Phillips Fox.

FIBRE-OPTICS POSITIONED FOR GROWTH

For the foreseeable future, fibre-optics is expected to remain the only method of reliably transferring data over medium to long distances at speeds of multiple gigabits per second. Advances in technology mean that the speeds at which data is sent can be increased at the flick of a switch or by replacing the equipment at either end of a section of cable.

INVESTING IN OPPORTUNITIES FOR CUSTOMERS

Each year Uecomm invests in future growth through customer-led network expansion, network upgrades and enhancements. During 2003, we invested approximately $10.0 million upgrading and enhancing the network and our IT systems. Works undertaken included:

- upgrading the capacity of the Ethernet equipment to provide enhanced features;
- introducing a system to enable customers to monitor statistics such as network availability and utilisation online; and
- implementing a new ordering and provisioning system to streamline the customer connection process. Benefits include automating the design and quoting processes, simplifying the resource management processes and reducing the time required to deliver new products.

A highlight of 2003 was the finalisation of designs for a network upgrade to accommodate the accelerating growth in demand for very high-speed data, video and voice services.

NEW ETHERNET PRODUCTS TO MEET CHANGING BUSINESS NEEDS

Uecomm has introduced new customer connection options that increase network coverage and our addressable market. These products include DSL, copper leased lines and other fibre connections that integrate into the existing Ethernet VLAN product to service our customers with multiple sites.

Ethernet is a network communications technology that connects people and computers across multiple locations, allowing data to be transferred at very high speeds. Uecomm is a leader in the provision of Ethernet services. We were the first to market with our Ethernet VLAN service in 2001. Ethernet's inherent advantages over traditional communications services make it one of the Company's fastest growing products.

Ethernet can create a virtual network for organisations that operate from multiple locations. The advantages of significantly increased speeds of data transfer and greater flexibility, without the need for additional equipment or the level of training needed for some of the traditional technologies, make Ethernet an attractive proposition.

Organisations embracing the efficiency and cost benefits that Ethernet can provide include healthcare groups, universities and schools, banks, manufacturing operations and government agencies. Uecomm is very much at the forefront of this technology.

MEETING THE NEEDS OF TOP 1500 COMPANIES

Uecomm's corporate and government customers are predominantly organisations in the top 1500 by IT spend in Australia. That is, businesses with high-speed and high quality data communications requirements that can only be reliably delivered over a fibre-optic network. They include government bodies and multinational private and public companies. Our customers operate in sectors such as media, financial, manufacturing, retail, education and health.

HELPING CUSTOMERS DO BUSINESS AT THE SPEED OF LIGHT

The Uecomm network is used by businesses whose data communications systems are essential for real-time communication. In many cases our customers have head office and branch office sites that are geographically disbursed. Our state-of-the-art disaster recovery service is used by financial institutions that process thousands of transactions each second and cannot afford to have their data communications system fail.

A large number of Uecomm's customers operate in the health sector where the benefits of applications run over a high-speed fibre-optic network are invaluable. Advances in telecommunications enable specialists to collaborate on research projects from locations across the globe. Using our network and products, they can remotely view patients' pathology and radiology, provide diagnosis and recommend treatment.

In the education sector, universities, TAFEs and schools are able to offer leading-edge teaching methods while saving time and money. Old telephone systems are being replaced with Voice over IP (VoIP), where calls made within the network are effectively free of charge. Correspondence courses that previously relied on posting out printed brochures and study notes are now provided electronically in real-time.

The Internet has become a link between teachers, students and their parents, enabling students to form virtual study groups with other schools anywhere in the world. Lectures and sessions presented by speakers can be streamed to students in geographically dispersed locations and then archived, enabling future classes to benefit from these sessions.

It is in this context that Uecomm's network and products are particularly powerful. A highlight of 2003 was the completion of the NSW Department of Education and Training's fibre-optic network. The project involved rolling out fibre to over 200 schools and TAFE colleges.

Schools and TAFEs are able to use the network to collaborate with students from other schools and access the Internet for research purposes. The speed at which data is transmitted across the network is such that the department can run time-sensitive applications such as distance learning, multimedia video and other telecommunications services between schools and TAFEs. Bandwidth-on-demand capability means that services can be upgraded at any time and with very little effort to meet school requirements.

The network, which was delivered ahead of schedule to the Department, is one of the most sophisticated in Australia.

NEW PRODUCTS, MORE GROWTH IN 2004

Uecomm entered 2004 in an excellent position. A positive economic environment and strong market position point to continued earnings momentum going forward. Priorities for 2004 include expansion of our product suite, in particular using other carriers' services as a means of accessing Uecomm's Ethernet network where this is more cost effective than undertaking construction ourselves. This will help us achieve our target in 2004 of being free cash-flow positive. That is, to generate surplus cash after all costs and capital expenditure.

We are proud of our reputation as a leading specialist telecommunications carrier providing quality services at competitive prices. We intend to take full advantage of the substantial opportunities available in the Australian telecommunications market during 2004.

EXECUTIVE MANAGEMENT TEAM

PETER MCGRATH
Chief Executive Officer

Peter has extensive experience in the telecommunications industry, joining Uecomm from AAPT's Connect Internet Solutions, a leading corporate Internet Services Provider, where he was Chief Operating Officer. Previously Peter was Group General Manager, Mergers and Acquisitions with Telstra and, prior to that, Peter spent time in corporate advisory at ANZ Securities and UBS Warburg. Peter's early career was spent with Telstra in product management and engineering roles.

Peter has an MBA (Distinction) from Melbourne Business School and a Bachelor of Engineering (Communications) from RMIT.

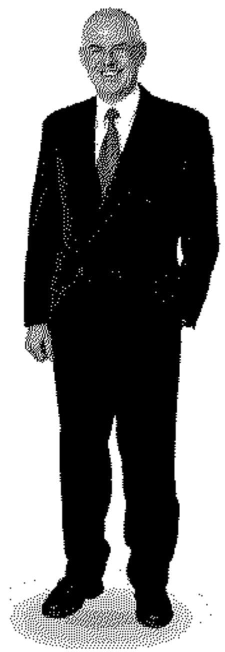
PETER DAWSON
Chief Financial Officer

Peter is a Chartered Accountant with an extensive Australian and International commercial background. Previously with United Energy, Peter held the position of General Manager, Risk and Business Performance, and was a member of the United Energy Leadership Team. Peter had substantial involvement in the listing of United Energy on the Australian Stock Exchange in 1998.

Peter has 25 years accounting and audit experience and, prior to joining United Energy, spent 12 years with Coopers and Lybrand in Australia and the United States, and six years with Transfield.

As Chief Financial Officer for Uecomm, Peter is responsible for the accounting, tax, legal, investor relations and human resources functions.

Peter holds a Bachelor of Business (Accounting) from RMIT and is a Fellow of the Institute of Chartered Accountants in Australia.

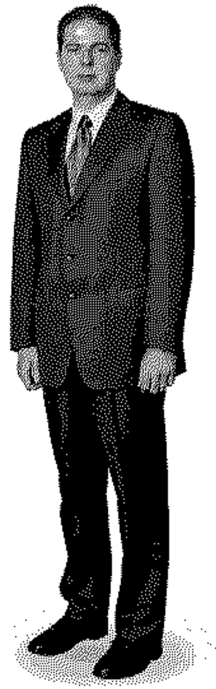


DEAN TOGNELLA
Commercial & Business Development Director

Dean joined Uecomm from Connect, a subsidiary of AAPT, where he provided commercial and strategic analysis across the operational business units. He also gained strategic telecommunications experience during a six-year career with PricewaterhouseCoopers.

In addition to business development initiatives, Dean is responsible for the strategic management of significant bids and company contracts.

Dean holds a Bachelor of Business from Swinburne University of Technology, a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia and is a member of the Institute of Charted Accountants in Australia.

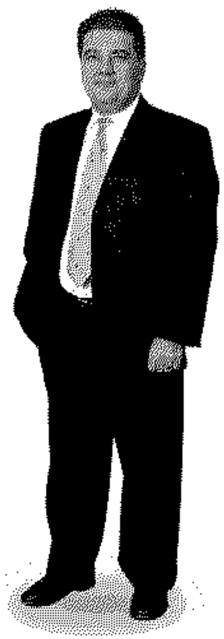


TONY AZZOPARDI
Infrastructure Services Director

An experienced telecommunications professional, Tony joined Uecomm as Infrastructure Services Director, responsible for Operations, Networks and Information Technology.

Tony brings a strong blend of technical and commercial experience to Uecomm, with more than 20 years in the telecommunications industry spanning various technology and management roles in organisations such as Telstra, OTC, Telecommunications Power, Cable & Wireless (Indonesia) and SMS Management & Technology, both in Australia and overseas.

Tony was formerly the Director of Strategic Development at SMS Management and Technology, a listed project management and IT services company.

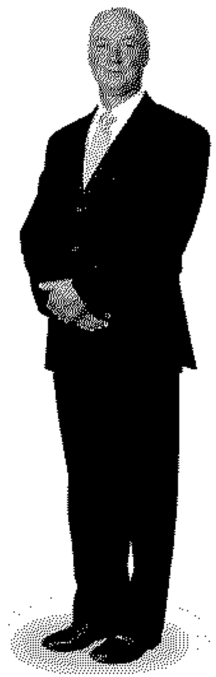


NEIL VERRALL
Sales Director

Neil brings with him over 20 years telecommunications experience. Neil held many senior positions during his 18 year career with Telstra and has a proven record of leading, motivating and empowering sales teams to achieve their targets and secure new business.

Neil joined Uecomm from Powertel, where he was the Director of Sales and Marketing. Prior to that Neil was the National General Manager at Telstra where he was responsible for Retail and Wholesale Trade and Major Account Sales.

Neil holds a Bachelor of Arts from the University of Adelaide and a Post-Graduate Degree in Management & Policy Administration from the Flinders University of South Australia.



BRENDAN PARK
Products & Marketing Director

More than 15 years in the telecommunications industry has provided Brendan with extensive strategic positioning and product management experience.

Previously Brendan held several senior marketing roles at Nortel including Regional Marketing Manager. Prior to Nortel, Brendan was a Senior Market Analyst with Telstra and authored Telstra's data strategy.

Brendan holds an MBA from Melbourne Business School and a Bachelor of Engineering from RMIT.

BOARD OF DIRECTORS

The Board of Directors of Uecomm as at the date of this report, is comprised of:

L PETER SHORE
B.Sc

Non-Executive Chairman
30/07/2002
Appointed to the Board in July 2002, Peter has more than 20 years experience in the telecommunications industry. He was a Group Managing Director of Telstra Corporation from 1995 to 2000. Peter is also Chairman of Unwired, a listed company that provides wireless broadband services to the consumer and small business market and a director of Hostworks Ltd, a listed company that provides complex internet hosting. Peter is a member of the Australian Advisory Board of Siemens. He holds a Bachelor of Science degree from Adelaide University.

M JOHN CRAVEN
B.Sc., FAICD

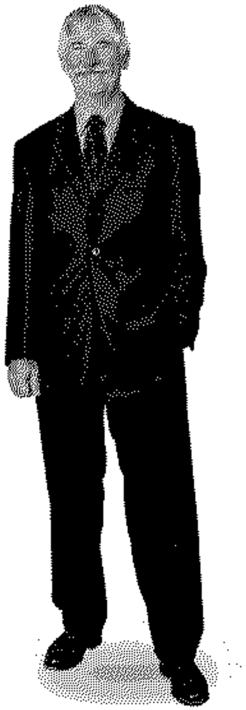
Non-Executive Director
26/07/2000
Appointed to the Board on 26 July 2000, John is also Managing Director of the Terranovate Group, a consulting firm that specialises in business innovation and technology marketing. Formerly the Managing Partner of Andersen Consulting's (now Accenture) Communication Market unit in Australia, New Zealand and Asia, he is a member of the Board of Advisors of the Network Insight Group and the CSIRO Sector Advisory Committee for Information and Communication Technology and is Chairman of the Hubbub Group. John holds a Bachelor of Science degree and is a Fellow of the Australian Institute of Company Directors.

LEIGH L HALL A.M
B.Ec., FCA, FCPA, FCIS, FAII, FSIA

Non-Executive Director
20/07/2000
Appointed to the Board in July 2000, Leigh is a non-executive director of Funds SA, Prime Infrastructure Management Limited and Gresham Technology Management Limited. He holds an Economics degree from Sydney University.

ROBERT J STEWART
LLB (Hons), B.Com., MBA

Non-Executive Director
26/07/2000
Appointed to the Board on 26 July 2000, Rob is also the Chairman of Melbourne IT Limited and Forest Enterprises Australia Limited and is the Deputy Chairman of Emitch Limited. He retired in June 1999 after 11 years as National Managing Partner of Minter Ellison, one of Australia's leading law firms. Prior to that, he served for nearly seven years as the Managing Partner of Ellison, Hewison & Whitehead, a predecessor firm of Minter Ellison. He is also President of the Business/Higher Education Round Table; a director of the Australasian Cardiac Surgery Research Institution Limited; a member of the Board of the Baker Medical Research Institute and a member of the Wesley College Council. Rob holds degrees in law and commerce and a Masters degree from Harvard Business School.

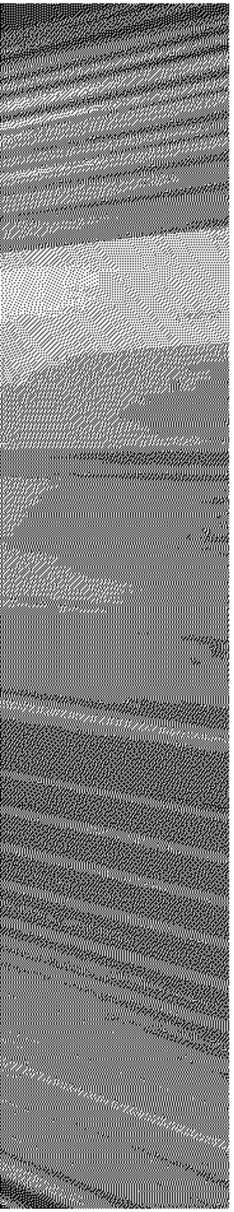


TIMOTHY C HEALEY
B.Ec., B. Litt (Hons).,FAICD

Non-Executive Director
24/07/2003
Appointed as a director on 24 July 2003, Tim has a background in finance, economic policy and development banking. He is a non-executive director of Alinta Limited. He is a former director of United Energy Limited and a number of companies and government corporations.
Tim holds a Bachelor of Economics Degree from the University of Sydney and a Bachelor of Letters (Hons) Degree from Deakin University. He is also a Fellow of the Australian Institute of Company Directors.

JOHN R CAHILL
B.Bus., FCPA

Non-Executive Director
24/07/2003
Appointed to the Board on 24th July 2003, John is the Chief Financial Officer of Alinta Limited and the director of various companies in the Alinta group of companies. He has over 20 years experience in the energy industry in finance and accounting. He holds a Bachelor of Business with a major in finance and economics from the Western Australian Institute of Technology (now Curtin University), a Post-Graduate Diploma of Business in Professional Accounting from Edith Cowan University, a Fellow of, and Councillor with, CPA Australia (Western Australian division), a member of the Finance and Treasury Association and a member of the Australian Institute of Management.



COMPANY PARTICULARS

DIRECTORS

L Peter Shore
Non-Executive Chairman

Robert W Holzwarth
Non-Executive Deputy Chairman
Resignation effective, 24th July 2003

M John Craven
Non-Executive Director

Leigh L Hall
Non-Executive Director

Robert J Stewart
Non-Executive Director

Keith G Stamm
Non-Executive Director
Resignation effective, 24th July 2003

Douglas P Evanson
Non-Executive Director
Resignation effective, 24th July 2003

Timothy C Healy
Non-Executive Director
Appointment effective, 24th July 2003

John R Cahill
Non-Executive Director
Appointment effective, 24th July 2003

COMPANY SECRETARY

Lyndon A Goulding

REGISTERED OFFICE

Building 8, 658 Church St
Richmond VIC 3121
Telephone +613 9221 4100
Facsimile +613 9221 4192
Web: www.uecomm.com.au

SHARE REGISTRAR

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford VIC 3067
General enquiries: 1300 850 505
Overseas holders: +613 9415 4000
Fax: +613 9473 2500
Web: www.computershare.com
E-mail: web.queries@computershare.com.au

AUDITOR

KPMG
161 Collins Street
Melbourne VIC 3000

SOLICITORS

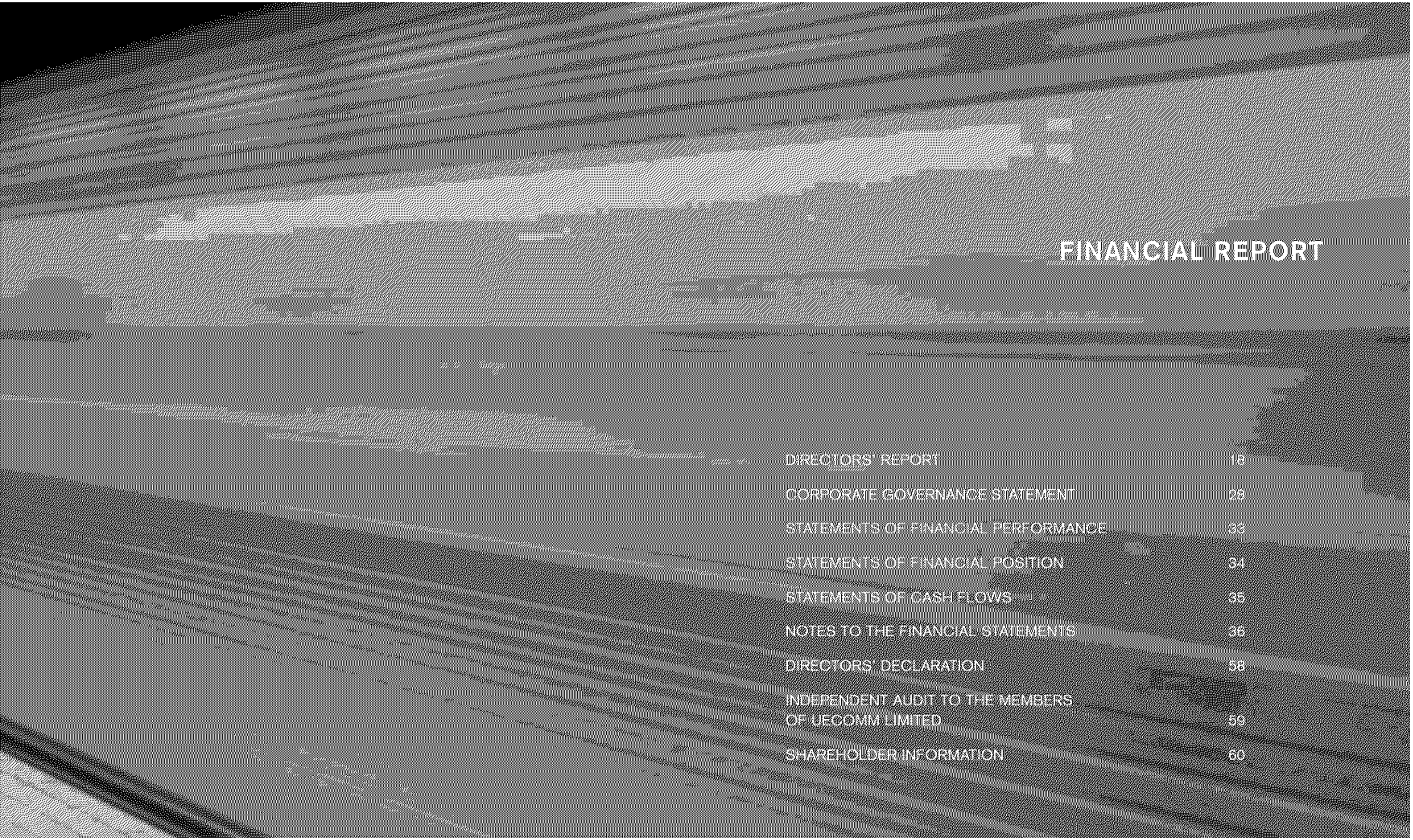
Freehills
101 Collins Street
Melbourne VIC 3000

STOCK EXCHANGE LISTING

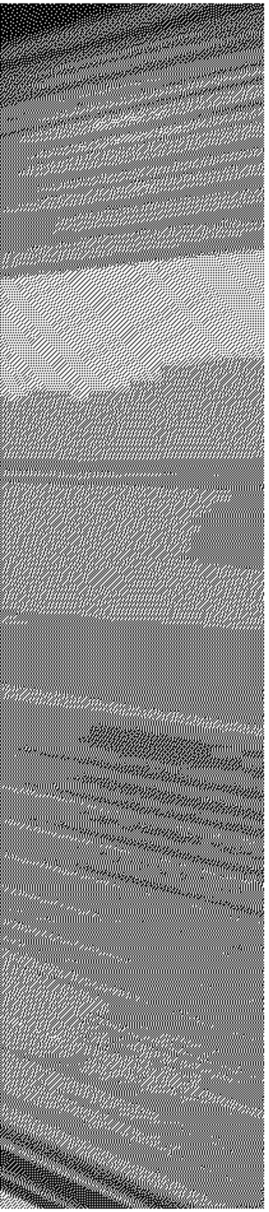
Uecomm Limited shares are quoted and traded on the Australian Stock Exchange Limited under the code UEC.

INVESTOR RELATIONS

Melissa Frost
Building 8, 658 Church St
Richmond VIC 3121
Telephone +613 9941 4521
Facsimile +613 9221 4192
E-mail: investors@uecomm.com.au
Web: www.uecomm.com.au



FINANCIAL REPORT



DIRECTORS' REPORT

THE DIRECTORS PRESENT THEIR REPORT TOGETHER WITH THE FINANCIAL REPORT OF UECOMM LIMITED ("UECOMM") AND THE CONSOLIDATED FINANCIAL REPORT OF THE CONSOLIDATED ENTITY, BEING UECOMM AND ITS CONTROLLED ENTITIES, FOR THE YEAR ENDED 31 DECEMBER 2003 AND THE AUDITORS' REPORT THEREON.

DIRECTORS

The directors of Uecomm at any time during or since the end of the financial year are:

- L PETER SHORE *Non-Executive Chairman*
- ROBERT W HOLZWARTH *Non-Executive Deputy Chairman (Resignation effective, 23 July 2003)*
- M JOHN CRAVEN *Non-Executive Director*
- LEIGH L HALL *Non-Executive Director*
- ROBERT J STEWART *Non-Executive Director*
- KEITH G STAMM *Non-Executive Director (Resignation effective, 23 July 2003)*
- DOUGLAS P EVANSON *Non-Executive Director (Resignation effective, 23 July 2003)*
- JOHN R CAHILL *Non-Executive Director (Appointment effective, 24 July 2003)*
- TIMOTHY C HEALEY *Non-Executive Director (Appointment effective, 24 July 2003)*

PRINCIPAL ACTIVITIES

The principal activity of the consolidated entity during the financial year was providing data communication services under contract within the corporate, government and telecommunications service provider markets.

SIGNIFICANT CHANGES TO BUSINESS DURING THE YEAR

During the year ended 31 December 2003, there were significant changes to the business:

- in April 2003, the consolidated entity completed the sale of its Perth network to Western Power Corporation; and
- in July 2003, Alinta Limited acquired United Energy Limited's 66 per cent shareholding in Uecomm Limited.

Full details of the changes to the consolidated entity during the year are contained in the Chief Executive Officer's Review, which forms part of the Annual Report 2003.

DISTRIBUTIONS BY UECOMM LIMITED

There will be no dividend payable in respect of the year ended 31 December 2003 (2002: nil).

REVIEW OF OPERATIONS AND RESULTS

Uecomm Limited's consolidated operating profit after income tax for the financial year was $10.3 million, compared with a loss after income tax of $5.5 million for the previous year.

Revenue from ordinary activities was $63.3 million, an increase of $18.6 million on the prior year, and includes proceeds on the sale of the Perth network of $4.9 million together with proceeds on the sale of the other non-current assets of $0.3 million. The revenue for 2002 included a significant item of $6.5 million arising from the contract settlement with Lucent.

Core revenue from operations was $58.0 million, an increase of $14.7 million on the prior year, due to an increase in connection fees of $4.7 million and an increase in service and usage-based fees of $10.0 million. This is a result of the large number of customers connected to the network in 2003 following the signing of a significant number of customer contracts over the past two years.

Expenses from ordinary activities were $56.6 million, an increase of $5.0 million on the prior year. Excluding $5.3 million of costs directly related to the sale of the Perth network and other non-current assets, one-off costs relating to the change of control events, depreciation and amortisation, and one-off costs incurred in 2002, operating costs have increased by $5.0 million. This increase primarily related to an increase in employee numbers to support the growth in revenue of the business.

An income tax credit of $7.1 million was included in the 2003 result. This was comprised of the future income tax benefit ($9.0 million) on $30.0 million of tax losses, offset largely by the income tax expense on the accounting profit before tax and the tax effect of current year tax losses.

SIGNIFICANT EVENTS POST BALANCE DATE

Except as disclosed in this report and the attached financial statements, no matters or circumstances have arisen between 31 December 2003 and the date of this report that have significantly affected or may significantly affect the operations of the consolidated entity in future years, the results of those operations or the state of affairs of the consolidated entity in future years.

LIKELY DEVELOPMENTS

Details of likely developments in the operations of the consolidated entity in future years are contained in the Chairman's Letter and the Chief Executive Officer's Review, which form part of the Annual Report 2003. In the opinion of the directors, disclosure of any further information would be likely to result in unreasonable prejudice to the consolidated entity's operations. Accordingly, such information concerning these and other potential developments and projected results have not been included.

ENVIRONMENTAL REGULATION PERFORMANCE

Legislation affecting the operations of the consolidated entity includes The Environment Protection Act (1970) Vic. The consolidated entity did not receive any notices from the Environment Protection Authority for any breaches of the Act during 2003.

DIRECTORS' INTERESTS

At 31 December 2003, directors' interests in Uecomm Limited shares and Alinta Limited shares and options were:

Director	Uecomm Limited Shares	Uecomm Limited Options	Uecomm Limited Investment Share Plan	Uecomm Limited Loan Share Plan [1]	Alinta Limited Shares/Options [2]
M John Craven	10,000	136,300	-	26,300	-
Leigh L Hall	252,700	-	-	-	-
L Peter Shore	1,400,000	240,000	808,000	-	-
Robert J Stewart	50,554	136,300	-	26,300	-
John R Cahill	-	-	-	-	210,506
Timothy C Healey	12,000	-	-	-	32

[1] *The Loan Share Plan involves an interest free non-recourse loan being offered to eligible employees, directors or a secretary of Uecomm to acquire shares.*

[2] *Mr Cahill holds 185,000 options and 25,506 shares in Alinta. Mr Healey holds 32 reset preference shares in and is a director of Alinta.*

During the year, Mr Stamm was Chairman and Messrs Holzwarth, Evanson, Hall and Healey were directors of United Energy, which provided services to Uecomm. Refer to note 31 for further information.

DIRECTORS' MEETINGS

The Board meets regularly during the year, with some meetings being held via telephone or video conference.

	Board Meetings		Audit Committee Meetings		Nomination and Remuneration Comittee Meetings	
	A	B	A	B	A	B
Leigh L Hall	19	19	8	8	-	-
Robert W Holzwarth	9	9	-	-	2	2
L Peter Shore	19	19	-	-	2	2
M John Craven	17	19	-	-	1	2
Robert J Stewart	19	19	8	8	-	-
Keith G Stamm	6	9	-	-	-	-
Douglas P Evanson	8	9	6	6	-	-
John R Cahill	6	6	2	2	-	-
Timothy C Healey	6	6	-	-	-	-

A = Number of meetings attended.

B = Number of meetings held during the time the director held office or was a member of the committee during the year and was not excluded from attending on grounds of material personal interest.

DIRECTORS' REMUNERATION

The Company's Constitution has set the maximum annual amount of aggregate remuneration payable to all directors of the Company at $600,000. The Company considers that, with the exception of the Chairman, who is remunerated $140,000 per annum, an amount of $50,000 per director per annum is appropriate and within the global limits set by shareholders. The directors resolved in 2002 to cap directors fees for directors employed by the majority shareholder and/or its majority shareholder (United Energy Limited and Aquila, Inc.) at $100,000 per annum in aggregate.

Director	Fees paid $	Shares / Options $	Total $
M John Craven	50,000	-	50,000
Douglas P Evanson *	16,667	-	16,667
Leigh L Hall	50,000	-	50,000
Robert W Holzwarth *	16,667	-	16,667
L Peter Shore	71,590	68,410	140,000
Keith G Stamm *	16,667	-	16,667
Robert J Stewart	50,000	-	50,000
John R Cahill *	25,000	-	25,000
Timothy C Healey	25,000	-	25,000

* Fees payable to directors who were also employees of associated companies were paid to the associated companies rather than to these directors.

EXECUTIVE REMUNERATION

Uecomm's policy is to employ quality executives, to compensate them competitively with an attractive remuneration structure and to reward for individual achievement of key objectives and demonstration of Uecomm's values. Executive remuneration is reviewed annually, recognising market movements, the Company's capacity to pay and individual performance.

Senior executive remuneration is made up of three components:

Fixed remuneration This element reflects the scope of the role and the level of skill and experience of the individual and is generally referenced to the 75th percentile of the applicable remuneration market.

Short-term incentives Short-term incentives are structured to reward the achievement of business, group and individual annual performance targets. This aspect of the reward program considers actual achievements over the past year. The performance of the Company and individual business units is the key factor in determining short-term incentives, which generally apply to other selected staff as well as senior executives.

Long-term incentives Long-term incentives are an integral part of the remuneration program in rewarding an individual's contribution and potential contribution to the Company's performance. They involve the issue of options and performance rights to executives. The current long-term incentive plan links the reward of the executive directly to the share price growth and profit performance of the Company. This aspect of the reward program focuses the executive on the future performance of the Company over a three to five year horizon.

Performance rights were introduced in 2003 to rebalance the long-term incentive plan. Prior to their introduction, almost all of a senior executive's long-term incentive was provided in the form of options. From April 2003, half of the remuneration value previously assigned to options is allocated in the form of performance rights. The introduction of performance rights has reduced the number of options granted annually and ensures that part of a senior executive's long-term incentive remains active in situations where the Group has met the assigned performance hurdles but where options have no value.

Each option and performance right is granted over one ordinary share in the capital of the Company and performance hurdles must be met before share options and performance rights can be exercised.

For share options issued in 2003, the performance hurdle is the extent to which the Uecomm share price exceeds the exercise price of the options. For the performance rights issued in 2003, the performance hurdle is the extent to which Uecomm's EBITDA meets the target set by the Board. For details of the exercise conditions for options issued in earlier years and for a more detailed description of the performance hurdles, see "share options and performance rights" detailed on pages 23 to 26.

The following table shows the remuneration of the Chief Executive Officer and of the senior executive team involved in the management of the consolidated entity during the year ended 31 December 2003.

Name and Position	Salary Package [1] $	Cash performance based remuneration [2] $	Other benefits [3] $	Total cash remuneration $	Allocation of fair value of all unvested options and performance rights [4] $	Total remuneration $	Options granted during 2003 [5] (No.)	Performance rights granted during 2003 [6] (No.)
Peter McGrath CEO	400,000	120,000	-	520,000	63,189	583,189	1,500,000	770,713
Neil Verrall	276,750	99,202	-	375,952	29,037	404,989	622,688	319,942
Tony Azzopardi	245,000	49,000	-	294,000	21,507	315,507	612,500	314,708
Peter Dawson	205,000	51,250	-	256,250	22,876	279,126	512,500	263,327
Dean Tognella	180,000	45,000	-	225,000	19,275	244,275	450,000	231,214
Brendan Park	180,000	45,000	-	225,000	19,275	244,275	450,000	231,214

(1) Reflects the total remuneration package consisting of both basic salary and packaged benefits, which could otherwise be taken as cash.

(2) Reflects performance-based remuneration accrued but not yet paid in respect of performance for the year to 31 December 2003.

(3) Reflects non-salary package remuneration and includes insurance premiums paid on the executive's behalf.

(4) Refer below for an explanation of fair value based on the guidelines issued by ASIC.

(5) The options were granted on 30 April 2003, at an exercise price of $0.1557 each, and are first exercisable on 30 April 2005. No options have been granted to senior executives since 31 December 2003. Refer to 'share options and performance rights' on pages 23 to 26 for an explanation of the performance hurdle that must be achieved before the options can be exercised.

(6) The performance rights are issued at no cost to the employee. The performance rights were granted on 30 April 2003 and are first exercisable on 30 April 2005. No performance rights have been granted to senior executives since 31 December 2003. Refer to 'share options and performance rights' on pages 23 to 26 for an explanation of the performance hurdle that must be achieved before the performance rights can be exercised.

The disclosure of the allocation of fair value of options and performance rights in the table opposite has been based upon guidelines issued by ASIC in June 2003. These guidelines have regard to the draft accounting standards ED 2 "Share-based Payment" issued by the International Accounting Standards Board (IASB) and ED 108 "Request for Comment on IASB ED 2 'Share-based Payment'" issued by the Australian Accounting Standards Board (AASB).

In accordance with these guidelines, each year a portion of the fair value of all unvested options and performance rights is included in the remuneration of senior executives for disclosure purposes. This portion of the fair value is based on a straight-line allocation of fair value over the expected life of each unvested option or performance right.

No adjustments are made to reverse amounts in relation to options and performance rights that never vest.

Prior to 31 December 2002, the Company disclosed the fair value of options granted during the financial year using an option pricing model but did not allocate those values over their expected life for reporting remuneration. Rather, the full fair value of the grant was disclosed as a benefit in the year of grant. As a result, included in the amounts disclosed above as an allocation of fair value of option and performance rights in relation to 2003, are amounts related to unvested options granted in prior years that were disclosed as part of emoluments in the relevant prior years. This is a result of transitioning to the reporting principles required by ASIC.

In January 2004, the AASB issued AASB 1046 "Director and Executive Disclosures by Disclosing Entities". This standard will require all grants of equity compensation which have not vested before the start of a reporting period to be included in determining the amount of remuneration disclosed.

Options and performance rights granted as part of executive remuneration have been valued using an option pricing model, which takes account of factors including the option or performance right exercise price, the current level and volatility of the underlying share price, the risk-free interest rate, the expected dividends on the underlying share, the current market price of the underlying share, the expected life of the option and the probability of the performance hurdle being reached. For further details, refer to note 21 in the body of this report.

Share options and performance rights

The share options and performance rights currently issued by the Company are options and performance rights over ordinary shares granted by the Company under the Uecomm Option and Performance Rights Plan. The number and terms of options and performance rights over ordinary shares granted by the Company and the Company's valuation of those options and performance rights at grant date are detailed below.

During and since the end of 2003, the following share options and performance rights were granted to 32 senior employees (including the options and performance rights granted to senior executives referred to on page 22).

Options

The Uecomm Option and Performance Rights Plan provides for the Board to grant options to executives of the Group to subscribe for fully paid ordinary shares in the Company. Options must not be granted if the total number of shares issued in the last five years under the Company's employee share or option plans and of outstanding options and performance rights under its plans, including the proposed offer or grant, exceeds 5% of the number of shares in the issued share capital of the Company at the time of the proposed offer or grant. This calculation does not include offers made, or shares or options or performance rights granted, as a result of an offer or grant made to a person situated outside Australia at the time of the offer or grant or which did not need disclosure under section 708 of the Corporations Act 2001 (Cth).

Options are granted free of charge to participants in the Uecomm Option and Performance Rights Plan. Each option is to subscribe for one fully paid ordinary share in the Company. The exercise price per share for an option is the market price of the Company's fully paid ordinary shares as at the date the option was granted. The market price is determined as the weighted average of the prices at which the Company's fully paid ordinary shares were traded on the Australian Stock Exchange (ASX) in the one week up to and including the relevant day.

Generally, these options may not be exercised before the second anniversary of their grant, and must be exercised before the fifth anniversary of their grant. Currently options granted under the Uecomm Option and Performance Rights Plan have a life of five years. The Board may determine such other terms for the grant of options consistent with the ASX Listing Rules and the Corporations Act 2001 (Cth).

Grant Date	Exercise period [1]	Exercise price $	Held at 31 December, 2003 (No.)	Lapsed during the period [2] (No.)	Granted (No.)	Fair Value as at grant date [3] $
Options						
30 April 2003	30 April 2005 30 April 2008	0.1557	7,053,775	0	7,053,775	375,910
Performance Rights						
30 April 2003	On 30 April 2005	0	3,624,290	0	3,624,290	300,382
30 September 2003	On 30 March 2005	0	370,000	0	370,000	92,870

[1] Share options and performance rights expire on the last day of their exercise period.

[2] These share options and performance rights lapse 30 days after the termination of employment unless otherwise determined by the Board in accordance with their terms.

[3] Fair values of options and performance rights are based on an option pricing model. For the purposes of this table, the fair value at grant date represents the full fair value in the year of grant and has not been allocated over the expected life of the option or performance right. Refer above and to note 21 in the 2003 Annual Report for further information.

The Board may allow the option-holders to exercise the options irrespective of the normal criteria. For example, before the second anniversary of grant and notwithstanding the performance hurdle, where certain events occur, such as the making of a takeover offer or announcement to the holders of fully paid ordinary shares in the Company.

Exercise of the options is subject to satisfaction of a performance hurdle. For share options issued in 2003, the performance hurdle is the extent to which the Uecomm share price exceeds the exercise price of the options in accordance with the table below:

Performance Rights
The Uecomm Option and Performance Rights Plan provides for the Board to grant performance rights to senior executives of the Group to subscribe for fully paid ordinary shares in the Company. Performance rights cannot be granted under the Plan if the number of shares to be received on exercise of those performance rights together with all shares granted under the Company's employee incentive plans over the last five years and the number of outstanding options and performance rights granted under those plans exceeds 5% of the Company's issued share capital.

Performance rights cannot be transferred and are not quoted on the ASX. Each performance right is a right to subscribe for one fully paid ordinary share in the Company. Participants do not pay any amounts to the Company for the performance rights they receive or to exercise their performance rights.

Performance rights may not be exercised before the second anniversary of their grant and must be exercised on the second anniversary of their grant. The Board may determine such other terms for the grant of performance rights consistent with the ASX Listing Rules and the Corporations Act 2001(Cth).

Performance Hurdle	Percentage of 2003 option allocation exercisable
• Share price at any time during the performance period does not exceed exercise price of 2003 Options Offer by 25%	0%
• Share price at any time during the performance period exceeds exercise price of 2003 Options Offer by at least 25% but not 50% or more	25%
• Share price at any time during the performance period exceeds exercise price of 2003 Options Offer by at least 50% but not 75% or more	50%
• Share price at any time during the performance period exceeds exercise price of 2003 Options Offer by at east 75% but not 100% or more	75%
• Share price at any time during the performance period exceeds exercise price of 2003 Options Offer by at least 100%	100%

All of the share price performance hurdles for the Options issued in 2003 were achieved during 2003.

Notwithstanding the options satisfying the Performance Hurdles set out above, the proportion of the total option allocation under the 2003 Options Offer that can be exercised will depend on the employee's continued employment with a Uecomm Group Company (in accordance with the table below).

Employed beyond	Percentage of 2003 option allocation exercisable
30 April 2005	50%
30 April 2006	50%

The Board may allow performance rights holders to exercise their performance rights irrespective of the normal criteria (for example, before the second anniversary of grant and notwithstanding the performance hurdle) where certain events occur, such as the making of a takeover offer or announcement to the holders of fully paid ordinary shares in the Company.

For the performance rights issued in April 2003, the performance hurdle is the extent to which Uecomm's EBITDA meets the target set by the Board. The performance rights issued in September 2003 were issued as a form of a retention bonus for a number of key staff. For the performance rights issued in September 2003 the hurdle is the continued employment with Uecomm for 18 months, in that 50% of the rights offered will be able to be accessed in September 2004 with the remaining 50% being able to be accessed in March 2005.

The Group does not recognise an expense in its profit and loss account for options or performance rights. The IASB is currently finalising the drafting of a standard for accounting for share-based payments (including employee share options and their repricing). The Company intends to adopt the new standards in relation to accounting for share options once promulgated by the IASB and the AASB.

There were 3,830,000 fully paid ordinary shares of the Company issued during 2003 as a result of options granted being exercised, for a total consideration of $564,300. No performance rights were exercised during 2003. The amount paid on issue of each of these shares is set out in note 21 to the financial statements in the 2003 Annual Report. There are currently 8,566,375 options and 3,994,290 performance rights outstanding under the respective plans as set out in the following table:

OPTIONS OUTSTANDING AS AT 31 DECEMBER 2003

Date of Options Granted	Hurdle Price $	Excercise Price $	Date of expiry	No. of Options (one share per Option)
30 April 2003 [3]	-	0.1557	30/4/08	7,053,775
9 August 2002 [2]	-	0.12	9/8/07	240,000
5 October 2001 [2]	-	0.12	5/10/06	1,000,000
9 September 2000 [1]	3.30	2.20	9/9/05	272,600
				8,566,375

[1] *Options are exercisable in three tranches. 33⅓% is exercisable commencing the second year from the date of grant, a further 33⅓% on the commencement of the third year from the date of grant and the final 33⅓% on the commencement of the fourth year from the date of grant. The last date of exercise of any option is the fifth anniversary from the date of grant and the exercise price is $2.20 with a hurdle price of $3.30.*

(2) *Options are exercisable when the following conditions are met:*

STRIKE PRICE HURDLE

Share price on ASX on day of exercise	Number of options capable of being exercised
Greater than or equal to $0.30	25% of granted options
Greater than or equal to $0.60	25% of granted options
Greater than or equal to $1.00	25% of granted options
Greater than or equal to $2.00	25% of granted options

(3) *Exercise conditions for these options are discussed on page 25.*

PERFORMANCE RIGHTS OUTSTANDING AS AT 31 DECEMBER 2003:

Date Rights Granted	Exercise Price	Date of Expiry	Number of Rights (One Share per Right)
30 April 2003	0	On 30 April 2005	3,624,290
30 September 2003	0	On 30 March 2005	370,000
			3,994,290

Exercise conditions for these rights are discussed on pages 25 and 26.

INDEMNIFICATION OF DIRECTORS AND OFFICERS

During 2003, insurance and indemnity arrangements established in the previous years were renewed at a premium of $195,876 (2002: $171,300). The insurance package insures directors and employees against liabilities and expenses arising as a result of their work, to the extent permitted by law.

During the year, the Company also entered into insurance and indemnity arrangements to indemnify former directors of the consolidated entity following the change of control event when Alinta Limited became the controlling entity of Uecomm Limited.
The arrangement is for a period of six years for a one time premium of $966,827 and insures former directors against liabilities and expenses arising as a result of their work, to the extent permitted by law.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

ROUNDING OF AMOUNTS

The parent entity is a Company of the kind specified in ASIC Class Order 98/0100.
The amounts in the financial statements and the Directors' Report have been rounded off to the nearest thousand dollars ($'000) unless stated otherwise.

This Report has been made in accordance with a resolution of the Board of Directors for and on behalf of the directors.

Robert J Stewart

Director
Melbourne,
26 February 2004

CORPORATE GOVERNANCE STATEMENT

THE DIRECTORS OF UECOMM LIMITED ARE FULLY SUPPORTIVE OF, AND COMMITTED TO, MAINTAINING BEST PRACTICE IN CORPORATE GOVERNANCE. IN PARTICULAR, DIRECTORS WELCOMED THE RELEASE OF THE AUSTRALIAN STOCK EXCHANGE ('ASX') CORPORATE GOVERNANCE COUNCIL'S (CGC) "PRINCIPLES OF GOOD CORPORATE GOVERNANCE".

The Board's commitment to maintaining the highest standards of ethical, responsible and accountable behaviour led to a comprehensive review of the Company's corporate governance practices in January 2004 to ensure they reflect best practice standards to the extent appropriate.

In early February 2004, the Board confirmed its commitment to best practice by adopting the ASX CGC's "Principles of Good Corporate Governance" as the basis for its ongoing practices.

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT BY THE BOARD.

The Board's responsibilities to its shareholders and the community are set out in the Corporate Governance Manual which is accessible on the Company's web-site. These responsibilities include:

1. Setting the strategic direction of the Company by way of long-term strategic and annual business plans and monitoring management's performance against measurable targets.
2. Approving the annual and half year financial statements.
3. Ensuring compliance with applicable laws.
4. Ensuring effective compliance and risk management systems are in place.
5. Ensuring appropriate policies and delegations are in place sufficient to effectively govern the Company.
6. Approving the appointment (and removal if appropriate) of the Chief Executive Officer (CEO) and evaluating his/her ongoing performance and remuneration.
7. Approving the appointments (and removal if appropriate) of the Chief Financial Officer (CFO) and the Company Secretary.
8. Ensuring that remuneration and performance structures, together with an appropriate succession plan for senior management, are in place.
9. Adopting an entity structure supportive of best practice in corporate governance which is aligned to the Company's values, strategies, ethical standards and regulatory environment.
10. Ensuring all shareholders are treated equally.
11. Through the Audit Committee, maintaining close liaison with the Company's auditors.

The Board has formed the following standing committees to assist it in carrying out its responsibilities:

- the Audit and Risk Committee; and
- the Nominations and Remuneration Committee.

Certain directors of the Company have yet to receive formal letters of appointment. It is the Company's intention that all current directors will receive formal letters of appointment to ensure consistency of form and content. The Company will issue formal letters of appointment at the time of all future appointments.

The Chairman's role is to provide leadership and to manage the Board so that it operates efficiently and effectively, and to facilitate interaction between the CEO and the Board.

The Board recognises that the performance of its members and the CEO is critical to the Company's success. The Board has committed to review its performance and those of its members, and to consider the performance reports (through the Nominations and Remuneration Committee) of the CEO and the senior executives at least annually.

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

The Company's Constitution provides that the Board will have a minimum of three directors and a maximum of ten.

The Board considers that six directors, all of whom are non-executive at present, is currently appropriate for the effective operation of the Company.

A majority of the Board are independent directors, free from business or other relationships which could interfere with their independent judgement and independent of management. Two directors have an association with the majority shareholder, Alinta Limited.

The Company requires that, at each Annual General Meeting, one-third of the number of directors must retire by rotation. Any directors appointed by the Board since the last Annual General Meeting must stand-down at the next Annual General Meeting. If they are eligible they may seek election at this time.

The Board has determined that it should be made up of members with an appropriate mix of skills and judgements, and that it should review its collective performance, and that of each director, at least annually.

The Board appoints other committees from time-to-time as required. As a general rule committees of the Board can only make recommendations to the Board. However, in certain circumstances, they may be authorised to decide an issue on behalf of the Board.

The Nominations and Remuneration Committee is comprised of three non-executive directors, Messrs Craven (Chairman), Healey and Shore. The Committee is responsible for:

- Reviewing the composition of the Board at least annually to ensure that it maintains an appropriate mix of expertise and experience;
- Ensuring that there is an annual review of the performance of the Board and facilitating carrying out that review;
- Proposing suitable nominees to the Board should a vacancy occur;
- Recommending to the Board the terms of employment of non-executive directors and establishing the form of letters of appointment thereof;
- Reviewing the Company's compensation and incentive policies applicable to the CEO, executive management and directors;
- Reviewing the Company's incentive, superannuation, retirement, termination and other benefits policies;
- Reviewing management's recommendations for key performance indicators and any proposed incentive payments for executive management;
- Annually reviewing the performance of the Committee and the CEO and recommending to the Board key performance indicators for the CEO and appropriate levels of payment of any incentive remuneration; and
- Ensuring that a system for appropriate succession planning is regularly reviewed.

The Committee seeks the advice of experienced external consultants where necessary.

PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

The Company has developed a Code of Conduct which is applicable to all directors and employees. The Code is based on the premise that all dealings with employees, stakeholders, the community and regulatory authorities are to be conducted fairly, diligently, honestly and lawfully.

The Board has approved the following Share Trading Policy for dealing in the Company's shares.

Directors and employees are permitted to trade in Uecomm shares during the year except for the three weeks prior to the half and full year results announcements and two weeks prior to a general meeting of shareholders, including the annual general meeting.

Should the Company be in receipt of unreleased price-sensitive information, it may impose a trading embargo on its shares for directors and those staff who may be in possession of such information.

In accordance with ASX disclosure obligations, all directors are to advise the Company of any disclosable interest immediately. While it is not a legal requirement, employees are also bound by this obligation. All directors and employees complete an Annual Disclosure of Interest Declaration, which extends to detailing any conflicts of interest.

PRINCIPLE 4 – SAFEGUARD INTEGRITY OF FINANCIAL REPORTING

The Board has appointed an Audit and Risk Committee, composed of three non-executive directors, Messrs Hall (Chairman), Stewart and Cahill. Messrs Hall and Stewart are also independent directors. The Chairman of the Committee must be an independent non-executive director who is not the Chairman of the Company.

The Board has approved a Committee Charter which includes the following responsibilities:

- Reviewing and ensuring the integrity of the reporting process and accounting policies and monitoring compliance with current laws, regulations, accounting standards and other professional reporting standards;
- Reviewing the effectiveness of the internal and external audit functions, including reviewing and approving the respective audit plans;
- Reviewing and reporting to the Board on the effectiveness of the management information, risk management and internal controls systems in adequately and effectively safeguarding the Company's assets;
- Reviewing management's recommendation for the appointment of the external auditor and recommending to the Board the appointment of the external auditor and an appropriate audit fee;
- Regularly receiving and reviewing the reports of the internal auditor and ensuring that the internal audit plan is achieved;
- Conveying to the Board, independent of management, any concerns of the internal and external auditors;
- Reviewing and ensuring the integrity of the financial information provided to the Board and shareholders, and ensuring that the accounting records are properly maintained in accordance with statutory requirements;
- Reviewing and recommending to the Board the half year and annual financial statements and reviewing the management letter of the external auditors relating thereto;
- Undertaking any investigations relating to financial matters and risks it deems appropriate;
- Promulgating an appropriate policy on ethical standards of behaviour and business conduct;
- Regularly reviewing the external auditor's performance; and
- Ensuring that any non-audit services performed do not compromise the auditor's independence.

The Chairman of the Committee provides a report to the next meeting of the Board on the proceedings at each Committee meeting.

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

The Board has in place comprehensive "Continuous and Market Disclosure Protocols, Policies and Procedures" which govern the release of disclosable information.

The Company Secretary has been nominated as the Continuous Disclosure Officer.

Directors are given the opportunity to comment on and approve all announcements prior to their release wherever possible. Directors receive copies of all releases immediately after they are announced. Where it is decided that information is not to be released, the reasons for the non-release are entered into a register.

As part of the internal staff training programme, all staff receive training in the "Continuous and Market Disclosure Protocols" so that they can readily identify any matter which may require disclosure.

PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

Central to the Board's responsibilities is the equitable treatment of the Company's shareholders.

The Board is committed to ensuring that shareholders are fully informed of matters affecting their Company except where non-disclosure falls within ASX Listing Rule 3.1 exemptions and may be prejudicial to the Company if released.

The Company has developed a comprehensive web-site which details its history, activities, policies and performance.

In addition, the Company has provided quarterly profit performance reports to the market followed by detailed 'open briefing' announcements.

As part of its review of corporate governance practices conducted in January 2004, the Board adopted the Business Council of Australia Chairman's Panel "Code for the running of general meetings of shareholders" to ensure that meetings are effectively run and that shareholders have adequate time to ask questions of directors, the CEO and the Company's external auditors at those meetings.

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

The Company has in place a comprehensive risk management programme based upon Standards Australia's AS/NZS 4360:1999 (Risk Management).

The Audit and Risk Committee receives and reviews regular reports on the Company's risks and mitigation thereof. The primary process in place to identify, assess and manage risk is the audit process, both internal and external. Each risk identified is weighted in accordance with AS/NZS 4360 and monitored until the risk is mitigated or no longer relevant.

The Board has appointed PricewaterhouseCoopers (PwC) as internal auditor and KPMG as external auditor. The PwC and KPMG audit programmes are designed to ensure maximum audit coverage and the sharing of information, thereby avoiding duplication of effort.

The ASX CGC's recommendations require that the CEO and CFO formally sign-off on the "financial reporting risks and associated controls, which underpin the integrity of the entity's financial reporting", and that the Company maintains an effective "sound system of risk management and internal compliance and control". The Company has always maintained an efficient formal sign-off process for its financial statements, with senior management, including the CEO and CFO providing signed formal declarations, that their areas of responsibility are, to the best of their knowledge, correctly reflected in the statements. Notwithstanding this existing process, the Company will review this process to ensure that it complies with the ASX recommendations in light of the "Guidance in relation to the interaction of Principle 7", provided by the ASX CGC, and released on 19 November 2003.

PRINCIPLE 8 – ENCOURAGE ENHANCED PERFORMANCE

The Board has in place a process for the review of its performance, the performance of Board Committees, the CEO and executive management.

The 2004 review of corporate governance practices was undertaken to bring the Company's Corporate Governance Policy into line with the ASX recommendations. These enhancements to the Policy include ensuring that the Board allows time for it to review its own performance, the effectiveness and relevance of its Committees, and ensuring that the composition of each body is appropriate given members' skills, experience and performance.

The review of performance of the CEO is undertaken by the Nominations and Remuneration Committee, which recommends to the Board any remuneration adjustment or incentive payment.

The review of the performance of senior management is undertaken by the CEO who provides a recommendation to the Nominations and Remuneration Committee on any remuneration adjustments or incentive payments. After deliberation, the Committee provides its recommendation to the Board for decision.

The Board is developing a formal induction protocol for each new director which will include a formal letter of appointment. The protocol will include details on the Company's operation, financial performance, risk management, corporate governance and related codes of conduct, directors' duties, access to independent professional advice, access to the Company Secretary and executive management and any additional information considered necessary for informed decision making. Directors and senior management are expected to adhere to a process of continuing education in matters relevant to the Company's industry, legal and regulatory environment.

The Board is to receive information in a form, time frame and quality that will enable it to effectively discharge its duties.

The Company Secretary is responsible to the Board on all corporate governance matters.

PRINCIPLE 9 – REMUNERATE FAIRLY AND RESPONSIBLY

The Company maintains comprehensive remuneration and incentive policies designed to attract and retain talented and motivated directors and employees to enhance its performance.

The Board has established the Nominations and Remuneration Committee (refer Principle

2 above) to assist it address the many issues in this area. The Committee meets at least twice per year to discuss performance, remuneration, incentives, and other matters. The CEO attends Committee meetings by invitation.

Non-executive directors are paid fees in accordance with a determination of the Board but within a global limit of $600,000 approved by shareholders in general meeting. The Board has access to external professional advice to ensure the level of fees payable to non-executive directors is in keeping with similarly sized listed companies. The remuneration of the non-executive Chairman was determined after accessing external professional advice. Details of directors' remuneration appear in this Annual Report (Financial Report section).

Directors are not entitled to any incentive payment or termination benefit (other than accrued earnings and statutory superannuation contributions).

Directors may elect to sacrifice some or all of their fees into the Company's shares under the Deferred Share Plan. Shares are acquired on market and held by a trustee for up to 10 years, or earlier should the director elect to unrestrict the shares or retire from the Board.

Senior managers of the Company receive a fixed salary plus an "at risk" component, which is linked to personal and Company performances. The "at risk" component is comprised of a short-term incentive payment and a long-term incentive with the ability to participate in the Company's Option and Performance Rights Plan. The Board has access to, and annually consults, external professional advice on senior management's remuneration and incentive levels. The Nomination and Remuneration Committee considers the recommendation of the CEO and the external advice before making a recommendation to the Board on any adjustments or incentive payments.

The Company maintains three staff share plans and an Option and Performance Rights Plan. Details of the levels of participation and Rules of the Plans appear in the Financial Report section of this Annual Report

Senior managers of the Company have entered into service contracts governing their terms of employment and termination payments. The services contract for the CEO is comparable to those for senior managers and reflects the senior nature of his role.

PRINCIPLE 10 – RECOGNISE LEGITIMATE INTERESTS OF STAKEHOLDERS

The Board has maintained a Code of Conduct which requires a high level of ethical behaviour for all directors and employees of the Company.

Since the release of the ASX CGC's Principles, the Code of Conduct has been further enhanced to ensure compliance with the CGC's recommendations. The Code now provides for a mechanism for employees to report breaches of the Code without fear of retribution. A committee of senior managers has been formed to deal with breaches, monitor compliance and to report to the Board.

STATEMENTS OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 DECEMBER 2003

	Notes	Consolidated 2003 $'000	Consolidated 2002 $'000	Parent entity 2003 $'000	Parent entity 2002 $'000
Revenue from ordinary activities	3	63,312	44,749	14,347	12,024
Expenses from ordinary activities	4	(56,655)	(51,696)	(701)	(1,562)
Borrowing costs expense	4	(3,483)	(2,372)	(3,447)	(2,266)
Profit from ordinary activities before related income tax expense		3,174	(9,319)	10,199	8,196
Income tax (expense) / benefit	5	7,129	3,846	(3,347)	(2,332)
Profit from ordinary activities after related income tax expense		10,303	(5,473)	6,852	5,864
Net increase/(decrease) in retained profits on the initial adoption of revised AASB 1028		(89)	-	-	-
Total revenue, expenses and valuation adjustments attributable to members of Uecomm Limited recognised directly in equity		(89)	-	-	-
Total changes in equity attributable to members of Uecomm Limited other than those resulting from transactions with owners as owners	23	10,214	(5,473)	6,852	5,864
		Cents	Cents		
Basic earnings per share	37	2.0	(1.1)		
Diluted earnings per share	37	2.0	(1.1)		

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

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	6,24	1,190	629	2	-
Receivables	7,24	14,034	10,445	1	420
Other	8	3,587	2,804	-	-
Total current assets		18,811	13,878	3	420
Non-current assets					
Receivables	9,24	2,988	1,119	184,973	158,028
Other financial assets	10,24	-	-	-	7
Property, plant and equipment	11	173,771	148,688	-	-
Deferred tax assets	12	13,484	6,355	633	710
Intangible assets	13	459	486	459	487
Total non-current assets		190,702	156,648	186,065	159,232
Total assets		209,513	170,526	186,068	159,652

	Notes	Consolidated 2003 $'000	Consolidated 2002 $'000	Parent entity 2003 $'000	Parent entity 2002 $'000
Current liabilities					
Payables	14,24	14,153	12,462	-	-
Interest bearing liabilities	15,24	196	245	-	-
Provisions	16	2,184	1,400	-	-
Deferred revenue	17	6,928	3,388	-	-
Total current liabilities		23,461	17,495	-	-
Non-current liabilities					
Interest bearing liabilities	18,24	54,000	35,196	54,000	35,000
Provisions	19	44	73	-	-
Deferred revenue	20	7,918	4,450	-	-
Total non-current liabilities		61,962	39,719	54,000	35,000
Total liabilities		85,423	57,214	54,000	35,000
Net assets		124,090	113,312	132,068	124,652
Equity					
Contributed equity	21	292,777	292,213	292,777	292,213
Retained profits/(accumulated losses)	22	(168,687)	(178,901)	(160,709)	(167,561)
Total equity	23	124,090	113,312	132,068	124,652

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2003

		Consolidated		Parent entity	
		2003	2002	**2003**	2002
	Notes	**$'000**	$'000	**$'000**	$'000
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		**67,261**	52,960	**-**	-
Payments to suppliers and employees (inclusive of goods and services tax)		**(41,434)**	(46,386)	**-**	(287)
		25,827	6,574	**-**	(287)
Net GST settlement		**389**	93	**-**	-
Interest received		**67**	31	**2**	-
Borrowing costs paid		**(3,509)**	(2,641)	**-**	-
Income taxes (paid)/refunded		**-**	853	**-**	813
Net cash inflow (outflow) from operating activities	35	**22,774**	4,910	**2**	526
Cash flows from investing activities					
Proceeds from sale of business and investments		**-**	1,450	**-**	1,450
Payments for property, plant and equipment		**(45,245)**	(21,341)	**-**	-
Proceeds from sale of property, plant and equipment		**3,713**	34	**-**	-
Net cash inflow (outflow) from investing activities		**(41,532)**	(19,857)	**-**	1,450

		Consolidated		Parent entity	
		2003	2002	**2003**	2002
	Notes	**$'000**	$'000	**$'000**	$'000
Cash flows from financing activities					
Receipts from subordinated loan - related party		**19,000**	15,300	**-**	15,300
Advance to related party		**-**	-	**(564)**	(17,284)
Proceeds from issue of shares and options		**564**	-	**564**	-
Finance lease payments		**(245)**	(285)	**-**	-
Net cash inflow (outflow) from financing activities		**19,319**	15,015	**-**	(1,984)
Net increase (decrease) in cash held		**561**	68	**2**	(8)
Cash at the beginning of the financial year		**629**	561	**-**	8
Cash at the end of the financial year	6	**1,190**	629	**2**	-

Financing arrangements 18

Non-cash financing and investing activities 36

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

NOTES TO THE FINANCIAL STATEMENTS

The significant accounting policies which have been adopted in the preparation of these financial statements are:

(a) Basis of accounting

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

It has been prepared in accordance with the historical cost convention and does not take into account changes in either the general purchasing power of the dollar or in the prices of specific assets. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Uecomm Limited ('Company' or 'Parent entity') as at 31 December 2003 and the results of all controlled entities for the year then ended. Uecomm 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.

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.

(c) Revenue recognition

Sales revenue comprises revenue earned (net of returns, discounts, allowances and taxes paid) from the provision of services and products. Revenue is recognised for the major business activities as follows:

(i) Telecommunications connection fees

Revenue is recognised 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.

(ii) Telecommunications service fees

Revenue derived from service fees received for transmission on the network is recognised in the period the service is provided.

(iii) Asset sales

The gross proceeds on disposal of assets is brought to account at the date when control passes to the purchaser, usually when an unconditional contract of sale is signed.

(iv) Interest income

Interest income is recognised as it accrues taking into account the effective yield on the financial asset.

(v) Other revenue

Other operating revenue is brought to account as it is earned and is recognised when the goods and services are provided.

(d) Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings and amortisation of ancillary costs incurred in connection with arrangements of borrowings, including trade creditors and finance lease charges.

Ancillary costs incurred in connection with the arrangement of borrowings are capitalised and amortised over the life of the borrowings. Borrowing costs are recognised as expenses in the period in which they are incurred.

(e) Taxation

(i) Income tax

Tax effect accounting procedures are followed whereby the income tax expense in the statements of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse. Refer note 5.

Future income tax benefits relating to timing differences are not brought to account unless realisation of the asset is assured beyond reasonable doubt.

(ii) Capital gains tax

Capital gains tax is brought to account in the statement of financial performance in the period in which the asset is sold.

(f) Cash

For purposes of the Statements of Cash Flows, cash includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Receivables

The collectability of debts is assessed, and a provision is raised, based on a specific review of the amounts outstanding at balance date.

(h) Recoverable amount of non-current assets

The recoverable amount of non-current assets is the net amount expected to be recovered through the cash inflows and outflows arising from their continued use and subsequent disposal. The recoverable amount is determined using net cash flows discounted using an appropriate discount rate.

The carrying amount of non-current assets valued using the cost basis are reviewed to determine whether they are in excess of their recoverable amount at 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 2001 the Parent entity undertook an asset carrying value review of inter-company investments and receivables. Consequently, a provision for diminution of investment in subsidiaries of approximately $477 million and a provision for non-recovery of inter-company loans of approximately $174 million were recorded in the parent entity's books. These provisions align the value of the net assets of the Parent entity with the net assets of the consolidated entity. The creation of these provisions in the Parent entity does not affect the results or net assets of the consolidated entity as the provisions are eliminated on consolidation.

(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 Statements of Financial Performance when receivable. Controlled entities and associates are accounted for in the consolidated financial statements as set out in note 1(b).

(j) Property, plant and equipment

The cost of plant and equipment constructed by the entity includes the cost of materials and direct labour and an appropriate proportion of fixed and variable overheads.

(k) 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 to the consolidated entity. 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
• Fibre optic cable and associated infrastructure	30 years	straight-line
• Fibre optic network equipment	7 years	straight-line
• Other plant and equipment	3 to 10 years	straight-line

Where items of plant and equipment have separately identifiable components which are subject to regular replacement, those components are assigned useful lives distinct from the item of plant and equipment to which they relate.

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

(l) Leased assets

Leases under which the Company or its controlled entities assume substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease.

Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed. Contingent rentals are expensed as incurred.

Operating leases

Payments made 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 to be derived from the leased property.

(m) Intangible assets and expenditure carried forward

(i) Goodwill

Where an entity or operation is acquired, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of acquisition over the fair value of the identifiable net assets acquired, including any liability for restructuring costs, is brought to account as goodwill and amortised on a straight-line basis over 20 years, being the period during which the benefits are expected to arise.

(ii) Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the periods of their expected benefit, which is 20 years.

(n) 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.

(o) Employee benefits

(i) Wages, salaries and annual leave

Liabilities for employee entitlements to wages, salaries and annual leave are recognised, and are measured, as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

(ii) Long service leave

A liability for long service leave is recognised, and is 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 interest rates on national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(iii) Superannuation

The consolidated entity primarily contributes to an industry superannuation fund in respect of its permanent employees and direct-hired casual employees. The consolidated entity and any employee contributions are based on various percentages of their gross salaries. All members of the fund become entitled to a benefit on termination. The fund provides both defined benefits and accumulation benefits.

Contributions to defined benefit superannuation plans maintained by the consolidated entity are expensed in the year they are paid or become payable. No amount is recognised in the accounts in respect of the net surplus of these plans. Refer note 30.

(iv) Employee share and option ownership schemes

Certain employees are entitled to participate in share and option ownership schemes. Interest free loans are provided to assist in the purchase of Company shares at the market values applicable at the time of purchase. No remuneration expense is recognised in respect of employee options issued. Amounts outstanding on employee share loans are included in other non-current receivables. Refer note 30.

(v) Commissions

Certain employees are entitled to sales commissions. Commissions payable to these employees are paid on a quarterly basis and include components calculated on new contracts signed and on amounts billed to existing customers. In relation to new contracts, a component of commissions is payable based on the total contract value. This component is deferred until the customer is connected to the network. Commissions calculated on amounts billed, are expensed in the period in which revenue is earned, in line with the revenue recognition policy. Refer note 1(c).

(p) Interest bearing liabilities

Loans are recognised when issued at the amount of the net proceeds received. Interest is recognised as an expense on a straight-line accruals basis. Refer note 18.

(q) 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Changes in accounting policy

The consolidated entity has applied the revised AASB 1028 "Employee Benefits" for the first time from 1 January 2003. The liability for wages and salaries, annual leave and sick leave is now calculated using the remuneration rates the Company expects to pay as at each reporting date, not wage and salary rates current at reporting date. The adjustment to the consolidated financial report as at 1 January 2003 as a result of this change is an $89,000 decrease in opening retained profits.

(s) Rounding of amounts

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 the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

NOTE 2. SEGMENT INFORMATION

Business segments

The consolidated entity operates in the telecommunications industry as a provider of telecommunications data and broadband services.

Geographical segments

The consolidated entity operates in Australia.

NOTE 3. REVENUE

		Consolidated		Parent entity	
		2003	2002	**2003**	2002
	Notes	**$'000**	$'000	**$'000**	$'000
Revenue from operating activities					
Connection fees		10,583	5,889	-	-
Service fees		47,401	37,345	-	-
		57,984	43,234	-	-
Revenue from outside the operating activities					
Interest from wholly owned entities		-	-	14,346	10,574
Interest from other entities		67	31	1	-
Bad debts recovered		25	-	-	-
Proceeds from sale of plant and equipment		5,236	34	-	-
Proceeds from sale of investments		-	1,450	-	1,450
		5,328	1,515	14,347	12,024
Revenue from ordinary activities		63,312	44,749	14,347	12,024

NOTE 4. PROFIT / (LOSS) FROM ORDINARY ACTIVITIES

	Notes	Consolidated 2003 $'000	Consolidated 2002 $'000	Parent entity 2003 $'000	Parent entity 2002 $'000
(a) Net (gains) and expenses					
Profit / (loss) from ordinary activities before income tax expense includes the following specific net gains and expenses:					
Net (gains) / losses					
Net (gains) / losses on disposal					
Investments		-	(450)	-	(450)
Property, plant and equipment		89	41	-	-
(b) Expenses					
Expenses from ordinary activities					
Employee benefits expense		16,955	13,264	-	13
Depreciation and amortisation expenses		13,530	10,578	27	27
Network services		13,422	12,876	-	-
Administration and occupancy		7,127	6,292	667	522
Management fees		296	449	-	-
Carrying amount of non-current assets		5,325	7,237	-	-
Other expenses from ordinary activities		-	1,000	7	1,000
Expenses from ordinary activities		56,655	51,696	701	1,562
(c) Other items					
Depreciation					
Plant and equipment		13,476	10,497	-	-
Total depreciation		13,476	10,497	-	-
Amortisation					
Plant and equipment under finance leases		27	54	-	-
Patents and trademarks		27	27	27	27
Total amortisation		54	81	27	27

	Notes	Consolidated 2003 $'000	Consolidated 2002 $'000	Parent entity 2003 $'000	Parent entity 2002 $'000
Other charges against assets					
Bad and doubtful debts - trade debtors		649	745	-	-
Total other charges against assets		649	745	-	-
Borrowing costs					
Borrowing costs		3,483	2,373	3,447	2,266
Total borrowing costs		3,483	2,373	3,447	2,266
Net loss on investments and other assets		-	-	7	-
Other provisions					
Employee entitlements		737	742	-	-
Total other provisions		737	742	-	-
Rental expense relating to operating leases					
Minimum lease payments		3,040	4,435	-	-
Total rental expense relating to operating leases		3,040	4,435	-	-
(d) Individually significant items					
Revenue					
Lucent contract settlement revenue		-	6,483	-	-
Sale of investment in People Telecom		-	1,450	-	-
Sale of Perth network		4,894	-	-	-
		4,894	7,933	-	-

NOTE 4. PROFIT / (LOSS) FROM ORDINARY ACTIVITIES (Continued)

		Consolidated		Parent entity	
		2003	2002	**2003**	2002
	Notes	**$'000**	$'000	**$'000**	$'000
Expenses					
Loss on loan share plan		-	514	-	514
Costs relating to change of control event		1,693	-	-	-
Lucent contract settlement costs		-	307	-	-
People Telecom investment - carrying value		-	1,000	-	1,000
Lease assignment costs		-	470	-	-
Perth network costs		5,031	7,163	-	-
		6,724	9,454	-	1,514
Taxation					
Loss on loan share plan		-	154	-	154
Costs relating to change of control event		411	-	-	-
Perth network costs		41	2,149	-	-
Lucent contract settlement		-	(1,853)	-	-
Lease assignment costs		-	141	-	-
Prior year tax losses		-	458	-	-
		452	1,049	-	154
Total of individually significant items		(1,378)	(472)	-	(1360)

NOTE 5. INCOME TAX

Income tax expense

		Consolidated		Parent entity	
		2003	2002	**2003**	2002
	Notes	**$'000**	$'000	**$'000**	$'000
(a) The income tax expense for the financial year differs from the amount calculated on the result. The differences are reconciled as follows:					
Profit from ordinary activities before income tax expense		3,174	(9,319)	10,199	8,196
Income tax calculated @ 30% (2002 - 30%)		952	(2,796)	3,062	2,459
(Over)/under provision from prior year		9	(481)	-	-
Other tax adjustments		172	24	8	8
Tax losses brought to account		(8,262)	(458)	-	-
Adjustment for inter-company loan forgiveness-		-	-	277	-
Tax benefit on utilisation of tax losses		-	(135)	-	(135)
Income tax expense / (benefit)		(7,129)	(3,846)	3,347	2,332

Tax losses

		Consolidated		Parent entity	
		2003	2002	**2003**	2002
	Notes	**$'000**	$'000	**$'000**	$'000
(b) Part of the future income tax benefit shown in note 12 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	-	-

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.

As a consequence of the substantive enactment of the Tax Consolidation legislation, and since the tax consolidated group within the consolidated entity had not formally determined nor notified the Australian Tax Office at the date of signing this report of the implementation date for tax consolidation, the consolidated entity continues to apply UIG 39 Effect of Proposed Tax Consolidation Legislation on Deferred Tax Balances. There was no impact on the Company's or consolidated entity's future income tax benefit as a result of applying UIG 39 as at 31 December 2003.

NOTE 6. CURRENT ASSETS – CASH ASSETS

		Consolidated		Parent entity	
		2003	2002	**2003**	2002
	Notes	**$'000**	$'000	**$'000**	$'000
Cash at bank		1,190	629	2	-
		1,190	629	2	-

NOTE 7. CURRENT ASSETS – RECEIVABLES

		Consolidated		Parent entity	
		2003	2002	**2003**	2002
	Notes	**$'000**	$'000	**$'000**	$'000
Trade debtors		12,915	9,009	-	-
Less: Provision for doubtful debts		(595)	(497)	-	-
		12,320	8,512	-	-
Other debtors		-	1	-	-
Receivable from controlling entity		-	419	-	419
Receivable from related parties		118	117	-	-
Goods and services tax (GST) receivable		1,596	1,396	1	1
		14,034	10,445	1	420

Refer to note 9 for the non-current portion of receivables.

NOTE 8. CURRENT ASSETS – OTHER

		Consolidated		Parent entity	
		2003	2002	**2003**	2002
	Notes	**$'000**	$'000	**$'000**	$'000
Prepayments		2,271	1,496	-	-
Deferred expenses		322	299	-	-
Accrued revenue		994	1,009	-	-
		3,587	2,804	-	-

NOTE 9. NON-CURRENT ASSETS – RECEIVABLES

		Consolidated		Parent entity	
		2003	2002	**2003**	2002
	Notes	**$'000**	$'000	**$'000**	$'000
Other debtors		1,612	-	-	-
		1,612	-	-	-
Receivable from wholly owned entities		-	-	357,395	329,791
Less: provision for doubtful receivables		-	-	(173,798)	(173,798)
		-	-	183,597	155,993
Other receivables - Loan Share Plan		3,485	3,485	3,485	3,48
Less: provision for non recovery of Loan Share Plan		(2,109)	(2,366)	(2,109)	(2,366)
		1,376	1,119	1,376	1,119
Receivable from other controlled entities		-	-	-	916
		2,988	1,119	184,973	158,028

Further information relating to loans to related parties and directors is set out in note 31.

NOTE 10. NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS

		Consolidated		Parent entity	
		2003	2002	2003	2002
	Notes	$'000	$'000	$'000	$'000
Shares in controlled entities - at cost	32	-	-	-	7
		-	-	-	7

Shares in controlled entities

Shares in controlled entities have been written down to their assessed recoverable amount, being the directors' valuation at 31 December 2001.

NOTE 11. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

		Consolidated		Parent entity	
		2003	2002	2003	2002
	Notes	$'000	$'000	$'000	$'000
Plant and equipment					
Plant and equipment at cost		197,376	151,133	-	-
Less: accumulated depreciation		(32,294)	(19,988)	-	-
		165,082	131,145	-	-
Plant and equipment under finance lease		727	727	-	-
Less: accumulated amortisation		(225)	(39)	-	-
		502	688	-	-
Plant and equipment in the course of construction		8,187	16,855	-	-
Total plant and equipment at net book value		173,771	148,688	-	-

Reconciliations

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

	Notes	In course of construction $'000	Plant and equipment $'000	Leased plant and equipment $'000	Total $'000
Consolidated					
Carrying amount at 1 January 2003		16,855	131,145	688	148,688
Additions		11,561	32,128	-	43,689
Disposals		(450)	(4,680)	-	(5,130)
Depreciation/amortisation expense	4c	(194)	(13,096)	(186)	(13,476)
Transfers to/(from) assets in the course of construction		(19,585)	19,585	-	-
Carrying amount at 31 December 2003		8,187	165,082	502	173,771

NOTE 12. NON-CURRENT ASSETS - DEFERRED TAX ASSETS

		Consolidated		Parent entity	
		2003	2002	2003	2002
	Notes	$'000	$'000	$'000	$'000
Future income tax benefits - tax losses		12,000	3,000	-	-
Future income tax benefits - timing differences		1,484	3,355	633	710
		13,484	6,355	633	710

NOTE 13. NON-CURRENT ASSETS - INTANGIBLE ASSETS

	Notes	Consolidated 2003 $'000	Consolidated 2002 $'000	Parent entity 2003 $'000	Parent entity 2002 $'000
Patents, trademarks and licences, at cost		549	549	549	549
Less: accumulated amortisation		(90)	(63)	(90)	(62)
		459	486	459	487

NOTE 14. CURRENT LIABILITIES - PAYABLES

	Notes	Consolidated 2003 $'000	Consolidated 2002 $'000	Parent entity 2003 $'000	Parent entity 2002 $'000
Trade creditors		13,389	11,486	-	-
Payable to controlling entity		-	358	-	-
Goods and services tax (GST) payable		764	618	-	-
		14,153	12,462	-	-

NOTE 15. CURRENT LIABILITIES - INTEREST BEARING LIABILITIES

	Notes	Consolidated 2003 $'000	Consolidated 2002 $'000	Parent entity 2003 $'000	Parent entity 2002 $'000
Unsecured					
Lease liability (note 29)	29	196	245	-	-
		196	245	-	-

Finance lease liabilitiy

The implicit interest rate on the finance lease is 8%.

NOTE 16. CURRENT LIABILITIES - PROVISIONS

	Notes	Consolidated 2003 $'000	Consolidated 2002 $'000	Parent entity 2003 $'000	Parent entity 2002 $'000
Employee entitlements		1,407	770	-	-
Other provisions		777	630	-	-
		2,184	1,400	-	-

NOTE 17. CURRENT LIABILITIES - DEFERRED REVENUE

	Notes	Consolidated 2003 $'000	Consolidated 2002 $'000	Parent entity 2003 $'000	Parent entity 2002 $'000
Unsecured					
Deferred revenue		6,928	3,388	-	-
		6,928	3,388	-	-

NOTE 18. NON-CURRENT LIABILITIES - INTEREST BEARING LIABILITIES

	Notes	Consolidated 2003 $'000	Consolidated 2002 $'000	Parent entity 2003 $'000	Parent entity 2002 $'000
Secured					
Lease liability	29	-	196	-	-
Unsecured					
Unsecured - payable to controlling entity		54,000	35,000	54,000	35,000
Total non-current interest bearing liabilities		54,000	35,196	54,000	35,000

Further information relating to loans from related parties is set out in note 31.

NOTE 18. NON-CURRENT LIABILITIES – INTEREST BEARING LIABILITIES (Continued)

On 23 July 2003, the Subordinated Loan Facility previously with United Energy Limited (UEL) was transferred to Alinta Finance Pty Ltd (Alinta Finance). The value of this facility is $80 million and as at 31 December 2003 $54 million (2002: $35.0 million) had been drawn down. Interest accrues daily on the outstanding principal at a fixed rate of 8% per annum. In respect of the first interest period, the period is from the first draw down under the facility to 30 June 2002. Subsequent interest periods will be six calendar months ending 30 June and 31 December respectively. If any payment due date falls on a non-business day it will be made on the next business day and interest will be adjusted accordingly. The facility can be drawn upon until 29 June 2006 and repayment is due on or before 29 June 2007. In the event the Company has insufficient operating cash flow to meet the interest repayment on its due date, Alinta Finance may at its discretion defer payment of all or part of the interest due to a subsequent interest due date. Interest will continue to accrue on any amount of interest so deferred.

On 24 July 2003, the $20 million Bank Guarantee Facility previously provided by UEL was transferred to Alinta Finance to be utilised as required. Alinta Finance agreed to provide the bank offering the facility a corresponding financial indemnity. Alinta Finance will reduce the level of funding available under its $80 million facility to the extent the Bank Guarantee Facility is drawn upon. As at 31 December 2003, Uecomm had provided guarantees totalling $4.3 million, none of which had been drawn upon.

Financing arrangements

		Consolidated		Parent entity	
		2003	2002	**2003**	2002
	Notes	**$'000**	$'000	**$'000**	$'000
Unrestricted access was available at balance date to the following lines of credit:					
Credit standby arrangements					
Total facilities					
Alinta Finance Pty Ltd Subordinated Loan Facility		80,000	80,000	80,000	80,000
Used at balance date					
Alinta Finance Pty Ltd Subordinated Loan Facility		54,000	35,000	54,000	35,000
Unused at balance date					
Alinta Finance Pty Ltd Subordinated Loan Facility		26,000	45,000	26,000	45,000

NOTE 19. NON-CURRENT LIABILITIES – PROVISIONS

		Consolidated		Parent entity	
		2003	2002	**2003**	2002
	Notes	**$'000**	$'000	**$'000**	$'000
Provisions - long service leave		44	73	-	-
		44	73	-	-

NOTE 20. NON-CURRENT LIABILITIES – DEFERRED REVENUE

		Consolidated		Parent entity	
		2003	2002	**2003**	2002
	Notes	**$'000**	$'000	**$'000**	$'000
Unsecured					
Deferred revenue		7,918	4,450	-	-
		7,918	4,450	-	-

NOTE 21. CONTRIBUTED EQUITY

	Notes	Parent entity 2003 Shares	Parent entity 2002 Shares	Parent entity 2003 $'000	Parent entity 2002 $'000
Issued and paid up capital		509,243,100	505,079,800	292,777	292,213

(a) Movements in ordinary share capital

Date	Details	Number of shares	Issue price	$
1-1-2003	Opening balance	505,079,800		292,212,995
20-01-2003	Issue of employee bonus shares	333,300	NIL	-
1-8-2003	Exercise of executive share options	180,000	$0.11	19,800
1-8-2003	Exercise of executive share options	300,000	$0.13	39,000
1-8-2003	Exercise of executive share options	1,150,000	$0.17	195,500
1-8-2003	Exercise of executive share options	500,000	$0.11	55,000
1-8-2003	Exercise of executive share options	100,000	$0.17	17,000
8-8-2003	Exercise of executive share options	100,000	$0.17	17,000
12-8-2003	Exercise of executive share options	450,000	$0.17	76,500
14-8-2003	Exercise of executive share options	100,000	$0.13	13,000
19-8-2003	Exercise of executive share options	450,000	$0.13	58,500
19-8-2003	Exercise of executive share options	300,000	$0.13	39,000
19-8-2003	Exercise of executive share options	200,000	$0.17	34,000
31-12-2003	Closing Balance	509,243,100		292,777,295

(b) Ordinary shares

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. Refer to note 18.

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) Options

At the time of the initial public offering, senior executives and two directors selected by the Board were offered options to subscribe for shares under the employee option plan. During the year 7,053,775 options (2002: 4,870,000) were granted to senior executives and managers. As at balance date 8,566,375 options (2002: 5,442,600) were outstanding which had been issued at no cost (2002: no cost).

Exercise conditions for options granted prior to 2001

The options are exercisable in three tranches. 33⅓% are exercisable commencing the second year from the date of grant, a further 33⅓% from the third year from the date of grant and the final 33⅓% from the fourth year from the date of grant. The last date of exercise of any option is the fifth anniversary from the date of grant and the exercise price is $2.20 with a hurdle price of $3.30.

Exercise conditions for options granted between October 2001 and April 2003

Strike price hurdles are satisfied:

Strike Price Hurdle:

Share price on ASX on day of exercise	Number of options capable of being exercised
Greater than or equal to $0.30	25% of options granted
Greater than or equal to $0.60	25% of options granted
Greater than or equal to $1.00	25% of options granted
Greater than or equal to $2.00	25% of options granted

Exercise conditions for options granted in 2003

Exercise of the options is subject to satisfaction of a performance hurdle. For share options issued in 2003, the performance hurdle is the extent to which the Uecomm share price exceeds the exercise price of the options in accordance with the following table:

NOTE 21. CONTRIBUTED EQUITY (Continued)

Performance Hurdle	Percentage of 2003 Option allocation exercisable
Share price at any time during the performance period does not exceed exercise price of 2003 Options Offer by 25%	0%
Share price at any time during the performance period exceeds exercise price of 2003 Options Offer by at least 25% but not 50% or more	25%
Share price at any time during the performance period exceeds exercise price of 2003 Options Offer by at least 50% but not 75% or more	50%
Share price at any time during the performance period exceeds exercise price of 2003 Options Offer by at least 75% but not 100% or more	75%
Share price at any time during the performance period exceeds exercise price of 2003 Options Offer by at least 100%	100%

Notwithstanding the options satisfying the performance hurdles set out above, the proportion of the total option allocation under the 2003 Options Offer that can be exercised will depend on the employee's continued employment with a Uecomm Group Company in accordance with the table below.

Employed beyond	Percentage of 2003 option allocation execisable
30 April 2005	50%
30 April 2006	50%

All of the share price performance hurdles for the options issued in 2003 were achieved during 2003.

(d) Performance Rights

During the year 3,994,290 (2002: nil) performance rights were granted. As at balance date 3,994,290 (2002: nil) were outstanding.

For the performance rights issued in April 2003, the performance hurdle is the extent to which Uecomm's EBITDA meets the target set by the Board. The performance rights issued in September 2003 were issued as a form of retention bonus for a number of key staff. For the performance rights issued in September 2003, the hurdle is the continued employment with Uecomm for 18 months, in that 50% of the Rights offered will be able to be accessed in September 2004 with the remaining 50% being able to be accessed in March 2005.

NOTE 22. RETAINED PROFITS / (ACCUMULATED LOSSES)

		Consolidated		Parent entity	
		2003	2002	**2003**	2002
	Notes	**$'000**	$'000	**$'000**	$'000
Retained profits/(accumulated losses) at the beginning of the financial year		(178,901)	(173,428)	(167,561)	(173,425)
Net profit attributable to members of Uecomm Limited		10,303	(5,473)	6,852	5,864
Adjustment resulting from adoption of revised accounting standard AASB 1028 "Employee Benefits"		(89)	-	-	-
		(168,687)	(178,901)	(160,709)	(167,561)

NOTE 23. EQUITY

		Consolidated		Parent entity	
		2003	2002	**2003**	2002
	Notes	**$'000**	$'000	**$'000**	$'000
Total equity at the beginning of the financial year		113,312	118,785	124,652	118,785
Total changes in equity recognised in the statement of financial performance		10,214	(5,473)	6,852	5,864
Transactions with owners as owners:					
Contributions of equity, net of transaction costs	21	564	-	564	3
Total equity at the end of the financial year		124,090	113,312	132,068	124,652

NOTE 24. FINANCIAL INSTRUMENTS

(a) Credit risk exposures

The credit risk on financial assets of the consolidated entity which have been recognised on the Statements of Financial Position, other than investments in shares, is generally the carrying amount, net of any provisions for doubtful debts.

Credit risk exposures represent the extent of credit related losses that the consolidated entity may be subject to on amounts to be exchanged under the derivatives or to be received from financial assets. The consolidated entity, while exposed to credit related losses in the event of non-performance by counterparties to financial instruments, does not expect any counterparties to fail to meet their obligations given their high credit ratings.

The consolidated entity's exposures to credit risk are as indicated by the carrying amounts of its financial assets. The consolidated entity does not have a significant exposure to any individual counterparties, and there are no significant groupings of counterparties that would represent a concentration of credit risk.

(b) Interest rate risk exposures

The consolidated entity is exposed to interest rate risk through primary financial assets and liabilities. The following table summarises interest rate risk for the consolidated entity, together with effective interest rates as at balance date.

Exposures arise predominantly from assets and liabilities bearing variable interest rates as the consolidated entity intends to hold fixed rate assets and liabilities to maturity.

				Fixed interest maturing in:			
2003	**Notes**	**Weighted average interest rate %**	**Floating interest rate $'000**	**1 year or less $'000**	**Over 1 to 5 years $'000**	**Non interest bearing $'000**	**Total $'000**
Financial assets							
Cash	6	5.08	1,190	-	-	-	1,190
Receivables	7,9		-	-	-	15,308	15,308
			1,190	-	-	15,308	16,498
Financial liabilities							
Trade and other creditors	14		-	-	-	14,153	14,153
Lease liabilities	15,18	8.00	-	196	-	-	196
Alinta Finance Pty Ltd							
Subordinated Loan Facility	18	8.00	-	-	54,000	-	54,000
			-	196	54,000	14,153	68,349
Net financial assets (liabilities)			1,190	(196)	(54,000)	1,155	(51,851)

				Fixed interest maturing in:			
2002	**Notes**	**Weighted average interest rate %**	**Floating interest rate $'000**	**1 year or less $'000**	**Over 1 to 5 years $'000**	**Non interest bearing $'000**	**Total $'000**
Financial assets							
Cash	6	4.25	629	-	-	-	629
Receivables	7,9		-	-	-	9,631	9,631
			629	-	-	9,631	10,260
Financial liabilities							
Trade and other creditors	14		-	-	-	12,117	12,117
Lease liabilities	15,18	8.00	-	-	441	-	441
United Energy Limited							
Subordinated Loan Facility	18	8.00	-	-	35,000	-	35,000
			-	-	35,441	12,117	47,558
Net financial assets (liabilities)			629	-	(35,441)	(2,486)	(37,298)

NOTE 25. REMUNERATION OF DIRECTORS

		Consolidated		Parent entity	
		2003	2002	**2003**	2002
	Notes	**$**	**$**	**$**	**$**
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 Uecomm or its controlled entities *					
Directors' fees/remuneration		411,808	365,747	411,808	365,747

* Excluding executives of Uecomm who are only directors of wholly-owned Australian controlled entities.

The amounts disclosed for remuneration of directors include the assessed fair values at the date they were granted, of options granted to directors during the years ended 31 December 2002 and 31 December 2003. Fair values have been assessed using an option pricing model. Factors taken into account by this model include the exercise price, the term of the option, the current price and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate of the term of the option. No expense relating to the granting of the options was recorded in the Statements of Financial Performance.

NOTE 25. REMUNERATION OF DIRECTORS (Continued)

The number of Uecomm directors whose total income from the parent entity or related parties was within the specified bands are as follows:

$		$	2003	2002
0	-	9,999	-	2
10,000	-	19,999	3	1
20,000	-	29,999	2	-
30,000	-	39,999	-	1
40,000	-	49,999	-	1
50,000	-	59,999	3	3
60,000	-	69,999	-	-
110,000	-	119,999	-	1
140,000	-	149,999	1	-

Fees payable to directors who were also employees of associated companies were paid to the associated companies rather than to these directors.

NOTE 26. REMUNERATION OF EXECUTIVES

		Consolidated		Parent entity	
		2003	2002	**2003**	2002
	Notes	$	$	$	$
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 Uecomm		4,744,563	3,937,522	-	-

Options and performance rights are granted to executive officers under the Uecomm Option and Performance Rights Plan, details of which are set out in notes 21 and 30. A summary of the numbers of options and performance rights granted to Australian based executive officers (with income of at least $100,000) during the year ended 31 December 2003 is set out below. 7,698,401 options and 3,441,696 performance rights were outstanding at 31 December 2003 (2002: 4,550,000 options and performance rights).

	Granted	Outstanding
Options	6,698,401	7,698,401
Performance Rights	3,441,696	3,441,696

The amounts disclosed for remuneration of executive officers in this note include the assessed fair values at the date they were granted of options granted to executive officers during the years ended 31 December 2003, 2002 and 2001. Fair values have been assessed using an option pricing model. Factors taken into account by this model include the exercise price, the term of the option, the current price and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. No expense relating to the granting of options was recorded in the Statements of Financial Performance.

NOTE 26. 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:

			Executive officers of the consolidated entity		Executive officers of the parent entity	
$		$	**2003**	2002	**2003**	2002
100,000	-	109,999	-	3	-	-
110,000	-	119,999	4	2	-	-
120,000	-	129,999	2	3	-	-
130,000	-	139,999	2	2	-	-
140,000	-	149,999	3	1	-	-
170,000	-	179,999	-	1	-	-
180,000	-	189,999	-	1	-	-
190,000	-	199,999	1	1	-	-
200,000	-	209,999	3	-	-	-
210,000	-	219,999	2	2	-	-
230,000	-	239,999	-	1	-	-
240,000	-	249,999	2	1	-	-
250,000	-	259,999	-	1	-	-
270,000	-	279,999	1	-	-	-
310,000	-	319,999	1	-	-	-
400,000	-	409,999	1	-	-	-
420,000	-	429,999	-	1	-	-
440,000	-	449,999	-	1	-	-
580,000	-	589,999	1	-	-	-

The executive officers' remuneration comprises amounts paid and payable to executive officers domiciled in Australia, directly and indirectly, by the consolidated entity or any related party in connection with the management of the affairs of Uecomm or the consolidated entity, whether as executive officers or otherwise. Included in executive remuneration for executives employed by Uecomm are termination payments.

NOTE 27. REMUNERATION OF AUDITORS

	Notes	Consolidated **2003** $	Consolidated 2002 $	Parent entity **2003** $	Parent entity 2002 $
Remuneration for audit or review of financial reports of the parent entity or any entity in the economic entity:		90,000	90,000	90,000	90,000
Remuneration for other services					
Other audit services		36,229	-	36,229	-
Total remuneration		126,229	90,000	126,229	90,000

NOTE 28. CONTINGENT LIABILITIES

Details and estimates of maximum amounts of contingent liabilities are set out below. The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

	Notes	Consolidated **2003** $'000	Consolidated 2002 $'000	Parent entity **2003** $'000	Parent entity 2002 $'000
Bank guarantees in favour of customers, suppliers or various building owners for access to their buildings		4,324	3,800	4,324	3,800
Loan Share Plan		1,376	1,119	1,376	1,119
Total contingent liabilities		5,700	4,919	5,700	4,919

NOTE 28. CONTINGENT LIABILITIES (Continued)

The consolidated entity has varying service level 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 of a material nature will be incurred in the future.

Uecomm's Loan Share Plan involves interest free non-recourse loans being offered to eligible employees to acquire shares in the Company. Uecomm's recourse is limited to the value of the share price at the date an employee terminates employment. At 31 December 2003, the balance outstanding of the loans was $3.5 million (2002: $3.5 million). If all employees were to cease their employment, the value of this loan would not be recovered. Uecomm has provided $2.1 million against this balance for those employees who have departed. The contingent liability is approximately $1.4 million (2002: $1.1 million), which represents employees current at 31 December 2003.

NOTE 29. COMMITMENTS FOR EXPENDITURE

		Consolidated		Parent entity	
		2003	2002	**2003**	2002
	Notes	**$'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		5,076	13,840	-	-
		5,076	13,840	-	-
Non-cancellable operating leases					
Future operating lease rentals of property, not provided for in the financial statements and payable:					
Within one year		2,672	2,892	-	-
Later than one year but not later than five years		6,493	4,519	-	-
Later than five years		1,844	1,737	-	-
		11,009	9,148	-	-

		Consolidated		Parent entity	
		2003	2002	**2003**	2002
	Notes	**$'000**	$'000	**$'000**	$'000
Finance leases					
Future finance lease rentals of property, plant and equipment, provided for in the financial statements and payable:					
Within one year		203	271	-	-
Later than one year but not later than five years		-	203	-	-
Minimum lease payments		203	474	-	-
Less: Future finance charges		7	33	-	-
Recognised as a liability		196	441	-	-
Total lease liabilities		196	441	-	-
Representing lease liabilities:					
Current	15	196	245	-	-
Non-current	18	-	196	-	-
		196	441	-	-

Operating leases are entered into as a means of acquiring access to property. Rental payments are generally fixed, but with inflation escalation clauses on which contingent rentals are determined. No renewal or purchase options exist in relation to operating leases and no operating leases contain restrictions on financing activities.

NOTE 30. EMPLOYEE ENTITLEMENTS

	Notes	Consolidated 2003 $'000	Consolidated 2002 $'000	Parent entity 2003 $'000	Parent entity 2002 $'000
Employee entitlement liabilities					
Provision for employee entitlements					
Current	16	1,407	770	-	-
Non-current	19	44	73	-	-
Aggregate employee entitlement liability		1,451	843	-	-

Employee numbers	**Number**	Number	**Number**	Number
Number of employees at the end of the reporting period	139	116	-	-

As explained in note 1(o)(ii), the amounts for long service leave are measured at their present values. The weighted average discount rate used to measure the present value was 5.8% (2002: 5.8%).

Uecomm employee share and option plans

(i.) General Share Plan

Uecomm offered an initial free grant of 500 ordinary shares to 78 employees upon initial public offering of the Company during 2000. During the year, the Company issued 333,300 shares to 101 employees for nil consideration pursuant to the General Share Plan approved by shareholders on 10 August 2000. This offer was not provided to the senior executives. Any further grants may be offered at the discretion of the directors.

(ii.) Loan Share Plan

The initial offer under this Plan was made to 78 employees and two directors pursuant to the Prospectus dated 11 August 2000 and the Plan Rules, and involved the provision of an interest free non-recourse loan to acquire 1,974,500 shares upon the initial public listing of Uecomm. The balance outstanding of interest free non-recourse loans at 31 December 2003 is $3,485,248 (2002: $3,485,248).

(iii.) Option Plan

Senior executives and two directors selected by the Board were offered options to subscribe for shares at the time of the initial public offering of the company in 2000. During the year 7,053,775 options (2002: 4,870,000) were granted. As at balance date 8,566,375 options (2002: 5,442,600) were outstanding which had been issued at no cost (2002: no cost). Refer note 21(c).

(iv.) Performance Rights

During the year 3,994,290 (2002: nil) performance rights were granted. As at balance date 3,994,290 (2002: nil) were outstanding which had been issued at no cost. Refer note 21(d).

(v.) Investment Share Plan

On 7 August 2002, Uecomm offered the Chairman 578,000 ordinary shares through salary sacrifice. Under the Investment Share Plan Rules the shares are restricted for a period of ten years or upon leaving the service of the Company, or when written consent for the removal of the restriction is received from the Board (which ever occurs first). During the year, the Chairman was issued with a further 230,000 shares through salary sacrifice.

Superannuation commitments

The majority of permanent employees of the consolidated entity, and casual employees hired directly, are required to be members of Equipsuper (the Fund), (formerly the Victorian Energy Industry Superannuation Fund). Permanent employees engaged after 2 October 1994 and all direct hire casual employees are members of an accumulation plan (Division D). During the year to 31 December 2003, the consolidated entity contributed to the Fund at a rate of 9% (2002: 8% to 30/6/02; 9% to 31/12/02). There is one permanent employee who is a member of Division C of the Fund, which provides defined benefits in the form of a lump sum. This defined benefit scheme is closed to new members. Division C members can contribute at 0%, 3% or 6 %. Defined benefit members can top up into the accumulation plan.
The consolidated entity's payment in respect of defined benefit members was funded from the surplus of the Fund throughout the year 2003. Members of the Fund become entitled to a benefit from the Fund when they cease employment with the consolidated entity.

Actuarial assessments of the fund are made at no more than three yearly intervals, and the last such assessment was made at 30 June 2002.

The effective date of the last audit of the entity's Employer Benefit Account at Equipsuper was 30 June 2003.

NOTE 30. EMPLOYEE ENTITLEMENTS (Continued)

Based on that audit, the Fund's situation in respect of the consolidated entity's Employer Benefit Account as at 30 June 2003 was:

		Consolidated		Parent entity	
		2003	2002	**2003**	2002
	Notes	**$'000**	$'000	**$'000**	$'000
Net market value of assets held by the Fund to meet future benefit payments		**294**	290	**-**	-
Present value of employees' accrued benefits		**231**	210	**-**	-
Excess of the assets held over the present value of employees' accrued benefits to meet future benefit payments		**63**	80	**-**	-
Vested benefits		**231**	210	**-**	-

The above amounts were measured as at 30 June of each year, or in the case of employer contributions, amounts relate to the years ended 30 June.

Vested benefits are benefits which are not conditional upon continued membership of the Fund (or any factor other than resignation from the Fund) and include benefits which members were entitled to receive had they terminated their Fund membership as at the reporting date. There were no employee contributions to the defined benefit fund during 2003 and 2002 due to the fund being on a contribution holiday.

NOTE 31. RELATED PARTIES

Directors

The names of persons who were directors of Uecomm at any time during the financial year are as follows:
RW Holzwarth; LP Shore; LL Hall; MJ Craven; RJ Stewart; KG Stamm; DP Evanson; TC Healey and JR Cahill. All of these persons were also directors during the year ended 31 December 2002 except for TC Healey and JR Cahill, who were appointed during the year. In addition KG Stamm, RW Holzwarth and DP Evanson resigned during the year.

Remuneration and retirement benefits

Information on remuneration and retirement benefits of directors is disclosed in note 25.

Loans to directors and director-related entities

Mr MJ Craven and Mr RJ Stewart have been given interest free non-recourse loans under the Loan Share Plan, which is available to eligible employees, directors or a secretary of the consolidated entity.

The value of the loan for each director as at 31 December 2003 is $49,970 (2002: $49,970). No other loans have been advanced to directors during the year ended 31 December 2003 and no other loans to directors are outstanding as at 31 December 2003.

		Consolidated		Parent entity	
		2003	2002	**2003**	2002
	Notes	**$**	$	**$**	$
Secured loans		**99,940**	99,940	**99,940**	99,940

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

Aggregate numbers of shares and share options of Uecomm acquired or disposed of by directors of Uecomm, or their director-related entities:

		Parent entity and consolidated	
		2003	2002
	Notes	**Number**	Number
Ordinary share options		**-**	240,000

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

	Parent entity and consolidated	
	2003	2002
	Number	Number
Ordinary shares - parent entity	**2,585,854**	2,043,854
Options over ordinary shares - parent entity	**512,600**	512,600

Other transactions with directors and director-related entities

Purchases of telecommunications services from the economic entity are made by related parties, including directors of the consolidated entity. These transactions are undertaken on normal commercial terms and conditions. There are other transactions which are conducted on normal commercial terms and conditions, no more favourable than those with which it is reasonable to expect the entity would have adopted if dealing with the director or director-related entity at arm's length in similar circumstances.

On 2 February 2004, Uecomm entered into a five year contract for the provision of fibre broadband infrastructure to Unwired Limited, a company of which Mr LP Shore is a director. The contract was negotiated on an arms' length basis, and on commercial terms.

Directors fees paid and payable to:

		Consolidated		Parent entity	
		2003	2002	**2003**	2002
	Notes	**$**	$	**$**	$
Directors		340,000	265,747	340,000	265,747
Associated companies		50,000	99,999	50,000	99,999
		390,000	365,746	390,000	365,746

Wholly-owned group

The wholly-owned group consists of Uecomm and its wholly-owned controlled entities, UE Access Pty Ltd, Unite.com Pty Ltd and Uecomm Operations Pty Ltd. Ownership interests in these controlled entities are set out in note 32.

Transactions between Uecomm and other entities in the wholly-owned group during the years ended 31 December 2003 and 2002 consisted of:

(i) loans advanced by Uecomm

(ii) loans repaid to Uecomm

(iii) the payment of interest on the above loans

(iv) the payment for the provision of various services between various members of the group, and

(v) the sale of assets by Uecomm.

	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	14,346	10,574
Aggregate amounts receivable from/payable to entities in the wholly-owned group at balance date:		
Non-current receivables (loans)	357,395	330,695
Provision for doubtful non-current receivables	(173,798)	(173,798)

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
	Notes	**$'000**	$'000	**$'000**	$'000
Other revenue					
Controlling entities		848	1,575	-	-
Commonly controlled entities		322	215	-	-
Interest expense					
Controlling entity		-	760	-	760
Commonly controlled entities		3,447	1,506	3,447	1,506
Other expense					
Controlling entities		965	1,893	-	-
Commonly controlled entities		1,061	602	-	-

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

		Consolidated		Parent entity	
		2003	2002	**2003**	2002
	Notes	**$'000**	$'000	**$'000**	$'000
Loans advanced from:					
Controlling entity		26,300	11,400	26,300	11,400
Commonly controlled entities		14,200	15,120	14,200	15,120
Loan repayments to:					
Controlling entity		16,000	7,000	16,000	7,000
Commonly controlled entities		5,500	4,220	5,500	4,220

NOTE 31. 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
	Notes	**$'000**	$'000	**$'000**	$'000
Current receivables					
Controlling entity		117	117	-	-
Commonly controlled entities		123	-	-	-
Non-current receivables					
Controlled entities (loans)		-	-	-	916
Current payables					
Controlling entity		546	209	-	-
Commonly controlled entities		189	-	-	-
Non-current payables					
Controlling entity		54,000	35,000	54,000	35,000

Controlling entities

At 31 December 2003, the ultimate controlling entity of Uecomm Limited is Alinta Limited.

NOTE 32. INVESTMENTS IN CONTROLLED ENTITIES

At 31 December 2003, Uecomm has the following controlled entities:

Name of entity	Place of incorporation	Share Type	% shares held 2003 %	2002 %
UE Access Pty Ltd*	Australia	Ordinary	100	100
Unite.com Pty Ltd*	Australia	Ordinary	100	100
Uecomm Operations Pty Ltd*	Australia	Ordinary	100	100
UE Vialight Pty Ltd#	Australia	Ordinary	70	70

This is a small proprietary company and is not required to prepare financial statements.

* These companies have entered into a deed of cross guarantee dated 29 November 2000 with Uecomm Limited which provides that all parties to the deed will guarantee each creditor payment in full of any debt of each company participating in the deed on winding-up of that company. As a result of a class order 98/1418 issued by the Australian Securities and Investments Commission, these companies are relieved from the requirement to prepare financial statements.

The Statements of Financial Performance and Statements of Financial Position for the parties to the class order (ie: closed group) have not been disclosed as they are not materially different from the Statements of Financial Performance and Statements of Financial Position of the consolidated entity.

NOTE 33. ECONOMIC DEPENDENCY

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 the 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 a material adverse effect on Uecomm's financial position and performance.

The consolidated entity is also dependent on the ongoing support through the Subordinated Loan Facility from Alinta Finance Pty Ltd.

NOTE 34. EVENTS OCCURRING AFTER REPORTING DATE

No other matters or circumstances have arisen between 31 December 2003 and the date of this report that have significantly affected or may significantly affect the operations of the consolidated entity in future years, the results of those operations or the state of affairs of the consolidated entity in future years.

NOTE 35. RECONCILIATION OF PROFIT / (LOSS) FROM ORDINARY ACTIVITIES AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

		Consolidated		Parent entity	
		2003	2002	**2003**	2002
	Notes	**$'000**	$'000	**$'000**	$'000
Profit/(loss) from ordinary activities after income tax		10,303	(5,473)	6,852	5,864
Depreciation and amortisation		13,530	10,578	27	27
Loss on property, plant and equipment		89	6,766	-	-
Profit on/(write down) of investment		-	(450)	-	(450)
Decrease (increase) in accrued revenue		15	81	-	-
Decrease (increase) in current receivables		(3,687)	(2,514)	419	517
Decrease (increase) in future income tax benefit		(7,129)	(3,958)	77	(154)
Decrease (increase) in non-current receivables		-	514	(7,373)	(5,823)
Decrease (increase) in prepayments		(775)	(1,107)	-	-
Decrease (increase) in deferred expenses		(23)	(299)	-	-
Increase (decrease) in creditors and accruals		3,026	(5,335)	-	(268)
Increase (decrease) in provision for doubtful debts		(160)	-	-	-
Increase (decrease) in income tax payable		-	-	-	813
Increase (decrease) in deferred revenue		7,008	6,039	-	-
Increase (decrease) in other provisions		577	68	-	-
Net cash inflow (outflow) from operating activities		22,774	4,910	2	526

NOTE 36. NON-CASH FINANCING AND INVESTING ACTIVITIES

		Consolidated		Parent entity	
		2003	2002	**2003**	2002
	Notes	**$'000**	$'000	**$'000**	$'000
Acquisition of plant and equipment by means of finance leases		-	727	-	-

NOTE 37. EARNINGS PER SHARE

		Consolidated	
		2003	2002
	Notes	**Cents**	Cents
Basic earnings per share		2.0	(1.1)
Diluted earnings per share		2.0	(1.1)
Basic earnings per security before significant items using the weighted average of ordinary securities for the year		2.3	
Alternative diluted earnings per share		2.3	

The alternative basic and diluted earnings per share amounts have been calculated to exclude the impact of significant items. Significant items are those which have affected the results of the entity during the year which management believe are outside the ordinary operations of the business.

		Consolidated	
		2003	2002
	Notes	**Number**	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		506,935,312	505,079,800
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share		513,188,466	505,238,856

The following Executive Share Options have not been included in the calculation of diluted EPS as they are not dilutive:

- Grant date 14 September 2000 272,600 options

NOTE 37. EARNINGS PER SHARE (Continued)

		Consolidated	
		2003	2002
	Notes	**$'000**	$'000
Reconciliations of earnings used in calculating earnings per share			
Basic and alternative basic earnings per share			
Net profit/(loss)		10,303	(5,473)
Earnings used in calculating basic earnings per share		10,303	(5,473)
Significant items		1,378	472
Earnings used in calculating alternative basic earnings per share		11,681	(5,001)
Diluted and alternative diluted earnings per share			
Net profit		10,303	(5,473)
Earnings used in calculating diluted earnings per share		10,303	(5,473)
Significant items		1,378	472
Earnings used in calculating alternative diluted earnings per share		11,681	(5,001)

DIRECTORS' DECLARATION

Uecomm Limited
Directors' declaration
31 December 2003

The directors declare that the financial statements and notes set out on pages 17 to 58:

(a) comply with Accounting Standards in Australia, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) give a true and fair view of Uecomm and the 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, and the companies and parent entity, who are party to the deed described in note 32, will together be able to meet any obligations or liabilities to which they are, or may become subject, by virtue of the deed of cross guarantee dated 29 November 2000.

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

Robert J Stewart
Director
Melbourne
26 February 2004

INDEPENDENT AUDIT REPORT TO MEMBERS OF UECOMM LIMITED

KPMG

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 Uecomm Limited (the "Company") and the Consolidated entity for the year ended 30 June 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 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 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 Consolidated Entity's financial position, and 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*.

Audit opinion

In our opinion, the financial report of Uecomm 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 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 Pasquariello

D Pasquariello
Partner
26 February 2004

SHAREHOLDER INFORMATION

INFORMATION RELATING TO SHAREHOLDERS AT 31 MARCH 2004

DISTRIBUTION OF SHAREHOLDERS AND SHAREHOLDINGS

The following information is extracted from the Company's Register of Shareholders:

Band (shares)	Shareholders Number	Shares %	Number	%
1 - 1,000*	2,743	17.92	2,661,032	0.52
1,001 - 5,000*	8,384	54.78	21,293,833	4.18
5,001 - 10,000	1,865	12.19	15,547,091	3.05
10,001 - 100,000	2,165	14.14	61,743,370	12.13
100,001 - OVER	148	0.97	407,997,774	80.12
TOTAL	**15,305**	**100.00**	**509,243,100**	**100.00**

** Includes a total of 3,030 shareholders holding less than the marketable parcel of 1,493 shares*

SUBSTANTIAL SHAREHOLDERS

A substantial shareholder is one who has a relevant interest in 5% or more of the total issued shares in the Company. As at 31 March 2004, the following shareholder details had been advised to the Company:

Name	Number of Shares	%
Alinta Limited	335,000,000	65.78

VOTING RIGHTS

The voting rights of shareholders are governed by the Company's Constitution.
The holders of the Company's shares have the right to attend and vote at meetings of the Company's shareholders. They also have the right to appoint a proxy to attend and vote at such meetings on their behalf.

TWENTY LARGEST SHAREHOLDERS

Name	Number of Shares	% of Issued Shares
Alinta Limited	335,000,000	65.78
ANZ Nominees Limited	11,291,609	2.22
National Nominees Limited	7,588,754	1.49
John Steven Lundgren	3,275,000	0.64
J P Morgan Nominees Australia Limited	2,693,529	0.53
Mount Beauty Properties Pty Ltd	2,200,000	0.43
Dr John Audley Bowbyes	2,000,000	0.39
Gordon Terrace Pty Ltd (Jenkins Super Fund A/C)	2,000,000	0.39
Westpac Custodian Nominees Ltd	1,808,403	0.36
UEC Share Plans Custodian Pty Ltd (Share Acquis Loan Plan A/C)	1,699,000	0.33
Citicorp Nominees Pty Limited	1,622,372	0.32
Mr Leonard Peter Shore	1,400,000	0.27
UEC Share Plans Custodian Pty Ltd (Ex Employee SALP Holding A/C)	1,323,200	0.26
Fortis Clearing Nominees P/L (Settlement A/C)	1,200,000	0.24
Citicorp Nominees Pty Limited (CFSIL OZDAQ Hi Tec Indx A/C)	1,187,900	0.23
Mr Robert Ferguson & Mrs Jennifer Ferguson (Torryburn Super Fund A/C)	950,000	0.19
Total Peripherals Pty Ltd (Super Fund A/C)	750,000	0.15
Ciach Holdings Pty Ltd (Ciach Trading A/C)	700,114	0.14
Mr Andrew Roy Newbery Sisson	690,000	0.14
Mr Damien Edward Brady & Mrs Wendy Joy Brady	633,333	0.12
TOTALS	**380,013,214**	**74.62**

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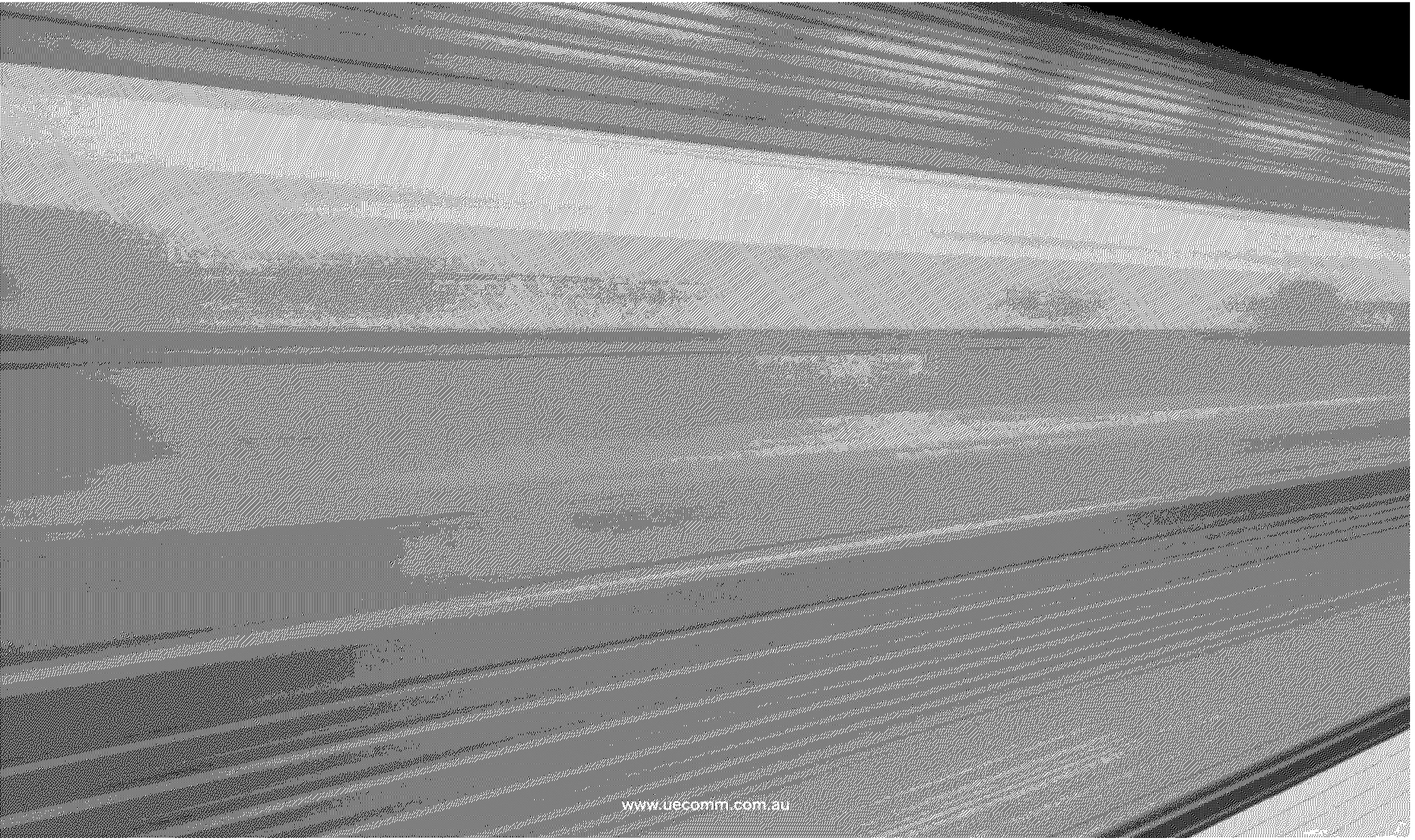
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