To: The Manager
Announcements
Company Announcements Office

Public Announcement 2004 – 9AWC

Attached, in accordance with Listing Rule 4.7, is a copy of Alumina Limited's Financial Annual Report 2003 that will be distributed to shareholders today.

Stephen Foster
Company Secretary

16 March 2004

Alumina Limited

ABN 85 004 820 419

GPO Box 5411
Melbourne Vic 3001
Australia

Level 12 IBM Centre
60 City Road
Southbank Vic 3006
Australia

Tel +61 (0)3 8699 2600
Fax +61 (0)3 8699 2699
Email
info@aluminalimited.com

BRINGING ALUMINA TO LIFE

ALUMINA LIMITED

ALUMINA LIMITED FINANCIAL ANNUAL REPORT 2003

ALUMINA LIMITED AND CONTROLLED ENTITIES
Financial report for the year ended 31 December 2003

CONTENTS

The financial report covers both Alumina Limited as an individual entity and the consolidated entity of Alumina Limited and its controlled entities.

Alumina Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:
Alumina Limited Level 12, IBM Centre 60 City Road, Southbank Victoria 3006

STATEMENTS OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 DECEMBER 2003

ALUMINA LIMITED AND CONTROLLED ENTITIES	Notes	Continuing operations 2003	Continuing operations 2002	Millions of dollars Consolidated Discontinuing operations 2002	Total 2003	Total 2002
Revenue from ordinary activities						
Operating revenues		–	–	2,220.9	–	2,220.9
Proceeds from sale of assets other than goods		–	–	101.0	–	101.0
Other revenue from outside the operating activities		4.8	1.3	186.3	4.8	187.6
	2	**4.8**	**1.3**	**2,508.2**	**4.8**	**2,509.5**
Expenses from ordinary activities						
Cost of goods sold		–	–	(1,650.9)	–	(1,650.9)
Selling and distribution		–	–	(143.7)	–	(143.7)
General and administrative		(12.6)	(6.3)	(327.5)	(12.6)	(333.8)
Exploration and evaluation		–	–	(34.3)	–	(34.3)
Other expenses from ordinary activities	3(b)	–	(1.3)	(272.0)	–	(273.3)
Borrowing costs	3(a)	(8.7)	(0.6)	(140.0)	(8.7)	(140.6)
Share of net profits of associates accounted for using the equity method	10(b)	244.1	216.3	–	244.1	216.3
Profit/(loss) from ordinary activities before related income tax		**227.6**	**209.4**	**(60.2)**	**227.6**	**149.2**
Income tax credit	4(a)	9.3	0.3	24.3	9.3	24.6
Profit from ordinary activities after related income tax expense		**236.9**	**209.7**	**(35.9)**	**236.9**	**173.8**
Net (profit)/loss attributable to outside equity interest		–	–	0.7	–	0.7
Net profit/(loss) attributable to members of Alumina Limited		**236.9**	**209.7**	**(35.2)**	**236.9**	**174.5**
Net exchange differences on translation of financial reports of self sustaining foreign operations	21(a)	28.4	(42.9)	48.9	28.4	6.0
Equity share of movements in reserves of associates	10(d)	–	29.4	–	–	29.4
Total revenues, expenses and valuation adjustments attributable to members of Alumina Limited and recognised directly in equity		**28.4**	**(13.5)**	**48.9**	**28.4**	**35.4**
Total changes in equity attributable to members of Alumina Limited other than from those resulting from transactions with owners as owners		**265.3**	**196.2**	**13.7**	**265.3**	**209.9**
Basic earnings per share	5				**20.9c**	**15.7c**
Diluted earnings per share	5				**20.9c**	**15.6c**
Dividends paid per share	6				**23.0c**	**18.0c**
Special dividend paid per share	6				**–**	**73.0c**

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

STATEMENTS OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 DECEMBER 2003

ALUMINA LIMITED AND CONTROLLED ENTITIES	Notes	Millions of dollars Parent entity Total 2003	2002
Revenue from ordinary activities			
Proceeds from sale of assets other than goods		–	1,907.2
Other revenue from outside the operating activities		421.4	838.0
	2	**421.4**	**2,745.2**
Expenses from ordinary activities			
General and administrative		(11.3)	(5.9)
Other expenses from ordinary activities	3(b)	–	(2,625.7)
Borrowing costs	3(a)	(9.0)	(279.9)
Profit/(loss) from ordinary activities before related income tax		**401.1**	**(166.3)**
Income tax (expense)/credit	4(a)	2.5	(77.4)
Net profit/(loss) attributable to members of Alumina Limited		**403.6**	**(243.7)**
Total changes in equity other than from those resulting from transactions with owners as owners		**403.6**	**(243.7)**
Dividends paid per share	6	23.0c	18.0c
Special dividend paid per share	6	–	73.0c

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2003

ALUMINA LIMITED AND CONTROLLED ENTITIES

			Millions of dollars			
			Consolidated		Parent entity	
		Notes	2003	2002	2003	2002
CURRENT ASSETS	Cash assets	7	165.3	23.2	153.6	8.4
	Receivables	8	4.0	2.3	0.4	2.3
	Deferred tax assets		4.1	–	4.5	–
	Other	9	0.3	0.9	–	0.9
	Total current assets		173.7	26.4	158.5	11.6
NON-CURRENT ASSETS	Investments accounted for using the equity method	10	1,625.0	1,668.7	717.7	609.3
	Other financial assets	11	–	–	784.6	784.6
	Property, plant and equipment	12	0.4	–	0.4	–
	Total non-current assets		1,625.4	1,668.7	1502.7	1,393.9
	TOTAL ASSETS		1,799.1	1,695.1	1,661.2	1,405.5
CURRENT LIABILITIES	Payables	13	3.2	2.6	2.8	2.4
	Interest-bearing liabilities	14	467.0	534.8	467.0	534.8
	Current tax liabilities	15	2.5	1.7	2.5	–
	Provisions	16	0.1	0.1	0.1	0.1
	Other		2.3	–	2.4	–
	Total current liabilities		475.1	539.2	474.8	537.3
NON-CURRENT LIABILITIES	Payables	17	–	–	49.8	39.7
	Deferred tax liabilities	18	–	2.2	–	0.5
	Provisions	19	0.2	0.2	0.2	0.2
	Total non-current liabilities		0.2	2.4	50.0	40.4
	TOTAL LIABILITIES		475.3	541.6	524.8	577.7
	NET ASSETS		1,323.8	1,153.5	1,136.4	827.8
EQUITY	Parent entity interest:					
	Contributed equity	20	384.8	220.2	384.8	220.2
	Reserves:					
	– group	21	131.0	102.6	240.2	240.2
	– associates	10(d)	–	101.3	–	–
	Retained profits:					
	– group	21	400.3	382.9	511.4	367.4
	– associates	10(c)	407.7	346.5	–	–
	TOTAL EQUITY		1,323.8	1,153.5	1,136.4	827.8

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

ALUMINA LIMITED AND CONTROLLED ENTITIES	Notes	Millions of dollars Consolidated Continuing operations 2003	Continuing operations 2002	Discontinuing operations 2002	Total 2003	Total 2002
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers (inclusive of goods and services tax)		–	–	2,193.5	–	2,193.5
Proceeds from interest rate swap close-out		–	–	71.2	–	71.2
Payments to suppliers and employees (inclusive of goods and services tax)		(7.9)	(8.1)	(1,823.9)	(7.9)	(1,832.0)
GST refund received		0.6	–	–	0.6	–
Proceeds from guarantee		2.4	–	–	2.4	–
Dividends received from associates		284.2	281.0	–	284.2	281.0
Interest received		2.2	–	27.6	2.2	27.6
Borrowing costs		(8.3)	(0.3)	(149.7)	(8.3)	(150.0)
Income taxes paid		(4.7)	–	(3.2)	(4.7)	(3.2)
Proceeds from insurance claims		–	–	35.0	–	35.0
Payments for:						
– exploration (grassroots)		–	–	(17.1)	–	(17.1)
– exploration (additional, supporting existing operations)		–	–	(3.4)	–	(3.4)
Net cash inflow from operating activities	22(a)	**268.5**	**272.6**	**330.0**	**268.5**	**602.6**
CASH FLOWS FROM INVESTING ACTIVITIES						
Payments for property, plant and equipment		(0.3)	–	(412.3)	(0.3)	(412.3)
Proceeds from sale of Central Norseman Gold Corporation (net of cash divested)		–	–	25.7	–	25.7
Proceeds from sale of non-current assets		–	–	67.6	–	67.6
Proceeds from insurance claims		–	–	15.7	–	15.7
Proceeds from/(payments for) gold hedge close out		–	–	(34.4)	–	(34.4)
Proceeds from/(payments for) short term investments		–	–	2.6	–	2.6
Payments for research and development		–	–	(0.4)	–	(0.4)
Payments for evaluation expenditure		–	–	(4.4)	–	(4.4)
Payment for purchase of Halco and MRN shares		–	(72.9)	–	–	(72.9)
Cash reserves retained by WMC Resources Ltd upon demerger		–	–	(65.2)	–	(65.2)
Net cash (outflow) from investing activities		**(0.3)**	**(72.9)**	**(405.1)**	**(0.3)**	**(478.0)**
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from issues of shares		56.2	38.5	–	56.2	38.5
Proceeds from borrowings		79.2	537.9	1,278.7	79.2	1,816.6
Repayment of borrowings		–	(600.0)	(1,366.1)	–	(1,966.1)
Dividends paid		(259.6)	(199.7)	–	(259.6)	(199.7)
Net cash inflow (outflow) from financing activities		**(124.2)**	**(223.3)**	**(87.4)**	**(124.2)**	**(310.7)**
Net (decrease)/increase in cash held		144.0	(23.6)	(162.5)	144.0	(186.1)
Cash at the beginning of the financial year		23.2	46.8	167.4	23.2	214.2
Effects of exchange rate changes on foreign currency cash balances		(1.9)	–	(4.9)	(1.9)	(4.9)
Cash at the end of the financial year	7(a)	**165.3**	**23.2**	**–**	**165.3**	**23.2**

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

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2003

Alumina Limited and controlled entities	Notes	Millions of dollars Parent entity Total 2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(6.7)	(8.0)
GST refund received		0.6	–
Proceeds from guarantee		2.4	–
Interest received		2.0	0.4
Borrowing costs		(8.3)	(0.3)
Dividends received from associates		266.9	261.8
Net cash inflow from operating activities	22(a)	**256.9**	**253.9**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(0.3)	–
Proceeds from the sale of Central Norsemen Gold Corporation		–	33.4
Receipts from /(payments to) controlled entities		12.8	(55.8)
Net cash inflow (outflow) from investing activities		**12.5**	**(22.4)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of shares		56.2	38.5
Proceeds from borrowings		79.2	537.9
Repayment of borrowings		–	(600.0)
Dividends paid		(259.6)	(199.7)
Net cash (outflow) from financing activities		**(124.2)**	**(223.3)**
Net increase in cash held		145.2	8.2
Cash at the beginning of the financial year		8.4	0.2
Cash at the end of the financial year	7(a)	**153.6**	**8.4**

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

ALUMINA LIMITED AND CONTROLLED ENTITIES

NOTE 1 Summary of significant accounting policies

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, Urgent Issues Group Consensus Views and the Corporations Act 2001.

It is prepared in accordance with the historical cost convention. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

B PRINCIPLES OF CONSOLIDATION

The consolidated financial report is prepared on a consolidated entity basis for Alumina Limited (parent entity) and the entities it controls (controlled entities). Australian GAAP defines entity widely including any legal, administrative or fiduciary arrangement. All material controlled entities in the consolidated entity are companies. The economic entity consisting of Alumina Limited and its controlled entities is referred to in the financial report as 'the group'. In preparing the financial statements, the effects of all transactions between entities within the group are eliminated in full, including unrealised profits and losses on transactions with associates accounted for on an equity basis.

The allocation of profits, reserves and capital to outside equity interests is disclosed separately without any adjustments being made, except where the allocation of the outside equity share of losses would exceed the outside equity interest in capital and other reserves. In this case, the excess is borne by the parent entity shareholders until it is considered likely that the outside equity interest will make good the losses.

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.

Interest in companies which the group does not control or exercise significant influence over is included in the accounts as investments, initially recorded at cost. Dividends receivable are taken into profits of the investing entity on the date of declaration.

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

The group's share of the retained profits of associated entities is not available for payment of dividends to shareholders of Alumina Limited, except to the extent that those profits are later received as dividends from the associated entities concerned and such dividends do not represent a recoupment of the cost or revalued amount of the investments concerned.

Accounting policies adopted by associated entities are generally consistent with those of the group but, where necessary, the results of associated entities are restated in order to comply with the accounting policies of the group. Any remaining differences would not materially affect the amounts reflected in the consolidated results of the group.

The group does not use the cost method to account for any entities for which there is greater than 20% ownership.

C INCOME TAX

The liability method of tax effect accounting is used, whereby the income tax expense for the year is matched with the accounting profit after allowance for permanent differences. The income tax effect of significant permanent differences on the tax expense for the year is set out in note 4. Income tax set aside on cumulative timing differences is brought to account as either a provision for deferred income tax or an asset described as deferred tax asset at the rate of income tax applicable to the period in which the liability will become payable or the benefit will be received.

ALUMINA LIMITED AND CONTROLLED ENTITIES

NOTE 1 Summary of significant accounting policies continued

The deferred tax asset relating to tax losses is not carried forward as an asset unless the benefit can be regarded as being virtually certain of realisation. The deferred tax asset relating to timing differences is not carried forward as an asset unless its realisation is assured beyond any reasonable doubt.

D FOREIGN CURRENCY TRANSLATION

Transactions

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. The subsequent payment or receipt of funds relating to that transaction is translated at the rate applicable on the date of payment or receipt. Any such amounts outstanding at balance date are translated at the rate of exchange prevailing on the balance date. Resulting exchange differences that are related directly to property, plant and equipment under construction or development, net of the effects of a hedge of the monetary item, are recorded as part of the cost of property, plant and equipment, while all other exchange differences are brought to account in determining the profit or loss.

Controlled foreign entities

The accounts of self sustaining controlled foreign entities that report in currencies other than Australian dollars are translated into Australian currency using rates of exchange current at balance date for assets and liabilities, and actual or an average of rates ruling during the reporting period for revenues and expenses. Equity is translated at historical rates. All exchange gains and losses arising on these translations are taken to the foreign currency translation reserve.

Upon disposal of a self sustaining controlled foreign entity the balance of the foreign currency translation reserve relating to the operation is transferred to retained profits.

The exchange gains and losses arising on those foreign currency borrowings (net of gains and losses on any related specific hedge contracts) that are designated as hedges of investments in self-sustaining controlled foreign entities are offset in the foreign currency translation reserve against the exchange gains and losses arising on the translation of the net assets of those entities. These circumstances represent an effective natural hedge.

For integrated controlled foreign entities, monetary assets and liabilities are translated into Australian currency at rates of exchange current at balance date, while non-monetary items and revenue and expense items are translated at exchange rates current when the transactions occurred. Exchange differences arising on translation are brought to account in determining the profit or loss.

E RECEIVABLES

All trade debtors are recognised as the amounts receivable upon settlement. Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision is raised when some doubt exists about collection.

F RECOVERABLE AMOUNT OF NON-CURRENT ASSETS

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Recoverable amounts of non-current assets are assessed based on undiscounted future net cash flows expected to be generated from the assets. 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 values of assets are reviewed on an ongoing basis and, where the carrying amount exceeds recoverable amount, the carrying amounts of non-current assets are written down to the lower of their recoverable amount or market value. The decrement in the carrying amount is recognised as an expense in the net profit or loss in the reporting period in which the recoverable amount write-down occurs.

G ACQUISITION OF ASSETS

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their market price as at the acquisition date, unless the notional price at which they could be placed in the market is a better indicator of fair value.

ALUMINA LIMITED AND CONTROLLED ENTITIES

NOTE 1 Summary of significant accounting policies continued

H 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.

I 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 and investment properties) over its expected useful life to the consolidated entity.

Office furniture	8 years
Computers and other office equipment	4 years

J BORROWING COSTS

Borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs relate to interest on short-term borrowings and certain exchange differences arising from foreign currency borrowings.

K TRADE AND OTHER CREDITORS

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

L EMPLOYEE ENTITLEMENTS

i Salaries and annual leave and sick leave

Liabilities for salaries and annual leave are recognised, in current provisions (ie. expected to be settled in 12 months), and are measured as the amount unpaid at reporting date at expected pay rates in respect of employees' services up to that date, including related on-costs.

ii Long service leave

Long service leave is an additional form of compensated leave to which Australian employees become entitled after a qualifying period of generally ten years of continuous service. It accrues at the rate of 1.3 weeks leave per year of service.

A liability for long service leave is recognised, in non-current provisions (ie. not expected to be settled within 12 months), and is measured as the nominal value based on expected pay rates in respect of services provided by employees up to the reporting date, including related on-costs.

iii Employee Shares and Bonus Plans

Liabilities for employee benefits in the form of employee share and bonus plan are recognised in other creditors when there is no realistic alternative but to settle the liability and at least one of the following conditions are met:

- There are formal terms in the plan for determining the amount of the benefit
- The amount to be paid are determined before the completion of the financial report, or
- Past practices gives clear evidence of the amount of the obligation

Liabilities for employee share plans are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

iv Superannuation

Since 27 July 2001, all employer contributions and ongoing management of employees' superannuation entitlements have been managed by the WMC Superannuation Plan, an independently managed sub-plan of the Plum Superannuation Fund. Since the demerger, Alumina employees have become members of a sub-plan of the WMC Superannuation Plan, created specifically for Alumina. The plan is an accumulation category plan which offers a minimum company contribution (subject to certain cashing out options and legislation) of 9 per cent of basic salary to each member's account. Members also have the option to make voluntary contribution to their account. Employer contributions to these funds are recognised as an operating cost.

ALUMINA LIMITED AND CONTROLLED ENTITIES

NOTE 1 Summary of significant accounting policies continued

Plan membership is compulsory for all Australian resident employees and Australian expatriates, and provides lump sum benefits on retirement, permanent disability, death, resignation and retrenchment.

M INTEREST-BEARING LIABILITIES

Loans are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

N DIVIDENDS

Provision is made for the amount of any dividend declared, determined or publicly recommended by the directors on or before the end of the year but not distributed at balance date.

O EARNINGS PER SHARE

i Basic earnings per share

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

ii Diluted earnings per share

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

P ROUNDING OF AMOUNTS

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission (ASIC), 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 hundred thousand dollars, or as otherwise indicated.

ALUMINA LIMITED AND CONTROLLED ENTITIES

		Millions of dollars			
		Consolidated		Parent entity	
	Notes	2003	2002	2003	2002
NOTE 2 Revenue					
Revenue from operating activities					
Sale of goods		–	2,334.4	–	–
Currency hedging (losses)		–	(108.3)	–	–
Commodity hedging (losses)/gains		–	(5.2)	–	–
		–	2,220.9	–	–
Other revenue from outside the operating activities					
Proceeds from disposal of non-current assets	2(a)	–	101.0	–	1,907.2
Dividends received/receivable from controlled entities		–	–	–	318.1
Dividends received from associates		–	–	266.9	261.8
Interest received/receivable		2.4	98.2	2.2	255.8
Guarantee fee received		2.4	–	2.4	–
Insurance proceeds received/receivable		–	67.2	–	–
Foreign exchange gains (net)		–	–	149.9	2.3
Other income			22.2	–	–
			187.6	421.4	838.0
Revenue from ordinary activities		4.8	2,509.5	421.4	2,745.2
(a) Disposal of non-current assets					
Proceeds[1]		–	101.0	–	1,907.2
Book value (includes reversal of provision and assets scrapped)		–	(57.0)	–	(2,630.1)
Net profit/(loss)		–	44.0	–	(722.9)
NOTE 3 Operating profit					
Profit from ordinary activities before income tax includes the following specific expenses:					
Amortisation:					
– government facilities		–	1.5	–	–
– mine properties and mine development		–	128.9	–	–
– equity goodwill		17.7	17.7	–	–
– intangibles		–	13.4	–	–
– research and development		–	0.5	–	–
Depreciation:					
– plant and equipment		0.1	304.3	0.1	–
– buildings		–	23.6	–	–
Amortisation and depreciation charged to profit		17.8	489.9	0.1	–
Depreciation on plant and equipment capitalised to other assets		–	0.9	–	–
Total amortisation and depreciation allocated		17.8	490.8	0.1	–

[1] Proceeds in 2002 included significant items of $91.7 million and $1,870.1 million in the parent entity. Refer to note 35 for further details.

ALUMINA LIMITED AND CONTROLLED ENTITIES

	Notes	Consolidated 2003	Consolidated 2002	Parent entity 2003	Parent entity 2002
		Millions of dollars			
NOTE 3 Operating profit continued					
Borrowing costs	3(a)	8.7	140.6	9.0	279.9
Exploration expenditure written off:					
– grassroots		–	17.1	–	–
– supporting existing operations		–	3.4	–	–
– evaluation		–	13.8	–	–
Government royalties on sales or production		–	47.2	–	–
Provision for employee entitlements		0.1	8.9	0.1	–
Provision for rehabilitation		–	14.2	–	–
Contributions to the superannuation fund:					
-defined benefit category		–	3.2	–	0.7
-accumulation category		0.1	19.0	0.1	0.1
Operating lease rentals		0.1	7.3	0.1	–
a Borrowing costs					
Interest and finance charges paid/payable:					
– unrelated bodies corporate		8.7	143.7	8.7	0.6
– related bodies corporate		–	–	0.3	279.3
Deferred to qualifying assets		–	(3.1)	–	–
	3(a)	8.7	140.6	9.0	279.9
Interest received/receivable:					
– unrelated corporations		(2.4)	(98.2)	(2.2)	–
– related corporations		–	–	–	(255.8)
	2	(2.4)	(98.2)	(2.2)	(255.8)
Net borrowing cost/(income)		6.3	42.4	6.8	24.1
b Other expenses from ordinary activities					
Written down value of assets sold/scrapped		–	57.9	–	3,396.8
Amortisation – non-production		–	13.4	–	–
Provision for:					
– diminution in value of investments		–	(0.8)	–	(4.5)
– obsolescence of stores		–	5.4	–	–
Bad debts written off/provided for		–	0.3	–	–
Provisions in respect of investments in/advances to controlled entities		–	–	–	(766.8)
Research and development written off		–	0.3	–	–
Write down of inventories to net realisable value		–	2.1	–	–
Stock written off		–	31.9	–	–
Foreign exchange loss		–	20.2	–	–
Demerger costs	35	–	46.0	–	–
Other		–	96.6	–	0.2
Total other expenses from ordinary activities	3(b)	**–**	**273.3**	**–**	**2,625.7**

ALUMINA LIMITED AND CONTROLLED ENTITIES	Millions of dollars Consolidated		Parent entity	
	2003	2002	2003	2002
NOTE 4 Income tax				
Income tax expense				
The income tax expense for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:				
a **Profit/(loss) from ordinary activities before income tax**	**227.6**	**149.2**	**401.1**	**(166.3)**
Excess of dividends received/receivable over equity share of profits	40.1	64.7	–	–
Profit from ordinary activities before income tax expense	267.7	213.9	401.1	(166.3)
Prima facie tax (expense)/credit at the rate of 30% (2002 – 30%)	(80.3)	(64.2)	(120.3)	49.9
The following items caused the total charge for income tax to vary from the above:				
Rebateable and exempt dividends	284.2	247.9	266.9	549.9
Additional claim for research and development expenditure	–	7.2	–	–
Exempt income	–	3.1	–	–
Exchange gains	–	–	136.0	–
Non-assessable capital gains/(losses)	–	40.4	–	(921.9)
Additional depreciation and amortisation	–	2.4	–	–
Non-deductible expenses	(10.0)	(3.4)	(10.0)	–
Non-deductible foreign expenses	–	(4.5)	–	–
Net movement	274.2	293.1	392.9	(372.0)
Tax effect of the above adjustments at 30% (2002: 30%)	82.3	87.9	117.9	(111.6)
Variance between Australian and foreign tax rates	–	(0.5)	–	–
Deferred tax assets not brought to account	–	(89.0)	–	(76.8)
Recognition of deferred tax assets not previously brought to account	–	8.6	0.3	61.1
Withholding tax	(1.4)	1.8	–	–
Tax losses from prior years brought to account	4.6	–	4.6	–
Over provision of tax in prior years	4.1	80.0	–	–
Consequent reduction in charge for income tax	89.6	88.8	122.8	(127.3)
Aggregate Income tax credit/(expense) for the year	**9.3**	**24.6**	**2.5**	**(77.4)**

ALUMINA LIMITED AND CONTROLLED ENTITIES	Millions of dollars Consolidated 2003	Consolidated 2002	Parent entity 2003	Parent entity 2002
NOTE 4 Income tax continued				
b **Tax losses and other timing differences**				
As at 31 December the following after tax effect of deferred tax assets has not been brought to account, and are attributable to:				
– income tax losses	35.5	22.5	0.7	–
– capital losses	321.2	314.4	321.2	315.4
	356.7	336.6	321.9	315.4

Realisation of future benefits attributable to tax losses and timing differences will only arise in the event that:

i the company, or where applicable, another group company derives future assessable income within the prescribed time limit of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;

ii the consolidated entity continues to comply with the conditions for deductibility imposed by the law; and

iii no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

c **Tax Consolidation Regime**

The wholly-owned Australian resident subsidiaries within the Alumina Limited Group, and the Company, may by election, enter the Tax Consolidation Regime. At the date of this report, management are of the view that the election to enter the tax consolidation group will be made but have yet to determine the appropriate period it should be effective from.

		Millions of dollars Consolidated 2003	2002
NOTE 5 Earnings per share			
Basic earnings per share	cents	20.9	15.7
Diluted earnings per share	cents	20.9	15.6
Weighted average number of shares outstanding during the year used in the calculation of earnings per share			
Basic earnings per share		1,132,189,594	1,112,878,659
Effect of options and partly paid shares on issue		2,276,335	2,905,619
Diluted earnings per share		1,134,465,929	1,115,784,278

a Information concerning classification of securities

No employee options were issued during the year, options issued in previous financial years are considered dilutive.

b Conversion, call, subscription or issue after 31 December 2003

In the period from 31 December 2003 to 19 February 2004, the following movements in share capital and options on issue have taken place:

	Number of options	Exercise price
Options exercised	589,700	Various
Options lapsed	-	-

c Net profit used in the calculation of earnings per share

	Millions of dollars Consolidated 2003	2002
Net profit attributable to members of Alumina Limited used in the calculation of basic and diluted earnings per share	236.9	174.5

ALUMINA LIMITED AND CONTROLLED ENTITIES	Millions of dollars Consolidated 2003	Consolidated 2002	Parent entity 2003	Parent entity 2002
NOTE 6 Dividends				
Interim dividend No. 48 of 10 cents fully franked at 30% per fully paid share declared 24 July 2003 and paid 10 September 2003 (2002: 5 cents fully franked at 30% per fully paid share declared 13 August 2002 and paid 10 September 2002).	112.9	55.6	112.9	55.6
Final dividend No. 47 of 13 cents fully franked at 30% per fully paid share, paid on 8 April 2003 (2002: 13 cents fully franked at 30% per fully paid share declared 26 February 2002 and paid 15 May 2002).	146.7	144.1	146.7	144.1
Special unfranked dividend of 73 cents distributed to effect the demerger.	–	823.0	–	823.0
	259.6	1,022.7	259.6	1,022.7
a Dividends not recognised at year end				
In addition to the above dividends, since year end the Directors have recommended the payment of a final dividend No. 49 of 10 cents fully franked at 30% per fully paid share, declared 28 January 2004 and payable on 30 March 2004. The aggregate amount of the proposed dividend expected to be paid out of retained profits at 31 December 2003, but not recognised as a liability at year end (refer note 1(n)) is $115.9 million.				
b Franked dividends				
Balance of franking account adjusted for franking credits which will arise from the payment of income tax provided for in these financial statements:				
Class 'C' (30%) franking credits	38.3	37.1	38.3	34.8
The fully franked dividends received from Alcoa of Australia Limited ("AofA") in the financial year were	266.9	261.8	266.9	261.8
Due to changes in the Australian Tax Legislation, the franking account is maintained on a tax paid basis from 1 July 2002.				
The shortfall between the balance of the franking account credits and the franking credits of final dividend 49 is obtained from the proposed dividend of $40.0 million (franked to 30) from "AofA" due for payment on 29 March 2004				
NOTE 7 Current assets – cash assets				
Cash at bank and on hand	41.7	15.0	30.0	0.2
Short term deposits (maturity of three months or less)	–	8.2	–	8.2
Money market deposits (maturity of three months or less)	123.6	–	123.6	–
	165.3	23.2	153.6	8.4
a Reconciliation of cash				
For the purposes of the statements of cash flows, cash represents cash on hand, at the bank and on short-term deposit (maturity of three months or less) less bank overdrafts:				
Cash assets	165.3	23.2	153.6	8.4
	165.3	23.2	153.6	8.4

ALUMINA LIMITED AND CONTROLLED ENTITIES

	Notes	Consolidated 2003	Consolidated 2002	Parent entity 2003	Parent entity 2002
		Millions of dollars			
NOTE 8 Current assets – receivables					
Loans to employees on share purchases		–	1.2	–	1.2
Australian Taxation Office – tax refund		–	3.6	–	–
Other debtors		0.4	1.1	0.4	1.1
		4.0	2.3	0.4	2.3
NOTE 9 Current assets – other					
Prepayments		–	0.5	–	0.5
Other		0.3	0.4	–	0.4
		0.3	0.9	–	0.9
NOTE 10 Investments in associates					
a **Securities not quoted on a prescribed stock exchange**					
i Securities in entities forming Alcoa World Alumina and Chemicals (AWAC) with Alcoa Inc.					
Securities at cost:					
– balance brought forward		1,220.9	1,192.5	609.3	609.3
– increase in investment in Halco and MRN		–	72.9	–	–
– increase in investment in Alcoa of Australia	10(g)	108.4	–	108.4	–
– foreign currency revaluation		(112.0)	(44.5)	–	–
Equity accounted cost of AWAC		1,217.3	1,220.9	717.7	609.3
Equity in retained profits of AWAC	10(c)	407.7	346.5		
Equity in reserves of AWAC	10(d)	–	101.3		
Equity accounted carrying value of AWAC		1,625.0	1,668.7		
b **Equity accounted share of profits and dividends**					
Equity share of profits before tax and goodwill		383.5	370.6		
Equity goodwill amortisation		(17.7)	(17.7)		
		365.8	352.9		
Equity share of tax		(121.7)	(136.6)		
Equity accounted share of profit after tax		244.1	216.3		
Dividends received/receivable by Alumina		(284.2)	(281.0)		
(Shortfall) of AWAC equity accounted profit over dividends received/receivable	10(c)	(40.1)	(64.7)		
c **Share of retained profits**					
(Shortfall) of AWAC equity accounted profit over dividends received/receivable		(40.1)	(64.7)		
Transfer from reserves		101.3			
Balance brought forward		346.5	411.2		
Total equity share in retained profits carried forward		407.7	346.5		
d **Equity accounted share of reserves of associated entities**					
AWAC					
Opening balance		101.3	71.9		
Transfer to retained profits		(101.3)	–		
Movement during the year		–	29.4		
Total equity share of reserves		–	101.3		

Alumina Limited and controlled entities

NOTE 10 Investments in associates continued

e **Accounting policies**

i The audited consolidated financial statements of the entities forming AWAC are prepared in accordance with US Generally Accepted Accounting Principles (US GAAP). Except for Alcoa of Australia Limited ("AofA"), the reported profit after tax of AWAC is based on these US GAAP financial statements. Financial statements in US dollars have been translated to Australian dollars using average exchange rates for the period for profit and loss items, and closing rates for balance sheet items. Adjustments are made for accounting policies not allowed under Australian Generally Accepted Accounting Principles. The principal adjustments are to the valuation of inventories from last-in-first-out basis to a basis equivalent to weighted average cost, to treat the cost of stock options issued under the Alcoa employee long term incentive plan as a charge against profit and to reverse any excesses or shortfalls of the superannuation fund assets over accrued membership benefits taken to the statement of financial performance.

ii Included in the equity accounted carrying amount at which the equity investment in AWAC is recorded, are amounts for goodwill, including profits realised in forming AWAC, of A$175.0 million (2002: A$192.7 million) which are being amortised over periods out to 2014.

f **On an equity accounted basis, the investment is recorded at net cost, and a share of profit is recognised after deduction of equity goodwill amortisation.**

g **Additional information on associated entities**

Name	Principal activities	Percentage equity 2003	Percentage equity 2002
i Entities forming AWAC			
Alcoa of Australia Ltd	Fully integrated aluminium production	40.00*	39.25
Alcoa Alumina & Chemicals LLC	Production of alumina & alumina based chemicals	40.00	40.00
Alcoa Chemie Nederland BV**	Production of alumina based chemicals	40.00	40.00
Alcoa Chemie GmbH**	Production of alumina based chemicals	40.00	40.00
Abalco S.A.	Production of bauxite and alumina	40.00	40.00
Alcoa Carribean Alumina Holdings LLC	Holding company	40.00	40.00
Alumina Espanola S.A.	Production of alumina & alumina based chemicals	40.00	40.00
ii Other Associates			
Agnew Pastoral Company Pty Ltd	Manage pastoral leases	40.00	40.00
Weebo Pastoral Company Pty Ltd	Manage pastoral leases	40.00	40.00

* In December 2003, Alumina increased its interest in Alcoa of Australia through purchasing QBE Limited's 0.75% interest by issuing 18,372,881 shares in Alumina. The acquisition was accounted for based on Alumina's closing price on 12 December 2003 of $5.90 (the closing price of the trading day prior to the date when QBE agreed the sale).

** Both Alcoa Chemie Nederland BV and Alcoa Chemie GmbH were sold subsequent to balance date (refer note 34)

AWAC has a governing strategic council of five members of which Alumina appoints two, including the Deputy Chairman.

ALUMINA LIMITED AND CONTROLLED ENTITIES

	Millions of dollars 2003	2002

NOTE 10 Investments in associates continued

h **Expenditure commitments and contingent liabilities**

	2003	2002
– other expenditure commitments contracted for, including long term commitments for gas and electricity	1,930.9	3,027.4

Unascertainable unsecured contingent liabilities

Various lawsuits and claims and proceedings have been, or may be, instituted or asserted against entities within AWAC, including those pertaining to environmental, product liability, and safety and health matters. While the amounts claimed may be substantial, the ultimate liability cannot be determined now because of the considerable uncertainties that exist. Therefore, it is possible that results of operations or liquidity in a particular period could be materially affected by certain contingencies. However, based on currently available facts, management believes that the disposition of matters that are pending or asserted will not have a materially adverse effect on AWAC's financial position.

Alcoa of Australia Ltd ("AofA") is party to a number of natural gas and electricity contracts that expire between 2003 and 2022. Under these take or pay contracts, AofA is obligated to pay for a minimum of natural gas or electricity even if these commodities are not required for operations.

Pursuant to the terms of the AWAC Formation Agreement, Alcoa and Alumina have agreed to remain liable for Extraordinary Liabilities (as defined in the agreement) as well as for certain other pre-formation liabilities, such as existing environmental conditions, to the extent of their pre-formation ownership of the company or asset with which the liability is associated.

	Notes	Millions of dollars 2003	2002
i **Alumina's share of aggregate incorporated joint ventures:**			
Current assets		499.4	600.2
Non-current assets		1,811.7	1,758.6
Current liabilities		(379.2)	(429.8)
Non-current liabilities		(478.3)	(449.0)
Minority interest		(3.6)	(4.0)
Net assets		1,450.0	1,476.0
Goodwill		175.0	192.7
Carrying value	10(a)	1,625.0	1,668.7
Revenues		2,041.7	2,093.2
Expenses		(1,658.2)	(1,722.6)
Profit before income tax		383.5	370.6
Income tax charge		(121.7)	(136.6)
Profit after income tax		261.8*	234.0*
j **Summarised AWAC financial information:**			
Current assets		1,248.5	1,514.6
Non-current assets		4,303.9	4,490.5
Current liabilities		(948.0)	(1,085.2)
Non-current liabilities		(1,195.8)	(1,144.7)
Minority interest		(9.1)	(10.1)
Total shareholders' equity		3,399.5	3,765.1
Profit after income tax		667.0	597.1

This summarised information is prepared on a basis consistent with that described in note 10(e).

* Excludes amortisation of goodwill

ALUMINA LIMITED AND CONTROLLED ENTITIES

		Millions of dollars			
		Consolidated		Parent entity	
	Notes	2003	2002	2003	2002
NOTE 11 Non-current assets – other financial assets					
Investments in other controlled entities	11(a)	–	–	784.6	784.6
a Investments in other controlled entities					
Cost				788.0	788.0
Provision for diminution in value of investments				(3.4)	(3.4)
				784.6	784.6
NOTE 12 Non-current assets – property, plant and equipment					
Plant and equipment	12(a)	0.4	–	0.4	–
a Plant and equipment					
Cost		0.4	–	0.4	–
Provisions for depreciation and write-off		–	–	–	–
		0.4	–	0.4	–
b Reconciliations					
Reconciliation of the carrying amount at the beginning and end of the current financial year is set out below:					
Carrying amount at 1 January 2003		–		–	
Additions		0.4		0.4	
Depreciation/amortisation expense*		–		–	
Carrying amount at 31 December 2003		0.4		0.4	
NOTE 13 Current liabilities – payables					
Trade creditors		2.6	0.1	2.2	–
Other creditors		0.6	2.5	0.6	2.4
		3.2	2.6	2.8	2.4

* Due to rounding, the depreciation for the year is shown as nil.

ALUMINA LIMITED AND CONTROLLED ENTITIES		Millions of dollars Consolidated		Parent entity	
	Notes	2003	2002	2003	2002
NOTE 14 Current liabilities – interest-bearing liabilities					
Unsecured:					
Borrowings	14(a)	467.0	534.8	467.0	534.8
a **Description**					
Bank loans at floating interest rates applicable in the United States of America (Weighted average rate of 1.4% (2002 – 1.7%) and are repayable in one year or less.		467.0	534.8	467.0	534.8
b **Currencies**					
The above borrowings are due in the following currency:					
US dollars		351.0	303.0	351.0	303.0
A$ equivalent of above currency		467.0	534.8	467.0	534.8
c **Exchange rates**					
Exchange rates at balance date used in translations:		0.7516	0.5666	0.7516	0.5666
A$1 = US$					
NOTE 15 Current liabilities – current tax liabilities					
Income tax		2.5	1.7	2.5	–
NOTE 16 Current liabilities – provisions					
Employee entitlements	31	0.1	0.1	0.1	0.1
NOTE 17 Non-current liabilities – payables					
Loans to controlled entities		–	–	49.8	39.7
NOTE 18 Non-current liabilities – deferred tax liabilities					
Deferred tax liabilities	18(a)	–	2.2	–	0.5
a **The deferred tax liabilities comprises:**					
– Timing differences		–	2.2	–	0.5
NOTE 19 Non-current liabilities – provisions					
Employee entitlements	31	0.2	0.2	0.2	0.2

i The aggregate of provisions for employee entitlements as shown in Notes 16 and 19 are $0.3 million (2002: $0.3 million)

ALUMINA LIMITED AND CONTROLLED ENTITIES

		Millions of dollars			
		Consolidated		Parent entity	
	Notes	2003	2002	2003	2002
NOTE 20 Contributed equity					
Ordinary share capital issued and fully paid					
Balance brought forward		220.2	3,190.9	220.2	3,190.9
Shares issued:					
– converted from partly paid		–	2.2	–	2.2
– options exercised		56.2	36.3	56.2	36.3
Shares issued to acquire Corridor Sands		–	123.8	–	123.8
Shares issued to acquire QBE's 0.75% share of Alcoa of Australia		108.4	–	108.4	–
Less: return of capital to effect the demerger		–	(3,133.0)	–	(3,133.0)
Total issued capital		384.8	220.2	384.8	220.2

		Number of fully paid shares		Number of partly paid shares	
	Notes	2003	2002	2003	2002
Movements in ordinary share capital					
Opening number of shares		1,128,333,747	1,108,821,653	–	629,000
Issued under Employee Share Scheme	20(b)	13,071,920	4,802,490	–	–
Conversion of partly paid shares		–	629,000	–	(629,000)
Allotment for purchase of Corridor Sands	20(c)	–	14,080,604	–	–
Allotment for purchase of 0.75% of Alcoa of Australia	20(d)	18,372,881	–	–	–
Closing number of shares		1,159,778,548	1,128,333,747	–	–

a The demerger incorporated a Share Scheme, consisting of a capital reduction and a dividend, under which:

- The share capital of Alumina was reduced by $3.1 billion (i.e. an amount of A$2.78 per share on issue at the Share Scheme record date);
- Alumina paid a notional cash dividend of $A0.73 per share on issue at the Share Scheme record date; and
- The reduced share capital amount and the dividend were automatically applied by Alumina, on behalf of Alumina shareholders, to transfer to those shareholders one WMC Resources Ltd share for each Alumina share held at the Share Scheme record date (except Ineligible Overseas Shareholders who had the WMC Resources Limited shares to which they were entitled sold and the net sale proceeds remitted to them).

b The establishment of the WMC Employee Share Scheme was approved by shareholders at the Annual General Meeting held on 12 December 1987. Under the Scheme a number of share plans have operated. Fully paid shares, partly paid shares and share options have been granted to employees since establishment of the Scheme. All permanent employees (including executive directors) of Alumina Limited and its subsidiaries who were employed by the company or a subsidiary were eligible to participate in the WMC Employee Share Scheme and be offered options for fully paid shares. Existing options allotted to Alumina employees remain exercisable until such time as their exercise periods expire. There is no ongoing option plan available to Alumina Limited directors or employees. Under the Scheme, no issues have been made during the current year, the following issue was made in the prior year:

i 7 May 2002 – 600,000 options for fully paid shares at an exercise price of $9.35 (4 employees).

As a result of the demerger, each WMC Limited employee option split to become an Alumina Limited option and a WMC Resource Limited option, which entitled the holder to subscribe for one Alumina Limited share. The exercise prices of the options were amended so that an Alumina Limited employee option has an exercise price less than the exercise price of the corresponding WMC Limited option prior to the demerger. The exercise price of an Alumina Limited option was determined by reference to the exercise price of the corresponding WMC Limited option prior to the demerger and a factor of 0.537. The exercise price of the 600,000 options issued on 7 May 2002 was amended as a result of the demerger from $9.35 to $5.02.

ALUMINA LIMITED AND CONTROLLED ENTITIES

NOTE 20 Contributed equity continued

The issue price is based on an average market price immediately preceding the date of issue to the employees.

From commencement of the WMC Employee Share Scheme to 31 December 2002, 10,354,645 fully paid shares, 21,008,700 partly paid shares and 63,611,300 options for fully paid shares had been issued under the Share Scheme, of which 21,008,700 partly paid shares and 39,978,047 options had been converted to fully paid ordinary shares and released from the Scheme. A total of 15,573,653 options have lapsed. As at 31 December 2003, the market price per ordinary share was $6.57 and 8,059,600 options remained exercisable as follows:

Year of issue	Granted in 2003	Exercised in 2003	Outstanding as at 31 December 2003	Exercise Price	Expiry Date
1998	–	902,920	–	$2.62	21 December 2003
1998	–	375,000	–	$2.88	21 December 2003
1999	–	2,196,400	1,495,600	$4.52	20 December 2004
2000	–	3,941,400	1,986,400	$4.04	18 December 2005
2001	–	5,056,200	4,577,600	$5.02	30 November 2006
2002	–	600,000	–	$5.02	30 November 2006
Total	–	13,071,920	8,059,600		

c 14,080,604 fully paid shares were allotted at $8.79 per share to facilitate WMC Resources Ltd's acquisition of its interest in Corridor Sands at December 2002.

d 18,372,881 fully paid shares were allotted at $5.90 per share to facilitate Alumina Limited's acquisition of QBE Limited's 0.75% interest in Alcoa of Australia in December 2003 – refer note 22(d).

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

ALUMINA LIMITED AND CONTROLLED ENTITIES

	Notes	Consolidated 2003 (Millions of dollars)	Consolidated 2002	Parent entity 2003	Parent entity 2002
NOTE 21 Reserves and retained profits					
Reserves					
Asset revaluation reserve		34.3	34.3	141.4	141.4
Asset realisation reserve		–	–	84.9	84.9
Capital reserve		16.5	16.5	13.9	13.9
Foreign currency translation reserve	21(a)	80.2	51.8	–	–
		131.0	102.6	240.2	240.2
a Foreign currency translation reserve					
Balance brought forward		51.8	79.1		
Transfers to retained earnings		–	(33.3)		
Difference on translation of self sustaining foreign entities		(118.6)	(26.0)		
Revaluation of naturally hedged net monetary liabilities		147.0	32.0		
Balance carried forward		80.2	51.8		

b Nature and purpose of reserves

i **Asset revaluation reserve**

The balance standing to the credit of the reserve may be used to satisfy the distribution of bonus shares and is only available for the payment of cash dividends in limited circumstances as permitted by law.

ii **Foreign currency translation reserve**

Exchange differences arising on translation of self sustaining controlled foreign entities are taken to the foreign currency translation reserve as described in accounting policy note 1(d).

Retained profits

	Notes	Consolidated 2003	Consolidated 2002	Parent entity 2003	Parent entity 2002
Retained profits at the beginning of the financial year:					
– group		382.9	1,042.3	367.4	1,207.7
– associates/jointly controlled entities		346.5	409.4	–	–
		729.4	1,451.7	367.4	1,207.7
Net profit/(loss) attributable to the members of Alumina Limited		236.9	174.5	403.6	(243.7)
Dividend provided for or paid		(259.6)	(55.6)	(259.6)	(55.6)
Special dividend distributed to effect the demerger		–	(823.0)	–	(823.0)
Transfer from foreign currency translation reserve	21(a)	–	33.3	–	–
Transfer from reserve following revaluation of non current assets in Alcoa of Australia		101.3	–	–	–
(Distribution)/gain on demerger of WMC Resources Ltd		–	(51.5)	–	282.0
Retained profits at the end of the financial year		808.0	729.4	511.4	367.4
Retained profits at the end of the financial year:					
– group		400.3	382.9		
– associates	10(c)	407.7	346.5		
		808.0	729.4		

ALUMINA LIMITED AND CONTROLLED ENTITIES

	Notes	Consolidated 2003	Consolidated 2002	Parent entity 2003	Parent entity 2002
		Millions of dollars			

NOTE 22 Notes to the statements of cash flows

a Reconciliation of operating profit after income tax to net cash inflow from operating activities

	Notes	Consolidated 2003	Consolidated 2002	Parent entity 2003	Parent entity 2002
Operating profit after income tax and earnings of associates		236.9	174.5	403.6	(243.7)
Shortfall/(excess) of equity accounted profits over dividends received (net of goodwill amortisation)		22.3	47.0	–	–
Depreciation and amortisation	3	17.8	489.9	0.1	–
Research and development written off		–	0.3	–	–
(Profit)/loss on disposal of non-current assets	2(a)	–	(43.1)	–	1,489.6
Provision for diminution in investments and loans		–	(0.8)	–	(771.2)
Net exchange differences		(4.8)	(4.1)	(149.9)	(2.3)
Write down in value of inventory	3	–	1.4	–	–
Sub total		272.2	665.1	253.8	472.4
Change in assets and liabilities adjusted for effects of purchase and disposal of controlled entities during the financial year:					
(Increase)/decrease in:					
-inventories		–	(84.4)	–	–
-receivables		(1.7)	(300.5)	1.9	0.4
-current tax assets		(4.1)	–	(4.5)	–
-deferred tax assets		–	53.0	–	–
-loans to controlled entities		–	–	–	(220.1)
-other assets		0.6	401.6	0.9	(0.8)
(Decrease)/increase in:					
-payables		0.6	(88.1)	0.4	1.3
-current tax liabilities		0.8	24.2	2.5	–
-deferred tax liabilities		(2.2)	(86.1)	(0.5)	0.5
-provisions		–	12.2	–	0.2
-other liabilities		2.3	5.6	2.4	–
Net cash provided by operating activities		268.5	602.6	256.9	253.9

b Acquisition/disposal of controlled entities

During the year the Company did not acquire or dispose of any material controlled entities.

c Financing facilities

Refer to note 23.

d Non cash financing and investing activities

Consideration of 18,372,881 shares in Alumina Limited was issued to acquire 0.75% of Alcoa of Australia (refer note 10(g)).

ALUMINA LIMITED AND CONTROLLED ENTITIES

	Notes	Consolidated 2003	Consolidated 2002	Parent entity 2003	Parent entity 2002
NOTE 23 Financing facilities					
The total facilities available at balance date were as follows:					
Short term loan facilities	23(b)	700.0	700.0	700.0	700.0
Used at balance date:		467.0	534.8	467.0	534.8
Available at balance date		233.0	165.2	233.0	165.2
a The loan facilities are denominated in currencies as follows:					
Short term loan facilities					
Australian dollars		–	–		
United States dollars		351.0	303.0		

(Millions of dollars)

b The short term bank loan facilities are available for general corporate purposes. All facilities are 364 day facilities. The short-term facilities will be refinanced during the course of 2004.

NOTE 24 Financial instruments

A Interest rate risk

The group is exposed to interest rate risk on its outstanding interest bearing liabilities and investments.

a Interest rate risk exposure

The consolidated entity's exposure to interest rate risk and the effective weighted interest rate for classes of financial assets and liabilities is set out below:

As at 31 December 2003

Millions of dollars	Note	Floating interest rate %	Fixed interest maturing in: 1 year or less	Over 1 to 5 years	more than 5 years	Non-interest bearing	Total
Financial Assets							
Cash assets	7	165.3	–	–	–	–	165.3
Receivables	8	–	–	–	–	4.0	4.0
		165.3	–	–	–	4.0	169.3
Weighted average interest rate		5.4%					
Financial Liabilities							
Payables	13	–	–	–	–	3.2	3.2
Bank loans	14	467.0	–	–	–	–	467.0
		467.0	–	–	–	3.2	470.2
Weighted average interest rate		1.4%					
Net financial (liabilities)		(301.7)	–	–	–	0.8	(300.9)

ALUMINA LIMITED AND CONTROLLED ENTITIES

NOTE 24 Financial instruments continued

As at 31 December 2002

Millions of dollars	Note	Floating interest rate %	Fixed interest maturing in: 1 year or less	Over 1 to 5 years	more than 5 years	Non-interest bearing	Total
Financial Assets							
Cash assets	7	23.2	–	–	–	–	23.2
Receivables	8	–	–	–	–	2.3	2.3
		23.2	–	–	–	2.3	25.5
Weighted average interest rate		1.7%					
Financial Liabilities							
Payables	13	–	–	–	–	2.6	2.6
Bank loans	14	534.8	–	–	–	–	534.8
		534.8	–	–	–	2.6	537.4
Weighted average interest rate		1.7%					
Net financial (liabilities)		(511.6)	–	–	–	(0.3)	(511.9)

B Carrying amounts and estimated fair values of financial instruments

The carrying amounts and estimated fair values of the company's financial instruments, referred to in note 24A above were as follows:

	Notes	Carrying amount 2003	Fair value 2003	Carrying amount 2002	Fair value 2002
		Millions of dollars Consolidated			
Recognised in the Statement of financial position					
Financial assets					
Cash assets	7	165.3	165.3	23.2	23.2
Current receivables	8	4.0	4.0	2.3	2.3
Financial liabilities					
Current payables	13	3.2	3.2	2.6	2.6
Short term interest bearing liabilities	14	467.0	467.0	534.8	534.8

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate a value:

Cash assets and current other financial assets

The carrying amount approximates fair value because of the short maturity of these instruments.

Debtors and creditors

Other current debtors and creditors mainly represent financial obligations incurred in exchange for goods and services provided and received by the group in the normal course of its operations, net of provisions for doubtful debts. Due to the short-term nature of these financial obligations, their carrying values are estimated to equal their fair values.

ALUMINA LIMITED AND CONTROLLED ENTITIES

NOTE 25 Investment in controlled entities

Entities consolidated	Notes	Place of Incorporation
Name		
Alumina Limited		VIC, Australia

All controlled entities are wholly owned, unless otherwise indicated

Controlled entities		
Albion Downs Pty. Ltd.	D,H	WA, Australia
Alumina Holdings (USA) Inc.	A,B,E	Delaware, USA
Alumina International Holdings Pty. Ltd.	C,F,I	VIC, Australia
Alumina (U.S.A.) Inc.	A,B,E	Delaware, USA
Westminer (Investments) B.V.	A,E	Netherlands
Westminer Acquisition (U.K.) Limited	E	UK
WMC Participacoes Limitada	A,G	Brazil
Westminer International (U.K.) Limited	E	UK

These controlled entities:

A have not prepared audited accounts as they are non-operating or audited accounts are not required in their country of incorporation.

B Alumina Holdings (U.S.A.) Inc. changed its name from Western Mining Corporation (U.S.A.). Alumina (U.S.A.) Inc. changed its name from WMC Alumina (U.S.A.) Inc. Both name changes were effective from 2 December 2002.

C has been granted relief from the necessity to prepare accounts pursuant to Australian Securities and Investment Commission ("ASIC") Class Order 98/1418. This company, which is also referred to in the Directors' Declaration is, with Alumina Limited, a member of a "Closed Group" as defined in the Class Order and are parties to a deed of cross guarantee which has been lodged with and approved by ASIC. Under the deed of cross guarantee, each of these companies guarantees the debts of the other companies party to the deed of cross guarantee. The aggregate assets and liabilities of these companies, and their aggregate net profits after tax for the year then ended (after eliminating inter-company investments and other inter-company transactions) are set out in the table below;

D as small proprietary corporations, are not required to prepare financial reports.

E has been translated as a self-sustaining entity.

F this company, while a small proprietary company, is included on the deed of cross guarantee.

G this company is in the process of being liquidated.

H This company is deemed to be a controlled entity because of an option held by Alumina Limited to purchase all of the shares in the Company.

I Alumina International Holdings Pty Ltd, changed its name from Westminer International Holdings Pty Ltd on 16 May 2003.

Alumina Limited and controlled entities

NOTE 25 Investment in controlled entities continued

Deed of cross guarantee

Entities which are party to a Deed of Cross Guarantee, entered into in accordance with ASIC Class Order 98/1418 are indicated above in this note. A consolidated statement of financial position is set out below:

Statements of financial position of closed group

		Millions of dollars Closed group 2003	2002
CURRENT ASSETS	Cash assets	153.6	8.5
	Receivables	18.1	2.3
	Deferred tax asset	8.7	–
	Other	–	0.8
	Total current assets	180.4	11.6
NON-CURRENT ASSETS	Investments in associates/subsidiaries	1,101.7	1,442.2
	Property, plant and equipment	0.4	–
	Total non-current assets	1,102.1	1,442.2
	Total assets	1,282.5	1,453.8
CURRENT LIABILITIES	Payables	2.8	2.4
	Interest-bearing liabilities	467.0	534.8
	Current income tax liabilities	9.2	–
	Provisions	0.1	2.0
	Other	2.2	–
	Total current liabilities	481.3	539.2
NON-CURRENT LIABILITIES	Payables	22.2	25.1
	Deferred tax liabilities	–	2.2
	Provisions	0.2	0.2
	Total non-current liabilities	22.4	27.5
	Total liabilities	503.7	566.7
	Net assets	778.8	887.1
EQUITY	Contributed equity	384.8	220.2
	Reserves	240.2	240.2
	Retained profits	153.8	426.7
	Total equity	778.8	887.1

ALUMINA LIMITED AND CONTROLLED ENTITIES

NOTE 25 Investment in controlled entities continued

Set out below is a consolidated statement of financial performance for the closed group:

Statements of financial performance of closed group (Millions of dollars, Closed group)	2003	2002
Revenue from ordinary activities	**451.9**	**2,745.2**
General and administrative	(11.3)	(5.9)
Other expenses from ordinary activities	(449.0)	(2,889.4)
Borrowing costs	(9.0)	(279.9)
(Loss)/profit from ordinary activities before income tax	**(17.4)**	**(430.0)**
Income tax expense	4.1	(80.3)
Net (loss)/profit	**(13.3)**	**(510.3)**
Total revenues, expenses and valuation adjustments attributable to members of the parent entity and recognised directly in equity	**–**	**–**
Total changes in equity other than from those resulting from transactions with owners as owners	**(13.3)**	**(510.3)**
Set out below is a summary of movements in consolidated retained profits of the closed group:		
Retained profits at the beginning of the financial year	**426.7**	**1,573.5**
Net (loss)/profit	(13.3)	(510.3)
Transfer of entities during year	–	242.1
Dividend provided for or paid	(259.6)	(878.6)
Retained profits at the end of the financial year	**153.8**	**426.7**

NOTE 26 Contingent liabilities

Millions of dollars	Consolidated 2003	Consolidated 2002	Parent entity 2003	Parent entity 2002
a Ascertainable, unsecured				
Guarantees, insurance bonds and other liabilities	–	0.1	–	0.1

b Unascertainable unsecured contingent liabilities/assets

Alumina Limited provided a guarantee in 1998 for foreign exchange transactions and in 2000 for gold derivative transactions undertaken by its wholly owned subsidiary at that time, WMC Finance Limited ("WMCF"). WMCF was sold to WMC Resources Ltd as part of the demerger and is no longer a subsidiary of Alumina Limited. On 4 December 2003, WMC Resources announced that it had closed–out its currency hedge book for the period 2005 to 2008 eliminating that portion of Alumina's contingent liability. The guarantee remains applicable for foreign exchange transactions entered by WMCF and Union Bank of Switzerland with 2004 maturity dates and gold derivative transactions with maturity dates in 2005. The outstanding transactions have a negative mark to market value of $0.6 million at 31 December 2003. Alumina Limited has rights to obtain additional credit support if WMC Resources Ltd's credit rating is lower than BBB (and it would not cause a breach of WMC Resources Ltd's debt obligations). Alumina Limited is also indemnified by WMC Resources in relation to the guarantee.

ALUMINA LIMITED AND CONTROLLED ENTITIES	Millions of dollars Consolidated		Parent entity	
	2003	2002	2003	2002
NOTE 27 Commitments for expenditure				
a **Lease commitments contracted for operating leases other than mineral and exploration leases**				
The company leases office facilities. The office lease on expiry is expected to be renewed or replaced by another lease. The following is the rental expense and the future minimum rental commitments.				
Lease commitments payable at balance date				
Within one year	0.1	0.1	0.1	0.1
Later than one year but not later than 5 years	–	0.1	–	0.1
Later than 5 years	–	–	–	–
	0.1	0.2	0.1	0.2

NOTE 28 Related party transactions

Related parties of the group fall under the following categories:

a **Wholly-owned group**

The wholly-owned group consists of Alumina Limited and its wholly owned controlled entities as disclosed in note 25. Transactions between Alumina Limited and other entities in the wholly-owned group during the years ended 31 December 2003 and 2002 consisted of:

- loans advanced/repaid to/by Alumina Limited
- interest paid/received on the above loans (refer notes 2 and 3)
- the payment of dividends to Alumina Limited (refer notes 2 and 3)
- payment of administrative/general expenses on behalf of Alumina Limited
- sale of non-AWAC entities to WMC Resources Ltd as part of the demerger.

The above transactions were made on normal commercial terms and conditions and at market rates.

b **Associated bodies corporate**

Information relating to investments in associates is set out in note 10.

c **Superannuation funds**

The Director's receive a company contribution equating to 9% of their fee.

d **Directors**

i The names of each person holding the position of director of the parent entity during the financial year are:

D M Morley (Chairman)
J Marlay (Chief Executive Officer)
P A F Hay
R J McNeilly
M R Rayner (Alternate R D J Davies)

ii Details of directors' remuneration, superannuation and retirement payments are set out in note 29.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the group since the end of the previous financial year, and there were no material contracts involving directors' interests existing at balance date.

ALUMINA LIMITED AND CONTROLLED ENTITIES	Thousands of dollars Consolidated		Parent entity	
	2003	2002	2003	2002
NOTE 28 Related party transactions continued				
e **Loans to directors**				
There were no loans made to directors during the reporting period.				
Reconciliation of movement in loans to directors				
Loans to directors at 1 January	–	4.9	–	–
New loan granted to J Balkau during the financial year (repaid in full during the year)	–	93.0	–	–
Loan repayments received	–	(93.4)	–	–
Loan repayments forgiven	–	(3.6)	–	–
Other movements	–	(0.9)	–	–
Loan to directors at 31 December	–	–	–	–

f **Stock appreciation plan**

In May 2002, Mr Morley received an allocation of 250,000 units under WMC Limited's stock appreciation plan ("SAP") that expires on 31 October 2004. The allotment had a notional price of $9.35 per share, equal to the weighted average sale price of WMC Limited shares on the ASX on the trading day that the invitation to apply for the SAPs was made. On demerger, Mr Morley's WMC Limited SAPs converted into units of Alumina SAPs and WMC Resources SAPs at the proportionate market value of each Company share value on demerger, resulting in a notional price of $5.02 for the Alumina SAPs. Upon redemption of an Alumina SAP before its expiry, Mr Morley is entitled to a payment equal to the difference between the closing price of Alumina shares on the ASX on the trading day immediately before the redemption, and the notional allotment price of the Alumina SAP. Based on Alumina's closing share price on 31 December 2003 of $6.57, Alumina has provided $387,263 for Mr Morley's SAP for the year ended 31 December 2003 (2002: $nil).

g **Shareholding transactions of directors**

Where a director of Alumina Limited was a shareholder in Alumina Limited, their transactions include:
– the purchase and/or sale of shares; and/or
– the receipt of dividends.

All these transactions were conducted on a commercial basis, on conditions no more favourable than those available to other shareholders.

	Number of shares 2003	2002
The aggregate number of shares purchased by directors of the parent entity or their director related entities was:	71,000	5,000
The aggregate number of shares allotted to directors of the parent entity or their director related entities as a result of the exercise of options was:	140,000	240,000
The aggregate number of options allotted to directors of the parent entity or their director related entities through participation in the WMC Employee Share Scheme was:	–	150,000
The aggregate number of shares vested to Mr Marlay and Mr Davies through participation in the Alumina Employee Share Plan	103,324	–
The aggregate number of shares disposed of by directors of the parent entity or their director related entities was:		
– fully paid shares	125,000	–
– options (options exercised and shares sold)	52,000	250,000
The aggregate number of partly paid shares paid up by directors of the parent entity or their director related entities was:	–	331,000
The aggregate number of shares disposed of by directors of the parent entity or their director related entities on retirement was:		
– fully paid shares	–	594,289
– options (options exercised and shares sold)	–	980,000
Details of shares and share options held by directors of the parent entity or their director related entities at 31 December are as follows:		
– Alumina Limited, fully paid shares	531,490	342,166
– Alumina Limited, options for ordinary shares	320,000	512,000

All other transactions relating to shares and options of Alumina Limited, including the payment and receipt of dividends, were on the same basis as similar transactions with other shareholders.

ALUMINA LIMITED AND CONTROLLED ENTITIES

NOTE 28 Related party transactions continued

h Other transactions of directors and director related entities

A number of the directors of Alumina Limited are also directors of other public companies which may have transactions with the Alumina group. The relevant directors do not believe that they have the capacity to control or significantly influence the financial or operating policies of either those companies or the Alumina group in their dealings with one another. Those companies are therefore not considered to be director-related entities for the disclosure requirements of Accounting Standard AASB 1017: Related Party Disclosures.

i Legal/financial service fees

A director Mr P A F Hay, is the Chief Executive Officer of Freehills. Freehills has provided legal services to Alumina Limited and a number of Alumina Limited controlled entities for several years on normal commercial terms and conditions. The total of those services for 2003 amounts to $106,149 (2002: $722,997).

Mr J Meck and Ms A E Seneshen are shareholders in a US based law firm Welborn Sullivan Meck & Tooley, P.C and are directors of a number of Alumina Limited's controlled entities. Welborn Sullivan Meck & Tooley, P.C has provided legal services for several years on normal commercial terms and conditions. The total of those services for 2003 amounts to $14,031 (2002: $327,815).

During 2002 there were transactions with directors of WMC Limited controlled entities, which became WMC Resources Ltd controlled entities after the demerger. These transactions totalled $438,858 and were on normal commercial terms and conditions.

NOTE 29 Remuneration of directors

a Total remuneration paid and/or payable or otherwise made available:

		Thousands of dollars	
	Notes	2003	2002
PARENT ENTITY			
– Executive directors*:		1,943	13,314
– Non-executive directors:	28(f)	900	1,062
CONTROLLED ENTITIES			
– Executive directors:		–	5,097
– Non-executive directors:		–	69
CONSOLIDATED TOTAL		2,843	19,542

The aggregate amounts listed in the above table include any retiring allowances given during the financial year.

* EXECUTIVE DIRECTORS INCLUDE THE REMUNERATION OF MR DAVIES AN EXECUTIVE WHO IS THE ALTERNATIVE DIRECTOR FOR MR RAYNER.

ALUMINA LIMITED AND CONTROLLED ENTITIES

NOTE 29 Remuneration of directors continued

b The number of Directors of the parent entity whose remuneration (paid and/or payable) from the parent entity or related bodies corporate falls within the following bands:

	Notes	Number of Directors 2003	Number of Directors 2002
$0 – $9,999		–	3
$50,000 – $59,999		–	1
$60,000 – $69,999		–	1
$80,000 – $89,999		–	4
$90,000 – $99,999		3	–
$140,000 – $149,999		–	1
$230,000 – $239,999		–	1
$270,000 – $279,999		–	1
$340,000 – $349,999		–	1
$610,000 – $619,999	28(f)	1	–
$640,000 – $649,999		1	1
$1,290,000 – $1,299,999		1	–
$3,460,000 – $3,469,999		–	1
$8,790,000 – $8,799,999		–	1
		6	16

Executive directors do not receive director's fees, but are remunerated on the same basis (i.e. salary and benefits) as executive officers, as indicated in note 30.

NOTE 30 Remuneration of executives

Thousands of dollars	Consolidated 2003	Consolidated 2002	Parent entity 2003	Parent entity 2002
a Total income received, or due and receivable, from entities in the group and related bodies corporate by all executive officers (including directors) working within Australia whose income exceeded $100,000	2,412	36,198	2,412	15,891
– of which the total income received, or due and receivable, by 3 (2002: 2) currently employed executive officers (including directors) whose income exceeded $100,000 was	2,412	1,163	2,412	1,163
– of which the total income received or due and receivable by 48 former executive officers of the WMC Limited group whose income exceeded $100,000 was	–	35,035	–	14,728
	2,412	36,198	2,412	15,891

ALUMINA LIMITED AND CONTROLLED ENTITIES

NOTE 30 Remuneration of executives continued

b The number of executive officers, (including directors) based in Australia, and outside of Australia, whose income from the group and related bodies corporate falls within the following bands:

	Number of executive officers						
	Working within Australia						Working outside of Australia
	Group			Parent			Group
	2003 Current	2002 Current	2002 Former	2003 Current	2002 Current	2002 Former	2002 Former
$180,000 – $189,999			1				
$190,000 – $199,999			1				
$220,000 – $229,999			1				
$230,000 – $239,999			3				
$240,000 – $249,999			5				
$250,000 – $259,999			3				
$260,000 – $269,999							1
$270,000 – $279,999			1				1
$290,000 – $299,999			2				
$310,000 – $319,999			1				
$330,000 – $339,999			1				1
$340,000 – $349,999							1
$350,000– $359,999							1
$360,000 – $369,999			1				
$370,000 – $379,999			1				
$380,000 – $389,999		1			1		
$400,000 – $409,999			3				
$410,000 – $419,999			1				
$430,000 – $439,999			5				
$440,000 – $449,999			1				
$460,000 – $469,999	1			1			
$480,000 – $489,999			3				
$490,000 – $499,999							1
$500,000 – $509,999			1				
$530,000 – $539,999			1				
$580,000 – $589,999			1				
$590,000 – $599,999			1				
$640,000 – $649,999	1		1	1			
$660,000 – $669,999			1				
$670,000 – $679,999			1				
$770,000 – $779,999		1			1		
$810,000 – $819,999			1				
$1,230,000 – $1,239,999			1				
$1,290,000 – $1,299,999	1			1			
$1,350,000 – $1,359,999			1				
$1,410,000 – $1,419,999						1	
$1,450,000 – $1,459,999			1				
$1,770,000 – $1,779,999			1				
$2,060,000 – $2,069,999						1	
$4,150,000 – $4,159,999			1			1	
$8,790,000 – $8,799,999			1				
	3	2	48	3	2	3	6

ALUMINA LIMITED AND CONTROLLED ENTITIES		Millions of dollars Consolidated		Millions of dollars Parent entity	
	Notes	2003	2002	2003	2002
NOTE 31 Employee benefits					
Employee benefits and related on-costs liabilities					
Current – provision for annual leave	16	0.1	0.1	0.1	0.1
Non-current – provision for long service leave	19	0.2	0.2	0.2	0.1
Aggregate employee benefit and related on-costs liabilities		0.3	0.3	0.3	0.3
Employee numbers					
Number of employees at end of financial year		8	8	8	8

	Thousands of dollars Consolidated		Thousands of dollars Parent entity	
	2003	2002	2003	2002
NOTE 32 Remuneration of auditors				
a **Remuneration for audit or review of the financial reports of the parent entity or any entity in the consolidated entity:**				
Auditors of parent entity – PricewaterhouseCoopers				
– parent entity				
fees for the annual audit	269	365	233	315
additional 2002 costs incurred in 2003	147	–	147	–
– controlled entities	–	287	–	–
	416	652	380	315
b **Remuneration for audit related services:**				
Annual report on US Form 20-F				
fees for the annual audit	93	52	93	52
additional 2002 costs incurred in 2003	100	–	100	–
	193	52	193	52
c **Remuneration for taxation services:**				
Australian tax services	–	232	–	–
Overseas tax services	205	181	–	–
	205	413	–	–
d **Remuneration for other services:**				
Risk management services	–	684	–	290
Independent accountants report and other due diligence services in connection with the demerger	–	3,315	–	–
	–	3,999	–	290
	814	5,116	573	657

It is the consolidated entity's policy to employ PricewaterhouseCoopers on assignment additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the consolidated entity are important or where PricewaterhouseCoopers is awarded assignments on a competitive basis.

ALUMINA LIMITED AND CONTROLLED ENTITIES

NOTE 33 Discontinued operations

a Minerals business

Following approval by the shareholders at the Scheme Meeting held on 29 November 2002, Alumina Limited demerged its interest in the Alcoa World Alumina and Chemicals Venture ("AWAC") from its other interests on 2 December 2002. As a result of the demerger, Alumina Limited continued to hold its interest in AWAC (and changed its name to Alumina Limited). WMC Resources Ltd, which prior to the demerger was a wholly owned subsidiary of Alumina Limited, holds the nickel, copper/uranium and fertilizer businesses and exploration and development interests previously held within the Alumina Limited Group. Alumina Limited distributed to its shareholders all of its interest in WMC Resources Ltd through a scheme of arrangement and capital reduction and dividend.

Prior to effecting the demerger, through a series of transactions internal to the WMC Limited Group, WMC Resources Ltd acquired Alumina Limited's shares in the legal entities which held the copper/uranium and fertilizer businesses, WMC Finance Ltd, WMC Finance (USA) Ltd as well as Alumina Limited's exploration and development interests (including Meliadine) other than those relating to AWAC. These acquisitions were made at fair value in return for shares in WMC Resources Ltd. To consummate the demerger, Alumina Limited effected a capital reduction and dividend to its shareholders in an amount equivalent to the value of WMC Resources Ltd after the internal transfers were completed. The entitlement of Alumina Limited's shareholders to the capital reduction and dividend was ultimately satisfied in the demerger through the distribution to Alumina Limited's shareholders of shares in WMC Resources Ltd on a one-for-one basis.

Financial information relating to the discontinuing operations for the period to the date of disposal is set out below. There is no impact from discontinuing operations during 2003.

Millions of dollars
Year ended 31 December 2002

	Copper/ uranium	Nickel	Fertilizer	Finance	Exploration	Other	Total
Financial performance information for the 11 months ended 30 November 2002							
Revenues	682.9	1,206.3	401.9	90.0	0.3	126.8	2,508.2
Expenses	(699.4)	(1,007.2)	(452.0)	(72.8)	(26.4)	(309.9)	(2,567.7)
Profit/(loss) from ordinary activities before income tax	(16.5)	199.1	(50.1)	17.2	(26.1)	(183.1)	(59.5)
Income tax benefit/(expense)	7.9	(58.3)	16.4	8.0	3.7	46.6	24.3
Net profit/(loss)	(8.6)	140.8	(33.7)	25.2	(22.4)	(136.5)	(35.2)
Carrying amount of assets and liabilities as at 30 November 2002							
Total assets	2,819.1	1,744.0	1,127.8	1,727.1	236.2	351.2	8,005.4
Total liabilities	454.3	365.5	80.8	3,420.9	5.2	(328.8)	3,997.9
Cash flow information for the 11 months ended 30 November 2002							
Net cash flow attributable to:							
Operating activities							330.0
Investing activities							(405.1)
Financing activities							(87.4)
Total							(162.5)

NOTE 34 Events subsequent to balance date

In January 2003, AWAC announced that it had conducted a portfolio review of its businesses and the markets they serve and decided to divest its specialty chemicals business. On 7 November 2003, AWAC announced that it had agreed to sell Alcoa Specialty Chemicals to Rhone Capital LLC, the transaction is expected to be completed in the first quarter 2004. This transaction has not been brought to account as at 31 December 2003.

ALUMINA LIMITED AND CONTROLLED ENTITIES

NOTE 35 Significant items

	Millions of dollars			
	Consolidated		Parent entity	
	2003	2002	2003	2002
Profit from ordinary activities after income tax, includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity due to their size or nature:				
Demerger costs – advisors fees and other costs	–	(46.0)	–	–
Income tax benefit	–	13.8	–	–
	–	(32.2)	–	–
Proceeds from sale of non-AWAC entities	–	–	–	1,870.1
Book value of assets disposed on sale (includes reversal of provision)	–	–	–	(2,620.8)
Loss on sale	–	–	–	(750.7)
Income tax	–	–	–	–
	–	–	–	(750.7)
Proceeds from sale of Central Norseman Gold Corporation Limited	–	33.5	–	33.5
Book value of assets disposed and costs associated with the sale	–	(8.4)	–	(1.3)
Profit on sale	–	25.1	–	32.2
Income tax expense	–	–	–	–
	–	25.1	–	32.2
Proceeds from the sale of right to gold royalty received from the sale of St Ives and Agnew operations	–	45.0	–	–
Book value	–	(29.6)	–	–
Profit on sale	–	15.4	–	–
Income tax expense	–	–	–	–
	–	15.4	–	–
Proceeds from the sale of the Long/Victor mines at Kambalda	–	14.0	–	–
Book value of assets disposed and costs associated with the sale	–	(2.0)	–	–
Profit on sale	–	12.0	–	–
Income tax expense	–	(2.6)	–	–
	–	9.4	–	–
Insurance proceeds (material damage and business interruption) received in relation to the fire at the Olympic Dam solvent extraction plant	–	62.3	–	–
Income tax expense	–	(18.7)	–	–
	–	43.6	–	–
Costs associated with lost production due to fire at Olympic Dam solvent extraction plant	–	(92.5)	–	–
Income tax benefit	–	27.8	–	–
	–	(64.7)	–	–
Proceeds received from early termination of interest rate swaps	–	75.9	–	–
Income tax expense	–	(22.8)	–	–
	–	53.1	–	–
Total significant items after tax	**–**	**49.7**	**–**	**(718.5)**

ALUMINA LIMITED AND CONTROLLED ENTITIES

NOTE 36 Financial reporting by segment

a Business segments

Year ended 31 December 2003

As a result of the demerger, Alumina Limited's primary assets are its 40% interest in the series of operating entities forming AWAC. The company predominately operates in the alumina/aluminium business through its equity interests in AWAC.

Year ended 31 December 2002

Millions of dollars

Consolidated	Copper/ uranium	Alumina/ aluminium	Nickel	Fertilizers	Consolidated
Revenue					
Segment revenues[1, 5]	682.9	–	1,206.3	401.9	2,291.1
Unallocated revenue[2]					107.4
Less insurance proceeds					(67.2)
Less proceeds from sale of non-current assets					(101.0)
Less other sundry revenue					(9.4)
Operating revenues					**2,220.9**
Result					
Segment result	(19.6)[4]	(6.3)	198.9[4]	(50.1)	122.9
Share of net profit of equity accounted investments	–	216.3	–	–	216.3
Unallocated profit[3]					45.4
Unallocated corporate expenses:					
New business					(32.0)
Regional exploration					(26.1)
Corporate					(109.1)
Finance and other costs					(25.1)
Net borrowing costs					(42.4)
Profit from ordinary activities before income tax but after outside equity interest					149.9
Income tax benefit					24.6
Net profit					**174.5**
Depreciation and amortisation	212.8	17.7	195.9	56.5	482.9
Unallocated					7.0
Consolidated depreciation and amortisation					**489.9**
Other non-cash expenses	13.1	–	37.6	9.3	60.0
Assets					
Segment assets	–	26.4	–	–	26.4
Equity accounted investments	–	1,668.7	–	–	1,668.7
Consolidated total assets					**1,695.1**
Liabilities					
Segment liabilities	–	541.6	–	–	541.6
Consolidated total liabilities					**541.6**
Acquisitions of non-current assets	189.3	–	174.7	43.0	407.0
Unallocated					9.7
Total acquisitions of non-current assets					**416.7**

ALUMINA LIMITED AND CONTROLLED ENTITIES

36 Financial reporting by segment continued

a **Business segments** continued

Description of each business segment

Alumina/aluminium Share of net profit or loss/result of equity accounted investment in Alcoa World Alumina and Chemicals (AWAC), and alumina business unit costs.

Copper/uranium Exploration, development, mining and refining of copper, uranium, silver and gold in South Australia.

Nickel Exploration, development, mining, smelting and refining of nickel in Western Australia.

Fertilizers Production of fertilizer products in Phosphate Hill, Queensland and distribution of fertilizer products via Hi-Fert.

b **Geographical segments**

Year ended 31 December 2003

	Millions of dollars					
Consolidated	Australia	North America	Europe	Asia	Other*	Total
Segment revenue by location of customer	–	–	–	–	–	–
Unallocated revenue						–
Consolidated revenue						–
Segment assets by location of assets	821.7	365.2	162.6	–	449.6	1,799.1
Consolidated total assets						**1,799.1**
Acquisitions of non-current assets	0.3	–	–	–	–	0.3
Total acquisitions of non-current assets						**0.3**
Year ended 31 December 2002						
Segment revenue by location of customer	482.3	239.6	664.0	301.7	–	1,687.6
Unallocated revenue						533.3
Consolidated revenue						**2,220.9**
Segment assets by location of assets	595.2	440.5	186.4	–	473.0	1,695.1
Consolidated total assets						**1,695.1**
Acquisitions of non-current assets	407.3	0.1	–	–	–	407.4
Unallocated						9.3
Total acquisitions of non-current assets						**416.7**

* Other predominately includes assets in Jamaica, Brazil, Suriname and Guinea.
1 Segment revenues include intermediate product sales.
2 Unallocated revenue includes $33.5m from sale of CNGC and $45.0m from sale of the right to a gold royalty (refer to note 35).
3 Unallocated profit includes $25.1m from sale of CNGC and $15.4m from sale of the right to a gold royalty (refer to note 35).
4 Segment result for Copper/uranium and Nickel differs from note 35 due to unallocated interest.
5 Segment revenues for each business unit includes currency and commodity hedging allocated as follows:

	Millions of dollars 2002
Copper/uranium	(41.6)
Nickel	(58.3)
Fertilizer	(12.3)
	(112.2)

ALUMINA LIMITED AND CONTROLLED ENTITIES

The directors declare that the financial statements and notes set out on pages 1 to 39:

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

b give a true and fair view of the Company's and Consolidated Entity's financial position as at 31 December 2003 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the directors' opinion:

a the financial statements and notes are in accordance with the Corporations Act 2001; and

b there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

c at the date of this declaration there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 25 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 25.

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

Donald M Morley
Chairman

John Marlay
Chief Executive Officer

26 February 2004

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF ALUMINA LIMITED

ALUMINA LIMITED AND CONTROLLED ENTITIES

AUDIT OPINION

In our opinion, the financial report of Alumina Limited:

- gives a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of Alumina Limited and the Alumina Limited Group (defined below) as at 31 December 2003, and of their performance for the year ended on that date, and
- is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, and the Corporations Regulations 2001.

This opinion must be read in conjunction with the rest of our audit report.

SCOPE AND SUMMARY OF OUR ROLE

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 Alumina Limited (the company) and the Alumina Limited Group (the consolidated entity), for the year ended 31 December 2003. The consolidated entity comprises both the company and the entities it controlled during that year.

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

Audit approach

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

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

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

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

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

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

PricewaterhouseCoopers
26 February 2004

Tim Goldsmith
Partner

Melbourne
26 February 2004

ALUMINA LIMITED

ABN 85 004 820 419
REGISTERED CORPORATE HEAD OFFICE
LEVEL 12, IBM CENTRE 60 CITY ROAD
SOUTHBANK VICTORIA 3006 AUSTRALIA
GPO BOX 5411
MELBOURNE VICTORIA 3001 AUSTRALIA
TELEPHONE: +61 (0)3 8699 2600
FACSIMILE: +61 (0)3 8699 2699
WEBSITE: WWW.ALUMINALIMITED.COM

SHARE REGISTRY

COMPUTERSHARE INVESTOR SERVICES PTY LIMITED
YARRA FALLS
452 JOHNSTON STREET
ABBOTSFORD VICTORIA 3067 AUSTRALIA

GPO BOX 2975
MELBOURNE VICTORIA 3001 AUSTRALIA
TELEPHONE: +61 (0)3 9415 4027 OR
1300 556 050 (FOR CALLERS WITHIN AUSTRALIA)
FACSIMILE: +61 (0)3 9473 2500
EMAIL: WEB.QUERIES@COMPUTERSHARE.COM.AU