Australian **Infrastructure** Fund

Level 15, 90 Collins Street
Melbourne Vic 3000 Australia
Telephone (613) 9654 4477
Facsimile (613) 9650 6555

AUSTRALIAN STOCK EXCHANGE
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TO:	Australian Stock Exchange Limited Company Announcements Office 10th Floor, 20 Bond Street Sydney NSW 2000
FROM:	Jim Hallam, Company Secretary
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AUSTRALIAN INFRASTRUCTURE FUND (CODE AIX)

ANNOUNCEMENT HEADING:

APPENDIX 4E – PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2003

Please find enclosed the following documents:

A. Results for announcement to the market
B. Commentary on the results
C. Australian Infrastructure Fund (AIF) financial report for the year ended 30 June 2003
D. Other financial information
E. Audit information

Media Enquiries:

Kelly Hibbins
Gavin Anderson & Company
Telephone: (02) 9552 4499
Mobile: 0414 609 192

For other enquiries, please contact:

Mitchell King
Chief Operating Officer
Australian Infrastructure Fund
Tel: (03) 9654 4477
Fax: (03) 9650 6555
E-mail investor_relations@aif.net.au
Website: www.aif.net.au

Jim Hallam
Company Secretary
Hastings Funds Management Limited

A. Results for announcement to the market

				$'000
Revenues from ordinary activities	Up	606%	to	37,043
Profit from ordinary activities before tax attributable to members	Up	*	to	31,405
Profit from extraordinary items after tax attributable to members	n/a	n/a	to	n/a
Net profit for the period attributable to members	Up	647%	to	30,285

Dividends / distributions	**Amount per security**	**Franked amount per security**
Final dividend / distribution declared	5.5 cents	2.75 cents
Interim dividend / distribution paid	5.5 cents	2.75 cents
Previous corresponding period – year ended 30 June 2002	5.5 cents	4.4 cents
Record date for determining entitlements to the dividend (in the case of a trust, distribution)	30 June 2003	

* *Movement in profit from ordinary activities before tax has gone from a loss in 2002 to a profit in 2003, refer to explanation of results below.*

Explanation of the results:

	Year to 30 June 2003 ($'000)	**Year to 30 June 2002 ($'000)**
Revenues from ordinary activities(1)	37,043	5,244
Profit/(loss) from ordinary activities before tax(2)	31,405	(1,358)
Operating profit after income tax	30,285	4,053

(1) Revenue from ordinary activities was up 606% due to the realised loss in the prior year of $22.1m. Revenue excluding realised gains/losses was up 30.9% on 2002.

(2) Profit/(Loss) from ordinary activities before tax is also distorted by the prior year loss. Profit excluding realised gains/losses was up 45.4%. Expenses were down 14.6% and interest expense was down 58.6% due to elimination of core debt during the year.

B. Commentary on the results

TRANSPORT FOCUS CONTINUES TO PAY DIVIDENDS FOR AIF

The Australian Infrastructure Fund ("AIF") today reported an operating profit after tax of $30.3 million for the year ended 30 June 2003. The result represented earnings per stapled security of 16.9 cents.

Net cashflows from operating activities were $27.8 million, an increase of 92.1 percent over 2002.

Transport assets represent 95 percent of the portfolio.

Overview of financial results and performance

The Directors declared a distribution of $9.9 million for the six months to 30 June 2003, or 5.5 cents per stapled security (50 percent franked). The distribution will be paid on 31 July 2003, bringing distributions to a total of 11 cents for the year. The gross cashflow contribution from transport assets of $25.6 million provided coverage of 1.32 times the distribution.

The net tangible asset backing per stapled security at 30 June 2003 was $1.96.

Transport assets recorded a gross return of 10.0 percent per annum for the year or 16.9 percent per annum since inception.

The AIF share price increased solidly during the year, with an opening price on 1 July 2002 of $1.30, closing on 30 June 2003 at $1.56. The high for the year was $1.60, with a weighted average of $1.41. The total return to investors for the year was 28.9 percent including the share price appreciation and distributions received throughout the year[1].

Airports

Despite the effect of SARS and the war in Iraq the results were supported by another solid performance by the airports sector. The airport companies all recorded increased earnings growth following the introduction of new aeronautical charges on 1 July 2002. The sector produced a gross return of 11.1 percent per annum for the period or 22.8 percent per annum since inception.

AIF's investment in Melbourne Airport recorded a positive revaluation of 18.6 percent since 30 June 2002.

Perth Airport completed a capital restructure in April 2003, which included the issuance of a convertible note and a simplified senior debt facility. The airport resumed cash distributions and paid $2.0 million to AIF in June 2003.

The performance of NT Airports was outstanding, recording an annual gross return of 27.5 percent per annum. The major contributing factors included increased services by Virgin Blue and increased charges following the regulatory review. NT Airports also completed its refinancing and paid a distribution of $1.4 million to AIF during the period.

Tollroads

AIF's investment in Statewide Roads produced another good result for the fund, with annual average daily traffic up 4.1 percent on 2002. Statewide Roads produced a gross return of 11.4 percent for the period and since inception 9.1 percent per annum. During the year AIF received a cash dividend of $13 million with attached franking credits of $3.7 million. The overall return included a devaluation of $8.1 million, reflecting primarily the cash received during the year.

AIF remains committed to the tollroad sector and is encouraged by the shortlisting of the Lane Cove Motorway (LCM) consortium represented by Leighton, Deutsche Bank and Westpac as one of two remaining parties. Should the LCM consortium be successful we expect AIF to have an opportunity to participate through Westpac. Notification is likely towards the end of 2003.

Seaports

The seaports sector also continued its strong performance within the portfolio, with a gross return of 27.1 percent for the year and 39.7 percent per annum since inception.

The Port of Portland delivered a good result for the fund, with a gross return of 23.1 percent for the year, despite recording one of the worst grain years on record due to the drought.

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[1] *Source Bloomberg.*

Port of Geelong delivered a gross return of 40 percent for the year, and a gross return since acquisition of 39.6 percent per annum.

Rail

The performance of Metro Transport business was disappointing and below last year. The asset was written down in value and now represents less than 2 percent of the fund. A number of initiatives have been put in place to enhance income and reduce operating costs in the business.

Other initiatives/opportunities

Consistent with AIF's focus on transport infrastructure, Power Partnership was sold during the period and delivered a return of 13.5 percent per annum since it was acquired in 1997.

AIF's manager Hastings Funds Management Limited and its 51 percent shareholder Westpac Banking Corporation have been working constructively to produce opportunities for AIF.

Looking forward, there are number of other investment opportunities in transport infrastructure, both domestic and international. AIF will continue to be price disciplined and only invest in assets which meet the objectives of the fund.

Performance

The table below summarises the performance of the assets in the portfolio for the year and since inception.

	Value[1] 30/06/03 ($'000)	Gross cash flow contribution ($'000)	Revaluation during year ($'000)	Gross return to 30/06/03 ($'000)	Annual return to 30/06/03 [2] % pa	Return since inception [2] % pa
Transport						
Airports						
Melbourne Airport	71,708	4,215	11,779	13,116	21.3	29.9
NT Airports	22,000	1,417	3,600	5,017	27.5	24.0
Perth Airport	134,025	1,952	10,505	9,655	7.6	19.6
Total Airports	227,733	7,584	25,884	27,788	**11.1**	**22.8**
Seaports						
Port of Geelong	14,143	913	3,343	4,256	40.0	39.6
Port of Portland Holdings [3]	40,721	4,027	4,464	7,905	23.1	39.8
CSX World Terminals (Adelaide) [4]	365	84	0	84	n/a	n/a
Total Seaports	55,229	5,024	7,807	12,245	**27.1**	**39.7**
Roads and Rail						
Statewide Roads	38,575	12,956	(8,125)	4,831	11.4	9.1
Metro Light Rail & Monorail	6,100	0	(9,000)	(9,000)	(59.6)	(22.7)
Total transport	**327,637**	**25,564**	**16,566**	**35,864**	**10.0**	**16.9**
Non transport						
Epic Energy	17,500	0	787	787	4.9	(9.0)
Power Partnership [5]	0	1,561	0	1,561	25.3	13.5
Total non-transport	**17,500**	**1,561**	**787**	**2,348**	**2.5**	**9.8**
TOTAL PORTFOLIO	**345,137**	**27,125**	**17,353**	**38,212**	**n/a**	**n/a**

1. *Investment value excludes accrued interest.*
2. *Based on annualised internal rate of return for the period ended 30 June 2003.*
3. *Port of Portland Holdings comprises investments in Port of Portland Pty Ltd and Technical Services Agreements for Perth Airport*
4. *The returns were n/a as the cost base allocated to this asset was included previously as part of the Port of Portland Holdings investment.*
5. *Power Partnership (United Energy) was sold 27 August 2002.*

C. Australian Infrastructure Fund (AIF) financial report for the year ended 30 June 2003

AUSTRALIAN INFRASTRUCTURE FUND
COMBINED
FINANCIAL REPORT

YEAR ENDED 30 JUNE 2003

AUSTRALIAN INFRASTRUCTURE FUND

STATEMENTS OF FINANCIAL PERFORMANCE & DISTRIBUTION

YEAR ENDED 30 JUNE

	Note	2003 $000	2002 $000
STATEMENT OF FINANCIAL PERFORMANCE			
Revenues from ordinary activities			
Unrealised gain on revaluation of unlisted investments	2(a)	17,353	10,342
Realised gain/(loss) on sale of unlisted investments	2(b)	1,262	(22,090)
		18,615	(11,748)
Interest income - other corporations		1,088	1,689
Dividend income		18,065	17,076
Distribution income		1,045	2,500
		20,198	21,265
Gross investment income		38,813	9,517
Less borrowing costs		1,770	4,273
Total revenues from ordinary activities		37,043	5,244
Expenses from ordinary activities			
Responsible Entity's fees		3,398	2,832
Security holder communication expenses		552	406
Directors' fees		273	196
Audit and taxation fees		254	237
Investment costs		223	246
Asset valuation fees		199	129
Legal costs		176	91
Bid costs		147	846
Insurance		134	119
Directors' retirement expense		102	450
Security holder meeting expenses		75	153
ASX listing fees		51	50
Capital raising fees		30	709
Other administrative expenses		24	138
Total expenses from ordinary activities		5,638	6,602
Profit/(loss) from ordinary activities before income tax expense		31,405	(1,358)
Income tax expense/(benefit) relating to ordinary activities	9(a)	1,120	(5,411)
Profit from ordinary activities after income tax expense		30,285	4,053
STATEMENT OF DISTRIBUTION			
Profit from ordinary activities after income tax expense		30,285	4,053
Net transfers from stapled security holder funds		(10,989)	5,004
Distributions/dividends paid and payable		19,296	9,057
Basic earnings per stapled security (cents per stapled security)	17	17.43	2.71
Diluted earnings per stapled security (cents per stapled security)	17	17.43	2.71

AUSTRALIAN INFRASTRUCTURE FUND

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE

	Note	2003 $'000	2002 $'000
CURRENT ASSETS			
Cash assets	7(b)	14,401	325
Receivables	8	1,657	4,498
Current tax asset	9(e)	0	248
Investments - unlisted securities	11	0	38,675
Other assets	10	117	658
Total current assets		16,175	44,404
NON-CURRENT ASSETS			
Investments - unlisted securities	11	345,137	313,569
Deferred tax asset	9(d)	4,591	4,591
Total non-current assets		349,728	318,160
TOTAL ASSETS		365,903	362,564
CURRENT LIABILITIES			
Payables	12	780	576
Provisions	13	9,850	9,063
Current tax liability	9(e)	83	0
Total current liabilities		10,713	9,639
NON-CURRENT LIABILITIES			
Interest bearing liability	14	4,000	31,000
Other provisions	15	552	450
Total non-current liabilities		4,552	31,450
TOTAL LIABILITIES		15,265	41,089
NET ASSETS		350,638	321,475
STAPLED SECURITY HOLDERS' FUNDS			
Stapled securities	16(b)	346,283	328,109
Retained profits/(accumulated losses)	16(c)	4,355	(6,634)
Total stapled security holders' funds		350,638	321,475

AUSTRALIAN INFRASTRUCTURE FUND

STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE

	Note	2003 $'000 Inflows/ outflows	2,002 $'000 Inflows/ outflows
CASH FLOWS FROM OPERATING ACTIVITIES			
Dividends received		18,065	15,583
Interest received		4,036	2,575
Distribution received		1,045	4,191
Proceeds from profits on realisation of investments - unlisted securities		12,134	2,873
Borrowing costs paid		(1,409)	(3,939)
Management fees and administration expenses paid		(5,272)	(5,960)
Income tax paid		(790)	(847)
Net cash flows from operating activities	7(a)	27,809	14,476
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchases of investments - unlisted securities		(850)	(15,619)
Proceeds from sale of investments - unlisted securities		11,103	17,351
Proceeds from repayment of capital		3,335	500
Proceeds from repayments of loans		0	305
Repayment of loans		0	(642)
Net cash flows from investing activities		13,588	1,895
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings - debt facilities		(27,000)	(39,000)
Proceeds from the issue of shares		14,619	22,167
Distribution paid		(14,940)	(6,149)
Net cash flows used in financing activities		(27,321)	(22,982)
Net increase/(decrease) in cash held		14,076	(6,611)
Cash at beginning of the year		325	6,936
Cash at end of the year	7(b)	14,401	325

AUSTRALIAN INFRASTRUCTURE FUND

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Trust deed

The Australian Infrastructure Fund Trust (the Scheme) was established under a trust deed dated 24 January 1997 (as amended), made between Hastings Funds Management Limited (the Responsible Entity) and Perpetual Trustees Victoria Limited (PTVL) as trustee.

On 4 November 1999, the Scheme was registered as a managed investment scheme. Accordingly, Hastings became the Responsible Entity and PTVL retired as trustee.

(b) Basis of accounting

The combined financial report is a general purpose financial report, which has been prepared in accordance with applicable Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views). The financial report has been prepared in accordance with historical cost convention except for investments, which are carried at market value.

The accounting policies adopted are consistent with those of the previous financial year except as noted in Note 1(o) to this financial report.

(c) Stapled securities

On 6 March 1997, the stapled securities of Australian Infrastructure Fund (AIF), being the ordinary shares in Australian Infrastructure Fund Limited (the Company) and the units in Australian Infrastructure Fund Trust (the Scheme) were listed on the Australian Stock Exchange. The combined entity of the Company and the Scheme is known as AIF.

The units and shares will only be unstapled in accordance with the determination of the Responsible Entity of the Scheme, and the Board of the Company if:

- the unitholders have approved the unstapling by special resolution;
- the members of the Company have approved the unstapling by special resolution; and
- the unstapling period commences within three months after the later of the dates on which the approval of the unit holders and the approval of members is obtained.

(d) Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at the lower of cost and net realisable value.

For the purpose of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

Bank overdrafts are carried at the principal amount. Interest is charged as an expense as it accrues.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(e) Valuation of investments

Investments in listed equity securities are brought to account at market value unless otherwise indicated.

Investments in unlisted securities are initially brought to account at cost. At the end of each distribution period being 30 June and 31 December of each year, investments in unlisted securities are brought to account at market value based on a valuation by an appropriately qualified independent valuer ignoring any future selling costs.

Any gain or loss on adoption of market value of investments is included in total revenues from ordinary activities.

(f) Recoverable amount

Non-current assets are not revalued to an amount above their recoverable amount and if at any time carrying values exceed recoverable amount the non-current assets are written down. In determining recoverable amount the expected cash flows have been discounted to their present value using a market determined risk adjusted discount rate.

(g) Receivables

Receivables are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable.

(h) Revenue and expense recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

Dividend and distribution income
Dividend income is recognised when there is control of the right to receive the dividend payment. Distributions from unlisted unit trusts are recognised at the date the unit value is quoted ex-distribution.

Interest income
Interest income is recognised on an accrual basis.

Expenses
Expenses are brought to account on an accrual basis. The Responsible Entity is entitled under the Trust Deed, to be reimbursed for certain expenses incurred in administering the Scheme. The basis on which the expenses are reimbursed is defined in the Trust Deed.

All costs of the Company including directors' fees have been borne by the Scheme while the two entities are stapled.

Any gain or loss on adoption of market value of investments is included in total revenues from ordinary activities.

AUSTRALIAN INFRASTRUCTURE FUND

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

The following table details the effects of the combination in the AIF combined statement of financial performance and the calculation of earnings per stapled security for the year ended 30 June 2003.

	Scheme 2003 $'000	Company 2003 $'000	Combined Accounts 2003 $'000
Revenue from ordinary activities - unrealised gain/(loss) on revaluation of unlisted investments	20,038	(2,685)	17,353
Profit/(loss) from ordinary activities before income tax expense	20,069	11,336	31,405
Income tax expense relating to ordinary activities	0	1,120	1,120
Profit/(loss) from ordinary activities after income tax expense	20,069	10,216	30,285
Basic earnings per stapled security (cents)	11.55	5.88	17.43

(i) Distributions

Realised and unrealised gains and losses arising on sales and on movements in the net fair value of assets and accrued dividends and interest are included in the determination of distributable income.

(j) Payables

Liabilities for creditors and other amounts are carried at cost, which approximates fair value of the consideration to be paid in the future for goods and services received.

Accounts payable to related parties are carried at their principal amount. Interest (when charged by the lender) is taken up as an expense on an accrual basis.

(k) Distribution/dividend payable

Distribution/dividend payables are recognised when declared by AIF.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(l) Non-interest and interest bearing liabilities

Loans from related parties are carried at their principal amount. Interest (when charged by the lender) is taken up as an expense on an accrual basis.

Bills of exchange are carried at the principal amount plus accrued interest.

(m) Contributed equity

Ordinary paid up capital is recognised at the fair value of the consideration received by AIF.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(n) Income tax

Tax effect accounting is applied using the balance sheet liability method whereby current tax liabilities and assets are recognised as tax payable or receivable for the current year and temporary differences are recognised as deferred tax liabilities and assets. To the extent temporary differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a deferred tax asset or a provision for deferred tax liability.

Where assets are revalued a provision for potential capital gains tax has been made.

Goods and Services Tax (GST)
Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of the receivables or payable in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST components of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

AUSTRALIAN INFRASTRUCTURE FUND

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(o) Changes in accounting policy

The Company adopted the new Accounting Standards AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets". This has had nil effect upon the financial report.

(p) Earnings per security

Basic earnings per security is determined by dividing the profit from ordinary activities after related income tax expense by the weighted number of ordinary shares outstanding during the financial year.

Diluted earnings per security is determined by dividing the profit from ordinary activities after related income tax expense adjusted for the effect of earnings on potential ordinary security, by the weighted average number of ordinary securities (both issued and potentially dilutive) outstanding during the financial year.

(q) Rounding

The amounts contained in the financial statements have been rounded to the nearest thousand.

(r) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

(s) Transfers to/(from) security holders' funds

Unrealised gains and losses in the net value of investments, accrued income not yet assessable and expenses provided for or accrued but not yet deductible, net capital losses and tax free or tax deferred income are transferred to security holders' funds, and are not included in the determination of distributions to security holders.

AUSTRALIAN INFRASTRUCTURE FUND

NOTES TO THE FINANCIAL STATEMENTS

2. REVALUATION OF INVESTMENTS

	2003 $'000	2002 $'000
(a) Unrealised gains/(losses) on revaluation of unlisted investments		
Airport Development Group	3,600	2,593
Airstralia Development Group	10,505	15,978
Australia Pacific Airports Corporation	11,779	16,628
Epic Energy	787	(400)
Metro Light Rail	(9,000)	1,335
Port of Geelong	3,343	(1,272)
Port of Portland Holdings	4,464	(2,231)
Statewide Roads	(8,125)	(19,308)
United Energy (AIF-United Energy)	0	(2,981)
Total gains on revaluation of unlisted equity investments	17,353	10,342
(b) Net realised gains/(losses) on sale of unlisted investments		
Metro Light Rail	(4,050)	0
United Energy (AIF-United Energy)	12,134	0
Vodafone Pacific	0	(63,030)
	8,084	(63,030)
Less reversal of unrealised losses brought to account in prior periods in respect of investments sold		
Metro Light Rail	4,050	0
United Energy (AIF-United Energy)	(10,872)	0
Vodafone Pacific	0	40,940
	(6,822)	40,940
Net gains/(losses) on unlisted investments realised during the year	1,262	(22,090)

AUSTRALIAN INFRASTRUCTURE FUND

NOTES TO THE FINANCIAL STATEMENTS

3. CONTRIBUTION TO GROSS INVESTMENT INCOME

Operating income	Acquisition date	2003 Revaluation gains/ (losses) $'000	2003 Realised gains $'000	2003 Interest and other income $'000	2003 Total income $'000	2002 Total income $'000
Unlisted investments						
Airport Development Group	May-01	3,600	0	1,417	5,017	3,054
Airstralia Development Group	Jul-97	10,505	0	(850)	9,655	19,755
Australia Pacific Airports Corporation	Jul-97	11,779	0	1,337	13,116	18,164
CSX World Terminals Adelaide	Nov-01	0	0	84	84	0
Epic Energy	Mar-97	787	0	0	787	(400)
Metro Light Rail	Mar-97	(9,000)	0	0	(9,000)	(2,401)
Port of Geelong	Sep-00	3,343	0	913	4,256	1,228
Port of Portland Holdings	Mar-00	4,464	0	3,441	7,905	2,669
Statewide Roads	Mar-97	(8,125)	0	12,956	4,831	(9,083)
United Energy	Mar-97	0	1,262	299	1,561	(1,488)
Vodafone Pacific	Jun-99	0	0	0	0	(22,090)
		17,353	1,262	19,597	38,212	9,408
Bank interest income		0	0	601	601	109
Gross investment income		17,353	1,262	20,198	38,813	9,517

AUSTRALIAN INFRASTRUCTURE FUND

NOTES TO THE FINANCIAL STATEMENTS

4. REMUNERATION OF DIRECTORS

	2003 $	2002 $
(a) Directors' remuneration		
Income paid or payable, or otherwise made available in respect of the financial year to all directors of the Company, directly or indirectly, from the entity or any related party in relation to the management of the Company. Amounts in 2003 were paid by the Scheme and exclude the provision for directors' retirement allowance in the financial statements of the Scheme (refer note 15).	243,400	216,000
The number of directors of the Company whose income (including superannuation contributions) falls within the following bands is:		
$ 0 - $ 9,999	1	1
$20,000 - $29,999	1	0
$40,000 - $49,999	2	3
$50,000 - $59,999	1	0
$70,000 - $79,999	1	0
$80,000 - $89,999	0	1

5. DISTRIBUTIONS AND DIVIDENDS PAID OR PROVIDED FOR

	2003 $'000	2002 $'000
(a) Distributions by the Scheme		
Distributions declared	6,466	6,336
Distributions declared and paid during the year	4,723	0
	11,189	6,336
Previous year final distribution	6,336	6,938
(b) Dividends by the Company		
Ordinary Shares		
Dividends proposed - franked dividends (at tax rate of 30%)	3,384	2,721
Dividends paid during the year - current year interim	4,723	0
Dividends paid during the year - previous year final	2,721	1,162
	7,444	1,162
The amount of franking credits available for the subsequent financial year are:		
- franking account balance as at the end of the financial year	7,767	13,921
- franking credits that will arise from the payment of income tax payable as at the end of the financial year	83	0
- franking debits that will arise from the refund of income tax as at the end of the financial year	0	(579)
- franking debits that will arise from the payment of dividends as at the end of the financial year	(1,450)	(2,721)
	6,400	10,621

AUSTRALIAN INFRASTRUCTURE FUND

NOTES TO THE FINANCIAL STATEMENTS

6. REMUNERATION OF AUDITORS

Amounts received or due and receivable by the auditors for:	2003 $	2002 $
- an audit or review of the financial reports of the Scheme and the Company	68,500	64,250
- other services in relation to the Scheme and the Company		
Managed Investments Act compliance	9,000	10,500
Taxation compliance	41,688	94,817
Taxation advice - investments	71,860	131,123
Valuation services June 2002 - Ernst & Young Corporate Finance Pty Ltd (EYCF)	62,150	12,100
Capital raising - tax and accounting advice	0	165,871
	184,698	414,411
	253,198	478,661

7. STATEMENT OF CASH FLOWS

(a) Reconciliation of the profit/(loss) from ordinary activities after tax to the net cash flows from operations	2003 $'000	2002 $'000
Profit from ordinary activities after tax	30,285	4,053
Unrealised profit on revaluation of investments	(17,353)	(10,342)
Prior period unrealised gains/(losses) on investments realised	6,822	(40,940)
Loss on sale of investments	4,050	63,030
Capital receipts	0	198
Net non cash flow income	(15)	(83)
	23,789	15,916
Change in assets and liabilities		
Trade creditors - director related entity (the Responsible Entity)	215	162
Receivables	2,841	4,026
Tax provision	331	(224)
Payables	92	57
Deferred tax asset/liability	0	(6,035)
Prepayments	541	574
	4,020	(1,440)
Net cash flows from operating activities	27,809	14,476
(b) Reconciliation of cash		
- Cash at bank	14,401	325
	14,401	325

8. RECEIVABLES

Interest receivables	1,611	4,498
Other receivables	46	0
	1,657	4,498

Terms and Conditions
Interest receivables are usually received at the option of the debtors.

AUSTRALIAN INFRASTRUCTURE FUND

NOTES TO THE FINANCIAL STATEMENTS

9. INCOME TAX

	Note	2003 $'000	2002 $'000
(a) Major components of income tax expense/(benefit)			
Current tax expense/(benefit)		315	(820)
Deferred tax expense relating to the origination and reversal of temporary differences		0	(5,024)
Less: deferred tax asset not brought to account	9(c)	805	433
Income tax expense/(benefit)		1,120	(5,411)
(b) Reconciliation of prima facie tax to income tax expense/(benefit)			
The prima face tax, using tax rates applicable in the country of operation, on profit and extraordinary items differs from the income tax paid provided in the financial statements as follows:			
Prima facie tax on profit from ordinary activities		9,421	(407)
AIF Trust profit not taxable in hands of the Trust		(6,020)	(2,230)
Tax effect of amounts that are not deductible/(assessable) in calculating the taxable amount:			
Non-taxable distribution		(116)	(658)
Rebateable dividends		(2,963)	(2,590)
Temporary differences not probable for recognition		805	433
Under/(over) provision of previous year		(7)	41
Income tax expense/(benefit) attributable to ordinary activities	9(a)	1,120	(5,411)
(c) Unrecognised temporary differences			
Deferred tax asset arising from the temporary differences (being unrealised losses on assets) not recognised in the statement of financial position, as realisation of the asset is not regarded as probable. (Deferred tax asset not brought to account).		805	433
(d) Deferred tax asset			
The balance of deferred tax liability comprises the following temporary differences:			
Deferred tax assets in respect of:			
Other financial assets		4,591	4,591
Deferred tax assets		4,591	4,591
(e) Current tax payable/(receivable)			
Current tax payable/(receivable)		83	(248)

10. OTHER ASSETS

	2003 $'000	2002 $'000
Prepayments	117	658

11. INVESTMENTS

AIF's investments at 30 June 2003 in unlisted securities were valued based on market valuations determined by KPMG Corporate Finance.

	Ownership 30-Jun-03	Operation	Form of Investments	Valuation 30-Jun-02 $'000	New Investments 2003 $'000	Divestments 2003 $'000	Capital costs 2003 $'000	Capital Receipts 2003 $'000	Revaluation 2003 $'000	Valuation 30-Jun-03 $'000
Unlisted investments										
Airport Development Group	25.4%	Airport	Ordinary and preference shares issued by Airport Development Group Pty Ltd	18,400	0	0	0	0	3,600	22,000
Airstralia Development Group	24.9%	Airport	Ordinary shares and shareholder loans issued by Airstralia Development Group Pty Ltd	123,060	0	0	460	0	10,505	134,025
Australia Pacific Airports Corporation	5.0%	Airport	Ordinary shares and shareholder loans issued by Australia Pacific Airports Corporation Limited	62,679	0	0	0	(2,750)	11,779	71,708
CSX World Terminals Adelaide	30.4%	Seaports	Units in SPV Unit Trust, which holds ordinary shares in CSX World Terminals Adelaide Pty Ltd	0	365	0	0	0	0	365
Epic Energy (1)	4.0%	Gas distribution pipeline	Ordinary shares and shareholder loans in Isarose Pty Ltd, which in turn holds units in Epic Energy WA unit trust	16,700	0	0	13	0	787	17,500
Metro Light Rail	38.9%	Light rail	Ordinary shares, shareholder loans and infrastructure bonds issued by Metro Sydney Transport Pty Ltd and associated companies	15,100	0	0	0	0	(9,000)	6,100
Port of Geelong	35.0%	Seaports	Investment in the units of Port of Geelong Unit Trust and ordinary shares and shareholder loan in Infrastructure Investment	10,800	0	0	0	0	3,343	14,143
Port of Portland Holdings	50.0%	Seaports	Ordinary shares issued by Port of Portland Holdings Pty Ltd	36,830	0	0	0	(573)	4,464	40,721
Statewide Roads	6.2%	Toll road	Preference and ordinary shares issued by Statewide Roads Limited	46,700	0	0	0	0	(8,125)	38,575
United Energy (1)	N/A	Electricity distribution	Units in AIF-United Energy, which holds ordinary shares and convertible notes in Power Partnership Pty Ltd, which is the holding company of United Energy Limited	21,975	0	(21,975)	0	0	0	0
Total portfolio				352,244	365	(21,975)	473	(3,323)	17,353	345,137

(1) Epic Energy and United Energy investments were current assets at 30 June 2002.
United Energy was sold on 27 August 2002.

12. PAYABLES

	2003 $'000	2002 $'000
Trade creditors	139	150
Payables - director related entity	641	426
	780	576

Terms and Conditions
Trade creditors are usually paid within 30 days of the due date.

13. PROVISIONS

Dividend/distribution payable	9,850	9,063

14. INTEREST BEARING LIABILITY

Bill facility	4,000	31,000
	4,000	31,000

The Company has provided a guarantee to Westpac Banking Corporation ("WBC"), which has provided the Scheme with a loan facility of $30,000,000, which expires on 31 July 2003. At 30 June 2003 $4,000,000 of this facility was drawn down with an effective interest rate 5.90% p.a. (2002: 5.87% p.a.).

15. OTHER PROVISIONS

Directors' retirement benefit	552	450

AUSTRALIAN INFRASTRUCTURE FUND

NOTES TO THE FINANCIAL STATEMENTS

16. STAPLED SECURITY HOLDERS' FUNDS

	2003 '000	2002 '000
a) Issued stapled securities (number)		
Stapled securities issued at start of the year	164,659	147,159
Stapled securities issued during the year		
- pursuant to market placement	0	16,300
- pursuant to dividend reinvestment plan (DRP)/DRP underwriting	14,442	1,200
Stapled securities at the end of the year	179,101	164,659

	$'000	$'000
b) Issued stapled securities		
Stapled securities issued at start of the year	328,109	303,997
Stapled securities issued during the year		
- pursuant to market placement	0	22,820
- pursuant to dividend reinvestment plan/DRP underwriting	18,485	1,944
Less: establishment costs pursuant to market placement/DRP underwriting	311	652
Issued and paid up capital at the end of the year	346,283	328,109
(c) Undistributed income reserve		
Opening balance	(6,634)	(1,630)
Net operating income	30,285	4,053
Distributions	(19,296)	(9,057)
Closing balance	4,355	(6,634)

Terms and conditions

The securities are stapled securities being shares of the Company and units in the Scheme. Stapled security holders have various rights under the Constitution and Trust Deed, including the right to:

- receive income distributions;
- attend and vote at meetings of stapled security holders; and
- participate in the termination and winding up of the Company.

The rights, obligations and restrictions attached to each stapled security holder are identical in all respects.

17. EARNINGS PER STAPLED SECURITY

	2003	2,002
Basic earnings per stapled security (cents per stapled security)	17.43	2.71
Weighted number of stapled securities ('000)	173,769	149,606
Earnings used in calculating basic earnings per stapled security ($'000)	30,285	4,053

Diluted earnings per stapled security is not disclosed as it is not different from basic earnings per stapled security.

AUSTRALIAN INFRASTRUCTURE FUND

NOTES TO THE FINANCIAL STATEMENTS

18. SUBSEQUENT EVENTS

Since 30 June 2003 there has not been any matter or circumstance not otherwise dealt with in the financial report that has significantly affected or may significantly affect AIF.

19. SEGMENT INFORMATION

AIF operates in one business segment, being investing in infrastructure projects currently in Australia. AIF also operates from one geographic location being Australia, from where its investing activities are managed. Revenue includes dividends, distributions, interest, gains and losses on sale of investments, and unrealised changes in the value of investments.

20. RELATED PARTIES

The ordinary shares of the Company are stapled to the units of the Scheme. The manager of the Company and Responsible Entity of the Scheme is Hastings Funds Management Limited (the Responsible Entity).

Directors of the Company and the Responsible Entity

The names of the directors of the Company and the Responsible Entity during the financial year were:

Company

Cliff Breeze
Barry Capp
Ross Dunning - appointed 22 November 2002
Paul Espie
Mike Fitzpatrick
Tony Hyams

Responsible Entity

Phil Coffey - appointed 16 October 2002
Paul Espie - resigned 16 October 2002
Don Hamson - appointed 16 October 2002, resigned 3 July 2003
Mike Fitzpatrick
Mike Hutchinson
Sean McElduff - appointed 16 October 2002
Ray Wilson

Responsible Entity

Hastings received management fees of $3,397,796 Scheme and Company for the period ended 30 June 2003 (2002: $2,831,552). Hastings was also reimbursed $194,327 (2002: $129,831) for costs incurred on behalf of AIF. These fees were paid by the Scheme.

20. RELATED PARTIES continued

Equity interests of directors

Interests in the units issued by the Scheme held by directors of the Company and the Responsible Entity and their director related entities at balance date:

	30 June 2003	30 June 2002
Cliff Breeze	55,270	50,810
Barry Capp	20,356	20,356
Ross Dunning	10,000	0
Paul Espie	63,099	60,500
Mike Fitzpatrick	1,146,568	416,011
Mike Hutchinson	7,500	0
Tony Hyams	175,000	175,000
Ray Wilson	211,537	204,853

Movements in directors' equity holdings

During the year, the above directors' equity holdings, where applicable, changed due to participation in the dividend reinvestment plan and additional purchases of securities.

Director related entities

Cliff Breeze received or is entitled to receive fees of $25,000 for his role as Chairman of Port of Portland Holdings Pty Ltd for the year ended 30 June 2003.

Barry Capp is a director of WBC which is the holding company of Westpac Institutional Holdings Pty Limited which owns 51% of Hasting Funds Management Limited. He is also director of Westpac General Insurance Limited, Westpac Private Equity Pty Limited, subsidiary companies of the WBC holding company.

Paul Espie is a Chairman of Metro Transport Sydney Pty Ltd ("MTS") which is 39% owned by AIF, for which he received or is entitled to receive fees of $33,000. During the period Pacific Road Corporate Finance Pty Ltd ("PRCF") (of which he is a major shareholder and Managing Director) provided advisory services to MTS. PRCF received professional fees of $78,792.

PRCF acted for Squitchy Lane Holdings Pty Limited (the major shareholder in Hastings) in relation to Westpac's acquisition of 51% of Hastings.

Mike Fitzpatrick is a director of Airstralia Development Group Pty Ltd, Port of Portland Holdings Pty Ltd and Hastings Funds Management Limited.

Mike Fitzpatrick beneficially controlled Hastings until 16 October 2002. From 16 October 2002, Hastings has been controlled by Westpac Banking Corporation.

Tony Hyams received or is entitled to receive fees of $27,500 for his role as a director of Australia Pacific Airports Corporation Limited for the year ended 30 June 2003.

20. RELATED PARTIES continued

At 30 June 2003, the Trust has a syndicated Multi Option Lending Facility agreement with Westpac of $30,000,000 in total with a termination date of 31 July 2003. From 16 October 2002, the Scheme received interest from Westpac totalling $461,405, incurred interest expense to Westpac of $1,003,874 and paid or incurred facility, line fees and other charges of $197,008.

At 30 June 2003 Westpac and its controlled entities held 11,283,081 in AIF stapled securities.

All transactions with related parties were conducted under normal commercial terms and conditions.

21. FINANCIAL INSTRUMENTS

(a) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements.

The material credit exposures to any single debtor or group of debtors under the financial instruments entered into by AIF are detailed in Note 8 and loans included within investments as outlined in Note 21(d).

Concentrations of credit risk

All investee companies are concentrated in the infrastructure sector within Australia.

(b) Net Fair Values

The carrying values approximate their net values. No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments. The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and notes to the financial statements.

The following methods and assumptions are used to determine the net fair values of assets and liabilities:

Cash, cash equivalents and short term investments: The carrying amount approximates net fair values because of their short term to maturity.

Trade receivables and payables: The carrying amount approximates net fair value.

Distributions payable: The carrying amount approximates net fair value.

21. FINANCIAL INSTRUMENTS continued

Non-current investments/securities: Independent valuers using discounted cash flow analysis value the net fair values of unlisted equity securities and related shareholder loans.

The net fair values of listed securities are calculated using Australian Stock Exchange pricing.

(c) Terms, conditions and accounting policies

AIF's financial assets and liabilities included in the Statement of Financial Position are carried at their net fair value.

Refer to Note 1(e) for the methods and assumptions adopted in determining market values of investments.

21. FINANCIAL INSTRUMENTS Cont'd

(d) Interest Rate Risk

Part of AIF's exposure to interest rate risk is the risk that a financial instrument's value may fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities.

At 30 June 2003

	Floating interest rate	Fixed interest rate maturing in:			Non-interest bearing	Total carrying value as per statement of financial position	Weighted average effective interest rate pa
		Within 1 year	1 -5 years	More than 5 years			
	2003 $'000	2003 $'000	2003 $'000	2003 $'000	2003 $'000	2003 $'000	2003 %
Financial assets:							
Cash	14,401	0	0	0	0	14,401	4.5
Investments in unlisted securities	0	0	0	0	255,398	255,398	n/a
Loans - non-interest bearing	0	0	0	0	33,644	33,644	n/a
Loans - interest bearing	0	41,084	8,911	0	6,100	56,095	10.1
Receivables	0	0	0	0	1,657	1,657	n/a
	14,401	41,084	8,911	0	296,799	361,195	n/a
Financial liabilities:							
Interest bearing liability	4,000	0	0	0	0	4,000	5.9
Payables	0	0	0	0	780	780	n/a
Provisions	0	0	0	0	9,850	9,850	n/a
	4,000	0	0	0	10,630	14,630	n/a

n/a - not applicable

AUSTRALIAN INFRASTRUCTURE FUND

NOTES TO THE FINANCIAL STATEMENTS

21. FINANCIAL INSTRUMENT Cont'd

(d) Interest Rate Risk

At 30 June 2002

	Floating interest rate	Fixed interest rate maturing in: Within 1 year	1 -5 years	More than 5 years	Non-interest bearing	Total carrying value as per statement of financial position	Weighted average effective interest rate pa
	2002 $'000	2002 $'000	2002 $'000	2002 $'000	2002 $'000	2002 $'000	2002 %
Financial assets:							
Cash	325	0	0	0	0	325	4.5
Investments in unlisted securities - current	0	0	0	0	5,031	5,031	n/a
Investments in unlisted securities - non-current	0	0	0	0	249,031	249,031	n/a
Loans - non-interest bearing	0	0	0	0	33,644	33,644	n/a
Loans - interest bearing	0	52,877	11,661	0	0	64,538	11.1
Receivables	0	0	0	0	4,498	4,498	n/a
	325	52,877	11,661	0	292,204	357,067	n/a
Financial liabilities:							
Interest bearing liability	31,000	0	0	0	0	31,000	5.9
Payables	0	0	0	0	576	576	n/a
Provisions	0	0	0	0	9,063	9,063	n/a
Other liabilities	0	0	0	0	184	184	n/a
	31,000	0	0	0	9,823	40,823	n/a

n/a not applicable

AUSTRALIAN INFRASTRUCTURE FUND

RESPONSIBLE ENTITY'S DECLARATION

In accordance with a resolution of the directors of Hastings Funds Management Limited as Responsible Entity for Australian Infrastructure Fund Trust I state that:

In the opinion of the directors:

(1) The financial statements and notes of Australian Infrastructure Fund, being the combination of Australian Infrastructure Fund Limited and Australian Infrastructure Fund Trust:

(a) give a true and fair view of the Australian Infrastructure Fund's financial position as at 30 June 2003 and of its performance, as represented by the results of its operations and its cash flows for the year ended on that date; and

(b) comply with Accounting Standards and Corporations Regulations 2001.

(2) There are reasonable grounds to believe that Australian Infrastructure Fund will be able to pay its debts as and when they become due and payable.

For and on behalf of Hastings Funds Management Limited

Mike Fitzpatrick
Managing Director

Melbourne
Date: 29/7/03

ERNST & YOUNG

120 Collins Street
Melbourne VIC 3000
Australia

GPO Box 67
Melbourne VIC 3001

Tel 61 3 9288 8000
Fax 61 3 9654 6166
DX 293 Melbourne

INDEPENDENT AUDIT REPORT

To the stapled security holders of Australian Infrastructure Fund

Scope

We have audited the financial report of Australian Infrastructure Fund being the combined structure of Australian Infrastructure Fund Limited and Australian Infrastructure Fund Trust for the year ended 30 June 2003 as set out on pages 2 to 24. The directors of Australian Infrastructure Fund Limited and Hastings Funds Management Limited as Responsible Entity of the Australian Infrastructure Fund Trust are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia, and the provisions of the constitution, so as to present a view which is consistent with our understanding of the Australian Infrastructure Fund's financial position, the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit opinion

In our opinion the financial report presents fairly in accordance with applicable Accounting Standards in Australia, other mandatory professional reporting requirements and the financial position of Australian Infrastructure Fund as at 30 June 2003 and the results of its operations and cash flows for the year then ended.

Ernst & Young

Ernst & Young

A. J. (Tony) Johnson
Partner
Melbourne
Date: 29/7/03

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW)

D. Other financial information

Date the dividend (distribution) is payable	31 July 2003
Record date to determine entitlements to the dividend (distribution)	30 June 2003
If it is a final dividend, has it been declared?	Announced on 19 June 2003

Amount per security

	Amount per security	Franked amount per security at % tax	Amount per security of foreign source dividend
Final dividend			
Current year	5.5 cents	2.75 cents	n/a
Previous year	5.5 cents	4.4 cents	n/a
Interim dividend			
Current year	5.5 cents	2.75 cents	n/a
Previous year	Nil	n/a	n/a

E. Audit information

The financial report has been audited, a copy of the audit report is attached to the accounts.