Australian Infrastructure Fund Limited
A.C.N. 063 935 553

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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
DATE:	17 September 2003
PAGES:	50

AUSTRALIAN STOCK EXCHANGE
AIX000493

AUSTRALIAN INFRASTRUCTURE FUND (CODE AIX)

ANNOUNCEMENT HEADING:

AUDITED FINANCIAL REPORTS FOR THE YEAR ENDED 30 JUNE 2003

Please find enclosed the audited financial reports for the year ended 30 June 2003 for:

- Australian Infrastructure Fund Limited; and
- Australian Infrastructure Fund Trust.

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AUSTRALIAN INFRASTRUCTURE FUND LIMITED

ABN 97 063 935 553

FINANCIAL REPORT

YEAR ENDED 30 JUNE 2003

AUSTRALIAN INFRASTRUCTURE FUND LIMITED

DIRECTORS' REPORT

Your directors submit their report for the year ended 30 June 2003 of Australian Infrastructure Fund Limited (the Company). The shares are stapled to units in the Australian Infrastructure Fund Trust (the Scheme). The combined entity of the Company and the Scheme is known as Australian Infrastructure Fund (AIF). The manager of the Company and Responsible Entity of the Scheme is Hastings Funds Management Limited (the Responsible Entity).

DIRECTORS

The names and details of the directors of the Company in office during the financial year and until the date of this report and the relevant interests of each of those directors are set out below. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Cliff W Breeze AM, Non-Executive Chairman
Age: 64
Qualifications: FAIBF, FCIS, FAMI, FAICD.

Cliff W Breeze is an experienced board chairman and director who has had involvement in the corporatisation and initial listing of entities on the Australian Stock Exchange. His directorships have embraced a wide range of areas and complimented a career in banking and finance including responsibility for large scale business activity in Australia and overseas. His current board appointments include Chairman of Port of Portland Holdings Pty. Ltd., other private companies and Very Special Kids Foundation.

His previous appointments include President of the Victorian Division of the Australian Institute of Company Directors, Chairman, National Australia Trustees Ltd., Chairman, National Nominees Ltd., Deputy Chairman, Medibank Private Limited and Deputy Chairman of V/Line Freight Corporation. Additionally his other board exposures have embraced areas such as banking, stockbroking, funds management, travel, trade finance, underwriting and information technology.

He is a member and previous Chairman of the Audit Committee.

Barry Capp, Non-Executive Director
Age: 70
Qualifications: BE, BCom, BA

Barry Capp was employed for many years in financial and commercial roles and has worked as a non-executive director on a number of public company boards. He is Chairman of National Foods Limited and a director of Westpac Banking Corporation, Hellaby Holdings Limited, Touchcorp Limited and Melbourne University Private Ltd. He was a member of the Audit Committee during the year until 16 October 2002. He was Chairman of the Company until 16 October 2002.

Ross Dunning AC, Non-Executive Director
Age: 61
Qualifications: BE (Hons), BCom, FIE Aust, FIRSE, FCIT, MAICD

Ross Dunning joined the Board and Audit Committee on 22 November 2002. He is a professional company director and management consultant. He retired as Managing Director of Evans Deakin Industries Limited in July 2001. He has had extensive experience in rail-related activities and was appointed Commissioner for Railways in 1989. Subsequently he served the Queensland Government as Director-General of Administrative Services from 1990 to 1994, and became Chief Executive Officer and Managing Director of Evans Deakin Industries Ltd from 1994 to 2001.

Currently he is Chairman of Port of Brisbane Corporation, as well as Chairman of Gladstone Port Authority his non-executive directorships include Downer EDI, Brisbane Airport Corporation and Toll Holdings Ltd.

Paul Espie, Non-Executive Director
Age: 59
Qualifications: BSc, MBA, FAICD

Paul Espie is the founder and Managing Director of Pacific Road Corporate Finance, adviser to governments and major Australian companies, particularly in the resources and services sectors. Before establishing Pacific Road in 1987, he was Senior Vice President of Bank of America responsible for Australia, New Zealand and Papua New Guinea. He had assignments in England and the USA and was with the Bank and its predecessors in Australia from 1974. He is Chairman of Metro Transport Sydney Pty Ltd and was formerly a Director of Utilities of Australia Pty Ltd, Hastings Funds Management Limited and Chairman of Freight Rail Corporation and Oxiana Limited.

Mike Fitzpatrick, Managing Director
Age: 50
Qualifications: BE(Hons), BA(Hons) Oxon

Mike Fitzpatrick is the founder and Managing Director of Hastings Funds Management Limited which manages AIF, Utilities Trust of Australia and other funds. Prior to establishing Hastings in 1994, he was a director of CS First Boston. He is a director of a number of Hastings managed investments, including Pacific Hydro Limited, Utilities of Australia Pty Ltd, Airstralia Development Group Pty Ltd and Port of Portland Holdings Pty Ltd. Mike is a former Chairman of the Australian Sports Commission.

Tony Hyams, Non-Executive Director
Age: 57
Qualifications: LLB, BCom

Tony Hyams is an advisory director of CS First Boston and a director of Australia Pacific Airports Corporation Limited, the Australian Maritime Safety Authority, the Australian Government Employees Superannuation Fund, the Blue Star Print Group (NZ) and other companies. He has had a 32 year association with the Credit Suisse Group, active in commercial and investment banking.

Tony is Chairman of the Audit Committee.

Interests in the shares of the Company and related bodies corporate

As at the date of this report, the interests of the directors in the shares of the Company and related bodies corporate were:

Australian Infrastructure Fund Limited ordinary shares fully paid	**Beneficial in own name**	**Beneficial other**
Cliff Breeze	0	55,270
Barry Capp	0	20,356
Ross Dunning	0	10,000
Paul Espie	0	63,099
Tony Hyams	0	175,000
Mike Fitzpatrick	0	1,146,568

PRINCIPAL ACTIVITIES

The principal activity during the year of the Company was to invest in infrastructure investments so as to maximise income and capital returns to investors.

COMPANY INFORMATION

Australian Infrastructure Fund Limited, is incorporated and domiciled in Australia. The registered office of the Company is located at Level 15, 90 Collins Street, Melbourne, Victoria, 3000.

At 30 June 2003 the Company had no employees.

REVIEW AND RESULTS OF OPERATIONS

The operating profit after income tax of the Company for the year ended 30 June 2003 was $10,216,000 (2002: $13,000 - loss). The directors declared a dividend of $3,384,000 for the six months ended 30 June 2003 (2002: $2,721,000).

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There were no significant events subsequent to year end.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the directors there were no significant changes in the state of affairs of the Company in the year ended 30 June 2003.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

In the opinion of directors the inclusion of information relating to likely developments in the operations of the Company is likely to prejudice the interests of the Company and therefore this information has not been included in this report.

DIRECTORS' AND OTHER OFFICERS' EMOLUMENTS

The Board of directors is responsible for determining and reviewing compensation arrangements for the directors of Australian Infrastructure Fund Limited. The Board of directors of Hastings Funds Management Limited, as Manager of Australian Infrastructure Fund Limited is responsible for determining and reviewing compensation arrangements for the executive officers of the Manager, who are involved in the management of the affairs of Australian Infrastructure Fund Limited. The directors' remuneration is not related to the performance of the Company.

Remuneration of directors of Australian Infrastructure Fund Limited

The remuneration of the Company's directors for the year were:

	Remuneration **$**
Cliff Breeze	72,700
Barry Capp	58,100
Ross Dunning	25,400
Paul Espie	43,600
Tony Hyams	43,600
Mike Fitzpatrick	0

The remuneration paid includes statutory superannuation contributions, which is required by law. These exclude directors and officers' liabilities and insurance premiums paid by the Company in respect of each director. These costs were borne by the Scheme in 2003.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During or since the financial year the Company has paid premiums in respect of a contract insuring all the directors and executive officers of the Company. The terms of the policy prohibit disclosure of the details of the insurance cover and premium paid.

An indemnity agreement has been entered into between the Company and each of its directors named earlier in this report. Under this agreement, the Company has agreed:

a) to indemnify the directors against any claim or for any expense or costs which may arise as a result of work performed in their role as directors;

b) to provide continued access to board papers; and

c) to provide continued access to directors' and officers' liability insurance.

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest thousand under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

	Directors' Meetings		Audit Committee Meetings	
	Meetings Held (1)	Meetings Attended	Meetings Held	Meetings Attended
Cliff Breeze	17	16	4	4
Barry Capp (2)	17	16	1	1
Ross Dunning (3)	10	9	3	3
Paul Espie (4)	17	16	4	4
Mike Fitzpatrick	17	17	n/a	n/a
Tony Hyams	17	17	4	4

n/a – not applicable

As at the date of this report, the Company had an audit committee of the Board of directors, which met four times during the year. The details of the functions and membership of this committee are presented in the corporate governance statement and are contained in the additional ASX information section of the AIF annual report.

(1) There were 12 scheduled Board meetings and 5 unscheduled meetings held during the year. There were 4 scheduled Audit Committee meetings held during the year.

(2) Barry Capp resigned from the Audit Committee on 16 October 2002.

(3) Ross Dunning was appointed a non-executive director and Audit Committee member on 22 November 2002 and was eligible to attend 10 Board meetings and 3 Audit Committee meetings during the period.

(4) Paul Espie resigned from the Audit Committee on 21 May 2003.

AUSTRALIAN INFRASTRUCTURE FUND LIMITED

DIRECTORS' REPORT continued

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors support and have adhered to the principles of corporate governance. The Company's corporate governance statement is contained in the additional ASX information section of the AIF annual report.

Signed in accordance with a resolution of the directors.

For and on behalf of the Company

Chairman
Cliff W Breeze AM

Melbourne
Date: 29 July 2003

AUSTRALIAN INFRASTRUCTURE FUND LIMITED

STATEMENT OF FINANCIAL PERFORMANCE

YEAR ENDED 30 JUNE

	Note	2003 $'000	2002 $'000
Revenues from ordinary activities			
Unrealised loss on unlisted investments		(2,685)	(16,748)
Interest income		3	853
Distribution income		746	2,500
Dividend income		14,199	9,414
Total revenues from ordinary activities		12,263	(3,981)
Less borrowing costs		927	0
Net investment income		11,336	(3,981)
Total expenses from ordinary activities		0	0
Profit/(loss) from ordinary activities before income tax expense		11,336	(3,981)
Income tax expense/(benefit) relating to ordinary activities	4(a)	1,120	(3,968)
Net profit/(loss) from ordinary activities after income tax expense		10,216	(13)
Net increase/(decrease) in asset revaluation reserve	10	0	(3,369)
Total revenues, expenses and valuation adjustments attributable to the Company and recognised directly in equity		0	(3,369)
Total changes in equity other than those resulting from transactions with owners as owners		10,216	(3,382)
Basic earnings per share (cents per share)	11	5.88	(0.01)
Diluted earnings per share (cents per share)	11	5.88	(0.01)

AUSTRALIAN INFRASTRUCTURE FUND LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE

	Note	2003 $'000	2002 $'000
CURRENT ASSETS			
Cash assets	3(b)	4	3
Current tax asset	4(e)	0	248
Total current assets		4	251
NON-CURRENT ASSETS			
Investments - unlisted securities	5	69,037	71,930
Deferred tax asset	4(d)	4,591	4,591
Total non-current assets		73,628	76,521
TOTAL ASSETS		73,632	76,772
CURRENT LIABILITIES			
Payables - director related entity (Scheme)	6	14,667	23,406
Dividend payable	7	3,384	2,721
Current tax payable	4(e)	83	0
Total current liabilities		18,134	26,127
TOTAL LIABILITIES		18,134	26,127
NET ASSETS		55,498	50,645
EQUITY			
Contributed Equity	9(b)	53,389	50,645
Retained profits	10(b)	2,109	0
TOTAL EQUITY		55,498	50,645

AUSTRALIAN INFRASTRUCTURE FUND LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE

	Note	2003 $'000 Inflows/ (outflows)	2002 $'000 Inflows/ (outflows)
CASH FLOWS FROM OPERATING ACTIVITIES			
Distribution received		746	2,898
Dividends received		14,199	9,414
Management and other operational expenses paid		1	0
Income tax paid		(790)	(847)
Net cash flows from operating activities	3(a)	14,156	11,465
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from repayments of capital		585	0
Proceeds from repayments of loans		0	305
Payments for purchases of unlisted investments		(376)	(81,419)
Net cash flows used in investing activities		209	(81,114)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Repayment)/proceeds from borrowings - related party		(9,664)	67,100
Dividends paid		(7,444)	(874)
Proceeds from issue of shares		2,744	3,423
Net cash flows (used in)/from financing activities		(14,364)	69,649
Net increase in cash held		1	0
Cash at beginning of the year		3	3
Closing cash carried forward	3(b)	4	3

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, which includes applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with. 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(j) to this financial report.

(b) Stapled securities

On 6 March 1997, the stapled securities of Australian Infrastructure Fund (AIF), being the ordinary shares of 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 unitholders and the approval of members is obtained.

(c) Valuation of investments

Investments in unlisted securities are initially brought to account at cost. At the end of each six-month 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 surplus on adopting a market value for investments is credited to an asset revaluation reserve. Any devaluation is offset against the asset revaluation reserve to the extent that one exists, otherwise it is included in net operating income. To the extent that a revaluation reverses any previous devaluations which were recognised in operating profit before tax, such a revaluation is recognised in operating profit before tax.

Where investments have been revalued, the potential effect of any capital gains tax liability is not taken into account in the determination of the revalued carrying amount. Where it is expected that a liability for capital gains tax will arise, this estimated amount is recorded as a liability of the Company.

(d) Recoverable amount

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(e) Revenue and expense recognition

Dividend income is recognised when there is control of the right to receive the dividend payment. Interest income is recognised on an accrual basis. Distributions from unlisted unit trusts are recognised at the date the unit value is quoted ex-distribution. All costs of the Company including directors' fees have been borne by the Scheme while the two entities are stapled under the Stapling Agreement.

(f) Cash and cash equivalents

Cash on hand and in banks and short term deposits are stated at lower of cost or net realisable value. For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within two working days, net of outstanding bank overdrafts.

(g) Loan receivables

Loan 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) Contributed equity

Ordinary paid up share capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(i) 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(j) Changes in accounting policy

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

(k) Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest thousand under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

(l) Earnings per share

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

(m) Non-interest and interest bearing liabilities

All loans are measured at the principal amount. Interest is charged as an expense as it accrues.

(n) Dividend payable

Dividend payables are recognised when declared by the Company.

(o) Payables

Liabilities for trade creditors and other amounts payable are carried at cost which is the fair value of amounts to be billed and paid in the future. Any interest on amounts payable is recognised as an expense on an accruals basis.

(p) Comparatives

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

2. 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

3. STATEMENT OF CASH FLOWS

	2003 $'000	2002 $'000
(a) Reconciliation of profit from ordinary activities after income tax expense to the net cashflows from operations		
Profit/(loss) from ordinary activities after income tax expense	10,216	(13)
Capital receipts	0	399
Net non cash income/(expense)	924	(854)
Unrealised loss on revaluation of investments	2,685	16,748
	13,825	16,280
Change in assets and liabilities:		
Deferred tax asset	0	(4,591)
Tax provision	331	(224)
	331	(4,815)
Net cash flows from operating activities	14,156	11,465
(b) Reconciliation of cash		
- Cash at bank	4	3
	4	3

4. INCOME TAX

		2003 $000	2002 $000
(a) Major components of income tax expense/(benefit)			
Current tax expense/(benefit)		315	623
Deferred tax expense relating to the origination and reversal of temporary differences		0	(5,024)
Less: deferred tax asset not brought to account	4(c)	805	433
Income tax expense/(benefit)		1,120	(3,968)
(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		3,401	(1,194)
Tax effect of amounts that are not deductible/(assessable) in calculating the taxable amount:			
Non-taxable distribution		(116)	(658)
Non-taxable provision		0	0
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	4(a)	1,120	(3,968)
(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 asset		4,591	4,591
(e) Current tax payable/(receivable)			
Current tax payable/(receivable)		83	(248)

AUSTRALIAN INFRASTRUCTURE FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

5. INVESTMENTS

Unlisted securities	Industry	Form of Investments	2003 $'000	2002 $'000
CSX World Terminals Adelaide	Seaports	Units in SPV Unit Trust, which holds ordinary shares in CSX World Terminals Adelaide Pty Ltd	365	0
Port of Portland Holdings	Seaports	Investment in ordinary shares issued by Port of Portland Holdings Pty Ltd.	15,954	14,430
Port of Geelong	Seaports	Investment in units of Port of Geelong Unit Trust and ordinary shares in Infrastructure Investment Corporation Pty Limited.	14,143	10,800
Statewide Roads	Roads	Investment in ordinary and preference shares issued by Statewide Roads Limited.	38,575	46,700
			69,037	71,930

6. PAYABLES

Loan - from the Scheme	14,667	23,406
	14,667	23,406

Terms and conditions
The loan from the Scheme is at call. The interest rate is the 30-day bank bill rate.

AUSTRALIAN INFRASTRUCTURE FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

7. DIVIDENDS PAID OR PROVIDED FOR

	2003 $'000	2002 $'000
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

Terms and conditions
Dividends payable represent a final dividend of 1.89 cents (2002: 1.65 cents) per share for the financial year ended 30 June 2003. The extent to which the dividends are franked, details of the franking account balance at balance date and franking credits available to the subsequent financial year are disclosed above.

8. INTEREST BEARING LIABILITIES

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 (2002: 31,000,000) of this facility was drawn down with an effective interest rate 5.90% p.a. (2002: 5.87% p.a.).

9. CONTRIBUTED EQUITY

	2003	2002
a) Issued shares (number '000s)		
Ordinary shares at beginning of the financial year	164,659	147,159
Ordinary shares issued during the current financial period		
- pursuant to market placement	0	16,300
- pursuant to dividend reinvestment plan (DRP)/DRP underwriting	14,442	1,200
Ordinary shares at end of the financial year	179,101	164,659
b) Issued and paid up capital ($'000)		
Ordinary shares issued at beginning of the financial year	50,645	46,934
Ordinary shares issued during the current financial period		
- pursuant to market placement	0	3,423
- pursuant to dividend reinvestment plan/DRP underwriting	2,744	288
Issued and paid up capital at end of the financial year	53,389	50,645

Terms and conditions
The units are stapled to the shares of the Company.
Shareholders have various rights under the Constitution, including the right to:
- receive dividends;
- attend and vote at meetings of shareholders; and
- participate in the termination and winding up of the Company.

The rights, obligations and restrictions attached to each shareholder are identical in all respects.

10. RESERVES

(a) Asset Revaluation Reserve

Nature and purpose of reserve

The asset revaluation reserve is used to record increments and decrements in the value of non-current assets.

	Note	2003 $'000	2002 $'000
Asset Revaluation Reserve			
Balance at the beginning of the year		0	3,369
Transfers from reserve		0	(3,369)
Total reserves		0	0

(b) Undistributed income reserve

	Note	2003	2002
Balance at the beginning of the year		0	2,734
Net profit attributable to members of the Company		10,216	(13)
Total available for appropriation		10,216	2,721
Dividends provided for or paid	7	(8,107)	(2,721)
Balance at end of year		2,109	0

AUSTRALIAN INFRASTRUCTURE FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

11. EARNINGS PER SHARE

	2003 $'000	2002 $'000
Basic earnings per share (cents per share)	5.88	(0.01)
Weighted average number of ordinary shares on issue ('000)	173,769	149,606
Earnings used in calculating basic earnings per share ($'000)	10,216	(13)

Diluted earning per share is not different from basic earnings per share.

12. 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 the Company.

13. SEGMENT INFORMATION

The Company operates in one business segment, being investing in infrastructure projects currently in Australia. The Company 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.

14. AUDITOR'S REMUNERATION

Audit fees received or due and receivable of $7,000 (2002 - $6,750) by the auditors of the Company are paid by the Scheme.

15. 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

Equity interests of directors
Shares of the Company held by directors of the Company and Hastings 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 shares.

AUSTRALIAN INFRASTRUCTURE FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

15. RELATED PARTIES continued

Management Company

Hastings received management fees of $3,397,796 from the Scheme and Company for the period ended 30 June 2003 (2002 - $2,831,522). Hastings was also reimbursed $194,327 (2002 - $129,831) for costs incurred on behalf of the Scheme. In 2003 and 2002 the costs of AIF have been borne by the Scheme.

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 advisory service 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 Australian Infrastructure Fund 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.

A commercial loan of $14,667,382 advanced by the Scheme to the Company was outstanding as at 30 June 2003 (2002 - $23,406,000). The Company paid interest of $925,683 on the loan during the year ended 30 June 2003 (2002 - $854,085 interest was received by the Company).

Details of all Related Party investments are included in Note 5.

15. RELATED PARTIES continued

Other Related Parties

At 30 June 2003 Westpac and its controlled entities held 11,283,081 shares in the Company.

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

16. FINANCIAL INSTRUMENTS

(a) Interest Rate Risk

Part of the Company'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. The effective weighted average interest rates on those financial assets and financial liabilities are as follows:

At 30 June 2003

	Floating interest rate	Fixed interest rate maturing: Within 1 year	Fixed interest rate maturing: 1 -5 years	Fixed interest rate maturing: More than 5 years	Non-interest bearing	Total carrying value as per statement of financial position	Weighted Average effective interest rate pa
	2003 $'000	2003 $'000	2003 $'000	2003 $'000	2003 $'000	2003 $'000	2003 %
Financial assets							
Cash	4	0	0	0	0	4	4.5
Investments in unlisted securities	0	0	0	0	69,037	69,037	n/a
	4	0	0	0	69,037	69,041	n/a
Financial liabilities							
Dividend payable	0	0	0	0	3,384	3,384	n/a
Amounts payable related parties	0	0	0	0	14,667	14,667	4.9
	0	0	0	0	18,051	18,051	n/a

n/a not applicable

NOTES TO THE FINANCIAL STATEMENTS

16. FINANCIAL INSTRUMENTS continued

At 30 June 2002

	Floating interest rate	Fixed interest rate maturing			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			
	2002 $'000	2002 $'000	2002 $'000	2002 $'000	2002 $'000	2002 $'000	2002 %
Financial assets							
Cash	3	0	0	0	0	3	4.5
Investments in unlisted securities	0	0	0	0	71,930	71,930	n/a
	3	0	0	0	71,930	71,933	n/a
Financial liabilities							
Dividend payable	0	0	0	0	2,721	2,721	n/a
Amounts payable related parties	0	0	0	0	23,406	23,406	4.9
	0	0	0	0	26,127	26,127	n/a

n/a not applicable

16. FINANCIAL INSTRUMENTS continued

(b) 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 of those financial assets, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements.

Concentrations of credit risk

The Company had nil receivables at 30 June 2003 and therefore no exposure.

(c) Net Fair Values

The carrying values approximate their net fair value. 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.

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

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

Dividend payable: The carrying amount approximates net fair value.

(d) Terms, conditions and accounting policies

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

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

AUSTRALIAN INFRASTRUCTURE FUND LIMITED

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Australian Infrastructure Fund Limited, we state that:

In the opinion of the directors:

(1) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including;

 (a) giving a true and fair view of the Company'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) complying with Accounting Standards and Corporations Regulations 2001.

(2) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Cliff W Breeze AM
Chairman

Melbourne
Date: 29 July 2003

ERNST & YOUNG

120 Collins Street
Melbourne VIC 3000
Australia

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Melbourne VIC 3001

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

INDEPENDENT AUDIT REPORT

To the members of Australian Infrastructure Fund Limited

Scope

We have audited the financial report of Australian Infrastructure Fund Limited for the financial year ended 30 June 2003, as set out on pages 7 to 25, including the Directors' Declaration. The company's directors 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 of the company.

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 statutory requirements so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by 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 of Australian Infrastructure Fund Limited is in accordance with:

(a) the Corporations Act 2001, including:

  (i) giving a true and fair view of the company's financial position as at 30 June 2003 and of its performance for the year ended on that date; and

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

(b) other mandatory professional reporting requirements in Australia.

Ernst & Young

Ernst & Young

A. J. (Tony) Johnson

Partner
Melbourne

Date: 29/7/03

AUSTRALIAN INFRASTRUCTURE FUND TRUST

FINANCIAL REPORT

A.R.S.N. 089 889 761

YEAR ENDED 30 JUNE 2003

AUSTRALIAN INFRASTRUCTURE FUND TRUST

DIRECTORS' REPORT

The directors of Hastings Funds Management Limited (Hastings) as Responsible Entity for Australian Infrastructure Fund Trust (the Scheme) submit their report for the year ended 30 June 2003.

DIRECTORS

The names of the directors of the Responsible Entity in office during the financial year and until the date of this report are:

Responsible Entity

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

All directors were in office from the beginning of the financial year until the date of this report unless otherwise stated.

Interests in the units of the Scheme

At 30 June 2003, the interests of the Responsible Entity in the units of the Scheme were 241,011 units (2002 – 241,011).

At 30 June 2003 Westpac and its controlled entities held 11,283,081 shares in the Scheme.

The units in the Scheme are stapled to shares in Australian Infrastructure Fund Limited (the Company), the stapled securities being listed on the Australian Stock Exchange.

PRINCIPAL ACTIVITIES

The principal activity during the year of the Scheme was to invest in infrastructure investments so as to maximise income and capital return to investors.

SCHEME INFORMATION

Australian Infrastructure Fund Trust is an Australian registered scheme and is incorporated and domiciled in Australia. The registered office of the Responsible Entity is located at Level 15, 90 Collins Street, Melbourne, Victoria, 3000.

At 30 June 2003 the Scheme had no employees.

REVIEW AND RESULTS OF OPERATIONS

During the year the Scheme has continued to invest in infrastructure investment in accordance with the Trust Deed. The overall investment strategy of the Scheme is to maximise income and capital return to unitholders.

Results

The net operating income from ordinary activities of the Scheme for the year ended 30 June 2003 was $20,069,000 (2002 - $7,435,000).

Distributions

A final distribution was declared for the year ended 30 June 2003 of 3.61 cents per unit to be paid in July 2003. An interim distribution was paid in February 2003 for the six months ended 31 December 2002 of 2.75 cents per unit. For the year ended 30 June 2002 a distribution was paid of 3.85 cents.

UNITS ON ISSUE

179,101,000 units of the Scheme were on issue at 30 June 2003 (2002 – 164,659,000). During the year 14,442,000 (2002 – 17,500,000) units were issued by the Scheme.

SCHEME ASSETS

At 30 June 2003, the Scheme held assets to a total value of $306,938,000 (2002 – $309,198,000). The basis for valuation of the assets is disclosed in Note 1(e) to the financial statements.

FEES PAID TO THE RESPONSIBLE ENTITY AND ASSOCIATES

Hastings received management fees of $3,397,796 from the Scheme and Company for the period ended 30 June 2003 (2002 - $2,831,522). Hastings was also reimbursed $194,327 (2002 - $129,831) for costs incurred on behalf of the Scheme. These fees were paid by the Scheme. In 2003 and 2002 the costs of the Company including directors' fees have been borne by the Scheme while the two entities are stapled.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs during the year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There has been no matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may affect the Scheme's operations in future financial years, the results of those operations or the Scheme's state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

In the opinion of the directors of the Responsible Entity, the inclusion of information relating to likely developments in the operations of the Scheme is likely to prejudice the interests of the Scheme and therefore this information has not been included in this report.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

No insurance premiums are paid for out of the assets of the Scheme in regards to insurance cover provided to the Responsible Entity, or auditor of the Scheme. So long as the officers of the Responsible Entity act in accordance with the Trust Deed and the Corporations Act 2001, both parties remain fully indemnified out of the assets of the Scheme against any losses incurred while acting on behalf of the Scheme. The auditor of the Scheme is in no way indemnified out of the assets of the Scheme.

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest thousand dollars under the option available to the Scheme under ASIC Class Order 98/0100. The Scheme is an entity to which this class order applies.

Signed in accordance with a resolution of the directors.

Mike Fitzpatrick
Managing Director

Melbourne

Date : 29/7/2003

AUSTRALIAN INFRASTRUCTURE FUND TRUST

STATEMENTS OF FINANCIAL PERFORMANCE AND DISTRIBUTION

YEAR ENDED 30 JUNE

STATEMENT OF FINANCIAL PERFORMANCE	Note	2003 $'000	2002 $'000
Revenues from ordinary activities			
Unrealised gain on revaluation of unlisted investments	2 (a)	20,038	32,111
Realised gain/(loss) on sale of unlisted investments	2 (b)	1,262	(22,299)
		21,300	9,812
Interest income - other corporations		1,085	1,689
Dividend income		3,865	6,169
Distribution income		299	1,493
Interest income - related party		927	0
		6,176	9,351
Total revenues from ordinary activities		27,476	19,163
Less borrowing costs	3	1,769	5,126
Net investment income		25,707	14,037
Expenses from ordinary activities			
Responsible Entity's fees		3,398	2,832
Shareholder communication expenses		552	406
Directors' fees		273	196
Audit and taxation fees		254	237
Investment costs		223	246
Valuation fees		199	129
Legal costs		176	91
Investment bid costs		147	846
Insurance		134	119
Directors' retirement expense		102	450
Shareholder 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
Net operating income from ordinary activities		20,069	7,435

STATEMENT OF DISTRIBUTION			
Net operating income from ordinary activities		20,069	7,435
Net transfers of non-distributable income to unitholder funds		(8,880)	(1,099)
Distributions paid and payable	5	11,189	6,336
Basic earnings per unit (cents per unit)	15	11.55	4.97
Diluted earnings per unit (cents per unit)	15	11.55	4.97

AUSTRALIAN INFRASTRUCTURE FUND TRUST

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE

	Note	2003 $'000	2002 $'000
CURRENT ASSETS			
Cash assets	6(b)	14,397	322
Receivables	7	1,657	4,498
Investments - unlisted securities	9	0	38,675
Other assets	8	14,784	24,064
Total current assets		30,838	67,559
NON-CURRENT ASSETS			
Investments - unlisted securities	9	276,100	241,639
Total non-current assets		276,100	241,639
TOTAL ASSETS		306,938	309,198
CURRENT LIABILITIES			
Payables	10	780	576
Distribution payable	11	6,466	6,342
Total current liabilities		7,246	6,918
NON-CURRENT LIABILITIES			
Interest bearing liabilities	12	4,000	31,000
Provisions	13	552	450
Total non-current liabilities		4,552	31,450
TOTAL LIABILITIES		11,798	38,368
NET ASSETS		295,140	270,830
UNITHOLDERS' FUNDS			
Unitholders' funds	14(b)	292,894	277,464
Retained profits/(Accumulated losses)	14(c)	2,246	(6,634)
Total unitholders' funds		295,140	270,830

AUSTRALIAN INFRASTRUCTURE FUND TRUST

STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE

	Note	2003 $'000 Inflows/ (outflows)	2002 $'000 Inflows/ (outflows)
CASH FLOWS FROM OPERATING ACTIVITIES			
Dividends received		3,865	6,169
Interest received		4,036	2,575
Distributions received		299	1,293
Proceeds from profits on realisation of investments - unlisted securities		12,134	20,424
Borrowing costs paid		(1,409)	(3,939)
Management fees and operational expenses paid		(5,272)	(5,960)
Net cash flows from operating activities	6(a)	13,653	20,562
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchase investments - unlisted investments		(474)	0
Proceeds from sale of investments - unlisted securities		11,103	65,600
Proceeds from repayment of capital		2,750	500
Repayment of loans		0	(642)
Net cash flows from investing activities		13,379	65,458
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings - debt facilities		(27,000)	(39,000)
Repayment of borrowings - director-related entity		9,665	(67,100)
Distribution paid		(7,497)	(5,275)
Proceeds from the issue of units		11,875	18,744
Net cash flows used in financing activities		(12,957)	(92,631)
Net increase/(decrease) in cash held		14,075	(6,611)
Cash at beginning of the year		322	6,933
Cash at end of the year	6(b)	14,397	322

AUSTRALIAN INFRASTRUCTURE FUND TRUST

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 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 of the Scheme.

(b) Basis of accounting

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, which includes applicable Accounting Standards. The Trust Deed and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with. 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 of Australian Infrastructure Fund Limited (the Company) and the units in 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 unitholders 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 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.

Change in the net value of investments
Gains or losses on investments are calculated as the difference between the net market value at sale, or at year end and the net market value at the previous valuation point.

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

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(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) Taxation

Under current legislation, the Scheme is not subject to income tax provided the unitholders are presently entitled to the income of the Scheme. Distributable income includes capital gains arising from the disposal of investments.

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.

(k) 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.

(l) Distribution payable

Distribution payables are recognised when declared by the Scheme.

(m) 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.

(n) Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest thousand under the option available to the Scheme under ASIC Class Order 98/0100. The Scheme is an entity to which the Class Order applies.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(o) Changes in accounting policy

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

(p) Comparatives

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

(q) Transfers to/(from) unitholders' 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 unitholders' funds, and are not included in the determination of distributions to unitholders.

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 Portland Holdings	2,367	(1,042)
United Energy (AIF-United Energy)	0	(2,981)
Total gains on revaluation of unlisted equity investments	20,038	32,111
(b) Net realised gains/(losses) on sale of unlisted investments		
Metro Light Rail	(4,050)	0
Statewide Roads	0	17,544
United Energy (AIF-United Energy)	12,134	0
Vodafone Pacific	0	(63,031)
	8,084	(45,487)
Less reversal of unrealised (gains)/losses brought to account in prior periods in respect of investments sold		
Metro Light Rail	4,050	0
Statewide Roads	0	(17,752)
United Energy (AIF-United Energy)	(10,872)	0
Vodafone Pacific	0	40,940
	(6,822)	23,188
Net gains/(losses) on unlisted investments realised during the year	1,262	(22,299)

3. BORROWING COSTS

	2003 $'000	2002 $'000
Borrowing costs comprise :		
Interest - related parties - director-related entity (Australian Infrastructure Fund Limited)	0	853
Interest - other corporations	1,216	3,656
Other borrowing costs - other corporations	553	617
	1,769	5,126

4. AUDITORS' REMUNERATION

	2003 $	2002 $
Amounts received or due and receivable by the auditors for:		
- an audit or review of the financial reports of the Scheme and the Company	61,500	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
	246,198	478,661

5. DISTRIBUTIONS PAID OR PROVIDED FOR

	2003 $'000	2002 $'000
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

AUSTRALIAN INFRASTRUCTURE FUND TRUST

NOTES TO THE FINANCIAL STATEMENTS

6. STATEMENT OF CASH FLOWS

	2003 $'000	2002 $'000
(a) Reconciliation of net operating income from ordinary activities to the net cash flows from operations		
Net operating income from ordinary activities	20,069	7,435
Unrealised gain on revaluation of investments	(20,038)	(32,111)
Prior periods' unrealised gains/(losses) on investments realised	6,822	(23,188)
Loss on sale of investments	4,050	63,031
Capital receipts	0	(201)
Net non cash flow (income)/expenses	(939)	771
	9,964	15,737
Change in assets and liabilities		
Trade creditors - director-related entity (the Responsible Entity)	215	162
Payables	92	(241)
Receivables	2,841	4,330
Prepayments	541	574
	3,689	4,825
	13,653	20,562
(b) Reconciliation of cash		
- Cash at bank	14,397	322
	14,397	322

7. RECEIVABLES

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

Terms and Conditions

Interest receivables are usually recognised on an accruals basis in accordance with the underlying debt agreement received at the option of the debtors.

8. OTHER ASSETS

Related party - director-related entity (the Company)	14,667	23,406
Prepayments	117	658
	14,784	24,064

Terms and conditions

The loan to the Company is at call. The interest rate is the 30-day bank bill rate.

AUSTRALIAN INFRASTRUCTURE FUND TRUST

NOTES TO THE FINANCIAL STATEMENTS

9. INVESTMENTS

The Scheme's investments in unlisted securities were valued based on market valuations determined by KPMG Corporate Finance. Valuations are performed every 6 months.

	Ownership	Operation	Form of Investments	30-Jun-03 $'000	30-Jun-02 $'000
Unlisted investments					
Airport Development Group	25.4%	Airport	Ordinary and preference shares issued by Airport Development Group Pty Ltd	22,000	18,400
Airstralia Development Group	24.9%	Airport	Ordinary shares and shareholder loans issued by Airstralia Development Group Pty Ltd	134,025	123,060
Australia Pacific Airports Corporation	5.0%	Airport	Ordinary shares and shareholder loans issued by Australia Pacific Airports Corporation Limited	71,708	62,679
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	17,500	16,700
Metro Light Rail	38.9%	Light rail	Ordinary shares, shareholder loans and infrastructure bonds issued by Metro Transport Sydney Pty Ltd and associated companies	6,100	15,100
Port of Portland Holdings	30.4%	Seaport	Ordinary shares issued by Port of Portland Holdings Pty Ltd	24,767	22,400
Power Partnership (United Energy) (2)	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	0	21,975
Total unlisted investments				276,100	280,314

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

10. PAYABLES

Trade creditors - director-related entity (the Responsible Entity)	641	426
Other payables	139	150
	780	576

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

11. DISTRIBUTION PAYABLE

	2003	2002
	$'000	$'000
Distribution payable	6,466	6,342

12. INTEREST BEARING LIABILITIES

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

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

13. PROVISIONS

Directors' retirement benefit	552	450

14. UNITHOLDERS' FUNDS

	'000	'000
a) Issued units (number)		
Units issued at beginning of the financial period	164,659	147,159
Units issued during the current financial period		
- pursuant to market placement	0	16,300
- pursuant to dividend reinvestment plan(DRP)/DRP underwriting	14,442	1,200
Ordinary units at the end of the financial period	179,101	164,659

	$'000	$'000
b) Issued units ($)		
Units issued at beginning of the financial period	277,464	257,063
Units issued during the current financial period		
- pursuant to market placement	0	19,397
- pursuant to dividend reinvestment plan/DRP underwriting	15,741	1,656
Less: establishment costs pursuant of market placement/DRP underwriting	311	652
Issued and paid up capital at the end of the financial period	292,894	277,464

14. UNITHOLDERS' FUNDS continued

	2003 $'000	2002 $'000
c) Undistributed income		
Opening balance	(6,634)	(7,733)
Net operating income/(loss)	20,069	7,435
Distributions	(11,189)	(6,336)
Closing balance	2,246	(6,634)

Terms and conditions

The units are stapled to the shares of the Company.

Unitholders have various rights under the Trust Deed, including the right to:

- receive income distributions;
- attend and vote at meetings of unitholders; and
- participate in the termination and winding up of the Scheme.

The rights, obligations and restrictions attached to each unitholder are identical in all respects.

15. EARNINGS PER UNIT

	2003	2002
Basic earnings per unit (cents per unit)	11.55	4.97
Weighted average number of units (000's)	173,769	149,606
Earnings used in calculating basic earnings per unit ($'000)	20,069	7,435

Diluted earnings per unit are not disclosed, as they are not different from basic earnings per unit.

16. SEGMENT INFORMATION

The Scheme operates in one business segment, being investing in infrastructure projects currently in Australia. The Scheme 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.

17. 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 the Scheme.

18. 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).

18. RELATED PARTIES continued

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 from the Scheme and Company for the period ended 30 June 2003 (2002 - $2,831,522). Hastings was also reimbursed $194,327 (2002 - $129,831) for costs incurred on behalf of the Scheme. These fees were paid by the Scheme. In 2003 and 2002 the costs of the Company including directors' fees have been borne by the Scheme while the two entities are stapled.

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 units.

18. RELATED PARTIES continued

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.

Mike Fitzpatrick is a director of Airstralia Development Group Pty Ltd, Port of Portland Holdings Pty Ltd and Australian Infrastructure Fund 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.

During the year, the Trust received interest payments of $1,952,000 from Airstralia Development Group Pty Ltd.

A commercial loan of $14,667,382 advanced by the Scheme to the Company was outstanding as at 30 June 2003 (2002 - $23,406,000). The Scheme received interest of $925,863 on the loan during the year ended 30 June 2003 (2002 - $854,085 interest was paid by the Scheme).

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.

In 2003 and 2002 all costs of the Company were borne by the Scheme.

Details of all Scheme related party investments are included in Note 9.

19. FINANCIAL INSTRUMENTS

(a) Interest Rate Risk

Part of the Scheme'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: Within 1 year	Fixed interest rate maturing in: 1 -5 years	Fixed interest rate maturing in: More than 5 years	Non-interest bearing	Total carrying value as per statement of financial position	Weighted average effective interest rate pa
	2003 $'000	2003 $'000	2003 $'000	2003 $'000	2003 $'000	2003 $'000	2003 %
Financial assets:							
Cash	14,397	0	0	0	0	14,397	4.5
Unlisted shares - non-current	0	0	0	0	186,361	186,361	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
Receivables - related party	0	0	0	0	14,667	14,667	4.9
	14,397	41,084	8,911	0	242,429	306,821	n/a
Financial liabilities:							
Interest bearing liabilities	4,000	0	0	0	0	4,000	5.9
Accounts payable	0	0	0	0	780	780	n/a
Distribution payable	0	0	0	0	6,466	6,466	n/a
	4,000	0	0	0	7,246	11,246	n/a

n/a - not applicable

AUSTRALIAN INFRASTRUCTURE FUND TRUST

NOTES TO THE FINANCIAL STATEMENTS

19. FINANCIAL INSTRUMENTS continued

At 30 June 2002

(a) Interest Rate Risk

	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	322	0	0	0	0	322	4.5
Unlisted shares - current	0	0	0	0	5,031	5,031	n/a
Unlisted shares - non-current	0	0	0	0	177,101	177,101	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
Receivables - related party	0	0	0	0	23,406	23,406	4.9
	322	52,877	11,661	0	243,680	308,540	n/a
Financial liabilities:							
Interest bearing liabilities	31,000	0	0	0	0	31,000	5.9
Accounts payable	0	0	0	0	576	576	n/a
Distribution payable	0	0	0	0	6,342	6,342	n/a
	31,000	0	0	0	6,918	37,918	n/a

19. FINANCIAL INSTRUMENTS continued

(b) 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 of those financial assets, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements.

Concentration of credit risk

The Scheme's credit exposure is to receivables as detailed in Note 8 and loans included within investments as outlined in Note 19(a).

(c) Net Fair Value

The carrying values approximate their net fair value. 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 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.

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

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

Distributions payable: The carrying amount approximates net fair value.

(d) Terms, conditions and accounting policies

The Scheme'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.

AUSTRALIAN INFRASTRUCTURE FUND TRUST

DIRECTOR'S DECLARATION

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

In the opinion of the directors:

(a) the financial statements and notes of the Scheme are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Scheme'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

(ii) complying with Accounting Standards and Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.

For and on behalf of the Board

Mike Fitzpatrick
Managing Director

Melbourne

Date: 29/7/2003

ERNST & YOUNG

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INDEPENDENT AUDIT REPORT

To the unitholders of Australian Infrastructure Fund Trust

Scope

We have audited the financial report of Australian Infrastructure Fund Trust for the financial year ended 30 June 2003, as set out on pages 5 to 22, including the Directors' Declaration. The directors of Hastings Funds Management Limited as Responsible Entity of the 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 unitholders of the trust.

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 statutory requirements and the provisions of the Trust's Constitution, so as to present a view which is consistent with our understanding of the registered trust financial position, and performance as represented by 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 of Australian Infrastructure Fund Trust is in accordance with:

(a) the Corporations Act 2001, including:

  (i) giving a true and fair view of the registered scheme's financial position as at 30 June 2003 and of its performance for the year ended on that date; and

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

(b) other mandatory professional reporting requirements in Australia.

Ernst & Young

Ernst & Young

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