



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

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

TO: Australian Stock Exchange Limited
Company Announcements Office
10th Floor, 20 Bond Street
Sydney NSW 2000

FROM: Kim Rowe, Company Secretary

DATE: 31 August 2004

PAGES: 33

AUSTRALIAN INFRASTRUCTURE FUND (CODE AIX)

ANNOUNCEMENT HEADING:

AUDITED FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2004

Please find enclosed the audited financial report for the year ended 30 June 2004 for Australian Infrastructure Fund combined.

For further 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

A handwritten signature in black ink, appearing to read 'Kim Rowe'.

Kim Rowe
Company Secretary
Australian Infrastructure Fund

**AUSTRALIAN INFRASTRUCTURE FUND
COMBINED
FINANCIAL REPORT
YEAR ENDED 30 JUNE 2004**

AUSTRALIAN INFRASTRUCTURE FUND

STATEMENTS OF FINANCIAL PERFORMANCE & DISTRIBUTION

YEAR ENDED 30 JUNE

		2004	2003
	Note	\$'000	\$'000
STATEMENT OF FINANCIAL PERFORMANCE			
Revenues from ordinary activities			
Unrealised gain on revaluation of unlisted investments	2(a)	28,249	17,353
Realised gain on sale of unlisted investments	2(b)	1,602	1,262
		<u>29,851</u>	<u>18,615</u>
Interest income - other corporations		5,789	1,088
Dividend income		8,904	18,065
Distribution income		762	1,045
		<u>15,455</u>	<u>20,198</u>
Gross investment income		45,306	38,813
Less borrowing costs		629	1,770
Total revenues from ordinary activities		<u>44,677</u>	<u>37,043</u>
Other expenses from ordinary activities			
Responsible Entity's fees		4,045	3,398
Security holder communication expenses		507	552
Directors' fees		374	273
Investment costs		314	223
Asset valuation fees		288	199
Insurance		147	134
Legal costs		144	176
Audit and taxation fees		143	254
Directors' retirement expense		114	102
Security holder meeting expenses		106	75
Bid costs		77	147
ASX listing fees		77	51
Capital raising fees		28	30
Other administrative expenses		8	24
Total expenses from ordinary activities		<u>6,372</u>	<u>5,638</u>
Profit from ordinary activities before income tax expense		38,305	31,405
Income tax expense relating to ordinary activities	9(a)	981	1,120
Profit from ordinary activities after income tax expense		<u>37,324</u>	<u>30,285</u>
STATEMENT OF DISTRIBUTION			
Profit from ordinary activities after income tax expense		37,324	30,285
Net transfers from stapled security holder funds		<u>(13,655)</u>	<u>(10,989)</u>
Distributions/dividends paid and payable	5	<u>23,669</u>	<u>19,296</u>
Basic earnings per stapled security (cents per stapled security)	17	18.29	17.43
Diluted earnings per stapled security (cents per stapled security)	17	18.29	17.43

AUSTRALIAN INFRASTRUCTURE FUND**STATEMENT OF FINANCIAL POSITION****AS AT 30 JUNE**

	Note	2004 \$'000	2003 \$'000
CURRENT ASSETS			
Cash assets	7(b)	45,078	14,401
Receivables	8	1,077	1,657
Current tax asset	9(e)	266	0
Other assets	10	204	117
Total current assets		<u>46,625</u>	<u>16,175</u>
NON-CURRENT ASSETS			
Investments - unlisted securities	11	403,473	345,137
Deferred tax asset	9(d)	3,506	4,591
Total non-current assets		<u>406,979</u>	<u>349,728</u>
TOTAL ASSETS		<u>453,604</u>	<u>365,903</u>
CURRENT LIABILITIES			
Payables	12	990	780
Provisions	13	13,713	9,850
Current tax liability	9(e)	0	83
Total current liabilities		<u>14,703</u>	<u>10,713</u>
NON-CURRENT LIABILITIES			
Interest bearing liability	14	0	4,000
Other provisions	15	670	552
Total non-current liabilities		<u>670</u>	<u>4,552</u>
TOTAL LIABILITIES		<u>15,373</u>	<u>15,265</u>
NET ASSETS		<u>438,231</u>	<u>350,638</u>
STAPLED SECURITY HOLDERS' FUNDS			
Stapled securities	16(b)	420,221	346,283
Retained profits	16(c)	18,010	4,355
Total stapled security holders' funds		<u>438,231</u>	<u>350,638</u>

AUSTRALIAN INFRASTRUCTURE FUND

STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE

	Note	2004 \$'000	2003 \$'000
		Inflows/ (outflows)	Inflows/ (outflows)
CASH FLOWS FROM OPERATING ACTIVITIES			
Dividends received		8,904	18,065
Interest received		6,627	4,036
Distribution received		650	1,045
Proceeds from profits on realisation of investments - unlisted securities		1,602	12,134
Borrowing costs paid		(511)	(1,409)
Management fees and administration expenses paid		(6,135)	(5,272)
Income tax paid		(248)	(790)
Net cash flows from operating activities	7(a)	<u>10,889</u>	<u>27,809</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchases of investments - unlisted securities		(52,517)	(850)
Proceeds from sale of investments - unlisted securities		0	11,103
Proceeds from repayment of capital		13,876	3,335
Proceeds from repayments of loans		8,297	0
Net cash flows from/(used in) investing activities		<u>(30,344)</u>	<u>13,588</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings - debt facilities		(4,000)	(27,000)
Proceeds from the issue of shares		68,016	14,619
Distribution paid		(13,884)	(14,940)
Net cash flows from/(used in) financing activities		<u>50,132</u>	<u>(27,321)</u>
Net increase in cash held		30,677	14,076
Cash at beginning of the year		14,401	325
Cash at end of the year	7(b)	<u>45,078</u>	<u>14,401</u>

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.

AUSTRALIAN INFRASTRUCTURE FUND

NOTES TO THE FINANCIAL STATEMENTS

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 with the exception of CSX World Terminals (Adelaide). AIF's investment in the SPV1 Unit Trust (SPV), an unlisted trust whose sole investment is in CSX World Terminals (Adelaide) as at 30 June 2004 has been valued at the unit price of SPV.

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. Realised gains or losses are recognised upon sale of investments.

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 2004.

	Scheme	Company	Combined
	2004	2004	Accounts
	\$'000	\$'000	\$'000
Revenue from ordinary activities - unrealised gain on revaluation of unlisted investments	24,633	3,616	28,249
Profit from ordinary activities before income tax expense	28,941	9,364	38,305
Income tax expense relating to ordinary activities	0	981	981
Profit from ordinary activities after income tax expense	28,941	8,383	37,324
Basic earnings per stapled security (cents)	14.18	4.11	18.29

(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.

AUSTRALIAN INFRASTRUCTURE FUND

NOTES TO THE FINANCIAL STATEMENTS

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. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

This future income tax benefit will only be obtained if:

- (a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- (b) the conditions for deductibility imposed by tax legislation continue to be complied with; and
- (c) no changes in tax legislation adversely affect the entity in realising the benefit.

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 accounting policies adopted are consistent with those of the previous year.

(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

	2004 \$'000	2003 \$'000
(a) Unrealised gains/(losses) on revaluation of unlisted investments		
Airport Development Group	2,700	3,600
Airstralia Development Group	18,625	10,505
Australia Pacific Airports Corporation	23,756	11,779
Epic Energy	(9,203)	787
Metro Light Rail	(478)	(9,000)
Port of Geelong	1,082	3,343
Port of Portland Holdings	(2,158)	4,464
Statewide Roads	(6,075)	(8,125)
Total gains on revaluation of unlisted equity investments	<u>28,249</u>	<u>17,353</u>
(b) Net realised gains/(losses) on sale of unlisted investments		
Metro Light Rail	0	(4,050)
Port of Portland Holdings	1,602	0
United Energy (AIF-United Energy)	0	12,134
	<u>1,602</u>	<u>8,084</u>
<i>Less reversal of unrealised losses brought to account in prior periods in respect of investments sold</i>		
Metro Light Rail	0	4,050
United Energy (AIF-United Energy)	0	(10,872)
	<u>0</u>	<u>(6,822)</u>
Net gains on unlisted investments realised during the year	<u>1,602</u>	<u>1,262</u>

AUSTRALIAN INFRASTRUCTURE FUND

NOTES TO THE FINANCIAL STATEMENTS

3. CONTRIBUTION TO GROSS INVESTMENT INCOME

Operating income	Acquisition date	2004 Revaluation gains/ (losses) \$'000	2004 Realised gains \$'000	2004 Interest and other income \$'000	2004 Total income \$'000	2003 Total income \$'000
Unlisted investments						
Airport Development Group	May-01	2,700	0	1,664	4,364	5,017
Airstralia Development Group	Jul-97	18,625	0	3,470	22,095	9,655
Australia Pacific Airports Corporation	Jul-97	23,756	0	1,096	24,852	13,116
CSX World Terminals Adelaide	Nov-01	0	0	112	112	84
Epic Energy	Mar-97	(9,203)	0	0	(9,203)	787
Metro Light Rail	Mar-97	(478)	0	0	(478)	(9,000)
Port of Geelong	Sep-00	1,082	0	1,010	2,092	4,256
Port of Portland Holdings	Mar-00	(2,158)	1,602	1,033	477	7,905
Statewide Roads	Mar-97	(6,075)	0	5,847	(228)	4,831
United Energy	Mar-97	0	0	0	0	1,561
		28,249	1,602	14,232	44,083	38,212
Bank and other interest income		0	0	1,223	1,223	601
Gross investment income		28,249	1,602	15,455	45,306	38,813

AUSTRALIAN INFRASTRUCTURE FUND
NOTES TO THE FINANCIAL STATEMENTS

4. REMUNERATION OF DIRECTORS

(a) Details of Specified Directors and Specified Executives

i. Specified Directors

Company

Paul Espie - Chairman, appointed Chairman 12 August 2004
Cliff Breeze - resigned as Chairman and director on 12 August 2004
Barry Capp
Ross Dunning
Mike Fitzpatrick
John Harvey - appointed 21 July 2004
Tony Hyams - resigned 24 August 2004

Responsible Entity

Sean McElduff - Chairman, appointed Chairman 25 June 2004
Phil Coffey - resigned as Chairman and director on 25 June 2004
Mike Fitzpatrick
Don Hamson - resigned 4 July 2003
Mike Hutchinson
Guy Strapp - appointed 11 August 2003
Jim Tate - appointed 25 June 2004
Ray Wilson

ii. Specified Executives

Mike Fitzpatrick - Managing Director
Mitchell King – Chief Operating Officer
Hamish de Run – Investment Manager, Infrastructure
Jim Hallam – Chief Financial Officer and Company Secretary

Executives are paid by the Responsible Entity of the Scheme, not by the Scheme.

(b) Remuneration of Specified Directors and Specified Executives

i. Remuneration Policy

Responsible Entity of the Scheme

Responsibility for remuneration of directors of the Responsible Entity rests with the Board of the Responsible Entity. The Board assesses the appropriateness of the nature and amount of emoluments of such directors on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board.

Company

Responsibility for remuneration of the Company directors rests with the Company Board. The Board assesses the appropriateness of the nature and amount of emoluments of such directors on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board.

Specified Executives of the Responsible Entity of the Scheme

Responsibility for remuneration of executives rests with the Managing Director of the Responsible Entity's Board. The Managing Director assesses the appropriateness and amount of emoluments of such executives on an annual basis with reference to market conditions with the overall objective of ensuring retention of appropriate skilled people.

AUSTRALIAN INFRASTRUCTURE FUND
NOTES TO THE FINANCIAL STATEMENTS
4 (b). REMUNERATION OF DIRECTORS continued

ii. Remuneration of Specified Directors of the Company

	Primary	Post employment	Retirement benefits ⁽⁴⁾	Equity	Other	Total
	Fees	Superannuation		Options	Bonuses	
	\$	\$	\$	\$	\$	\$
Specified Company Directors						
Cliff Breeze - resigned 12 August 2004						
2004 ⁽¹⁾	105,000	9,450	-	-	-	114,450
2003	66,700	6,000	-	-	-	72,700
Barry Capp						
2004	46,667	4,200	-	-	-	50,867
2003	53,300	4,800	-	-	-	58,100
Ross Dunning						
2004 ⁽²⁾	52,684	-	-	-	-	52,684
2003	25,400	-	-	-	-	25,400
Paul Espie						
2004	50,867	-	-	-	-	50,867
2003	43,600	-	-	-	-	43,600
Mike Fitzpatrick						
2004	-	-	-	-	-	-
2003	-	-	-	-	-	-
Tony Hyams - resigned 24 August 2004						
2004 ⁽³⁾	75,417	6,787	-	-	-	82,204
2003	40,000	3,600	-	-	-	43,600
Total Remuneration: Specified Directors of the Company						
2004	330,635	20,437	-	-	-	351,072
2003	229,000	14,400	-	-	-	243,400

John Harvey was appointed 21 July 2004 and therefore was not paid any remuneration during the financial year.

⁽¹⁾ Includes audit committee fees of \$1,667 and superannuation of \$150. Includes due diligence committee fees of \$10,000 and superannuation of \$900.

⁽²⁾ Includes audit committee fees of \$1,817.

⁽³⁾ Includes audit committee fees of \$18,750 and superannuation of \$1,687. Includes due diligence committee fees of \$10,000 and superannuation of \$900.

⁽⁴⁾ Retirement benefits exclude provision expensed.

AUSTRALIAN INFRASTRUCTURE FUND

NOTES TO THE FINANCIAL STATEMENTS

4 (b). REMUNERATION OF DIRECTORS continued.

iii. Remuneration of Directors and Specified Executives of the Responsible Entity of the Scheme

	Primary Fees & Salary \$	Post employment Superannuation \$	Retirement benefits \$	Equity Options ^(a) \$	Other Bonuses \$	Total \$
Specified Directors of the Responsible Entity of the Scheme						
Phil Coffey - resigned 25 June 2004						
2004	-	-	-	-	-	-
Mike Fitzpatrick						
2004	-	-	-	-	-	-
Don Hamson - resigned 4 July 2003						
2004	-	-	-	-	-	-
Mike Hutchinson						
2004	8,255	-	-	-	-	8,255
Sean McElduff						
2004	-	-	-	-	-	-
Guy Strapp - appointed 11 August 2003						
2004	-	-	-	-	-	-
Jim Tate - appointed 25 June 2004						
2004	-	-	-	-	-	-
Ray Wilson						
2004	8,255	-	-	-	-	8,255
Total Remuneration: Specified Directors of the Responsible Entity of the Scheme						
2004	16,510	-	-	-	-	16,510
Specified executives of the Responsible Entity of the Scheme						
Mike Fitzpatrick - Managing Director						
2004	47,512	2,488	-	-	-	50,000
Mitchell King - Chief Operating Officer						
2004	95,243	4,756	-	172,800	80,000	352,799
Hamish de Run - Investment Manager, Infrastructure						
2004	40,031	3,969	-	21,600	44,000	109,600
Jim Hallam - Chief Financial Officer and Company Secretary						
2004	43,983	6,017	-	75,600	40,000	165,600
Total Remuneration: Specified executives of the Responsible Entity of the Scheme						
2004	226,769	17,230	-	270,000	164,000	677,999

Comparatives for the Scheme have not been disclosed due to first time application.

The amounts disclosed reflect the proportion of total remuneration based on the time and effort each individual dedicates to the entity.

^(a) Options issued by Hastings Funds Management Limited will be sold to Squitchy Lane Holdings P'y Ltd (49% share holder of Hastings Funds Management Limited) in conjunction with the acquisition of the remaining 49% of Hastings by Westpac. This is expected to occur in mid June 2005 for market consideration to be determined at that date.

AUSTRALIAN INFRASTRUCTURE FUND
NOTES TO THE FINANCIAL STATEMENTS

5. DISTRIBUTIONS AND DIVIDENDS PAID OR PROVIDED FOR

	2004 \$'000	2003 \$'000
(a) Distributions by the Scheme		
Distributions declared	9,225	6,466
Distributions declared and paid during the year	<u>6,650</u>	<u>4,723</u>
	<u>15,875</u>	<u>11,189</u>
Previous year final distribution	<u>6,466</u>	<u>6,336</u>
(b) Dividends by the Company		
<i>Ordinary Shares</i>		
Dividends proposed - franked dividends (at tax rate of 30%)	<u>4,488</u>	<u>3,384</u>
Dividends paid during the year - current year interim	3,306	4,723
Dividends paid during the year - previous year final	<u>3,384</u>	<u>2,721</u>
	<u>6,690</u>	<u>7,444</u>
The amount of franking credits available for the subsequent financial year are:		
- franking account balance as at the end of the financial year	7,853	7,767
- franking credits that will arise from the payment of income tax payable as at the end of the financial year	0	83
- franking debits that will arise from the refund of income tax as at the end of the financial year	266	0
- franking debits that will arise from the payment of dividends as at the end of the financial year	<u>(1,923)</u>	<u>(1,450)</u>
	<u>6,196</u>	<u>6,400</u>

6. REMUNERATION OF AUDITORS

	2004 \$	2003 \$
Amounts received or due and receivable by the auditors "Ernst and Young" for:		
- an audit or review of the financial reports of the Scheme and the Company	<u>69,500</u>	<u>68,500</u>
- other services in relation to the Scheme and the Company		
Managed Investments Act compliance	9,000	9,000
Taxation compliance	53,985	41,688
Taxation advice - investments	2,412	71,860
Valuation services June 2002 - Ernst & Young Corporate Finance Pty Ltd	0	62,150
Capital raising - tax and accounting advice	227,929	0
Risk plan compliance	<u>20,900</u>	<u>0</u>
	<u>314,226</u>	<u>184,698</u>
	<u>383,726</u>	<u>253,998</u>

AUSTRALIAN INFRASTRUCTURE FUND

NOTES TO THE FINANCIAL STATEMENTS

7. STATEMENT OF CASH FLOWS

	2004	2003
	\$'000	\$'000
(a) Reconciliation of the profit/(loss) from ordinary activities after tax to the net cash flows from operations		
Profit from ordinary activities after tax	37,324	30,285
Unrealised profit on revaluation of investments	(28,249)	(17,353)
Prior period unrealised gains on investments realised	0	6,822
Loss on sale of investments	0	4,050
Net (non cash flow income)/non income cash	257	(15)
	<u>9,332</u>	<u>23,789</u>
Change in assets and liabilities		
Trade creditors - director related entity (the Responsible Entity)	143	215
Receivables	580	2,841
Tax provision	(349)	331
Payables	185	92
Deferred tax asset/liability	1,085	0
Prepayments	(87)	541
	<u>1,557</u>	<u>4,020</u>
Net cash flows from operating activities	<u>10,889</u>	<u>27,809</u>
(b) Reconciliation of cash		
- Cash at bank	45,078	14,401
	<u>45,078</u>	<u>14,401</u>

8. RECEIVABLES

Interest receivables	1,077	1,611
Other receivables	0	46
	<u>1,077</u>	<u>1,657</u>

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	2004 \$'000	2003 \$'000
	981	315
9(c)	0	805
	<u>981</u>	<u>1,120</u>

(a) Major components of income tax expense

Current tax expense

Less: deferred tax asset not brought to account

Income tax expense

(b) Reconciliation of prima facie tax to income tax expense

The prima facie 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

AIF Trust profit not taxable in hands of the Trust

Tax effect of amounts that are not deductible/(assessable) in calculating the taxable amount:

Non-taxable distribution

Acquired interest and acquisition costs

Rebateable dividends

Recognition of unrealised gains as a deferred tax liability not previously recognised

Temporary differences not probable for recognition

Over provision of previous year

Income tax expense attributable to ordinary activities

	11,492	9,421
	(8,683)	(6,020)
	12	(116)
	60	0
	(810)	(2,963)
	(1,085)	0
	0	805
	(5)	(7)
9(a)	<u>981</u>	<u>1,120</u>

(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).

0 305

(d) Deferred tax asset

The balance of deferred tax asset/liability comprises the following temporary differences:

Deferred tax assets in respect of:

Other financial assets

Deferred tax assets

3,506	4,591
<u>3,506</u>	<u>4,591</u>

(e) Current tax payable/(receivable)

Current tax payable/(receivable)

(266)	83
<u>(266)</u>	<u>83</u>

10. OTHER ASSETS

Other assets

204	117
<u>204</u>	<u>117</u>

AUSTRALIAN INFRASTRUCTURE FUND NOTES TO THE FINANCIAL STATEMENTS

11. INVESTMENTS

AIF's investments at 30 June 2004 in unlisted securities were valued based on market valuations determined by KPMG Corporate Finance with the exception of CSX World Terminals (Adelaide). AIF's investment in the SPV1 Unit Trust (SPV), an unlisted trust whose sole investment is in CSX World Terminals (Adelaide) as at 30 June 2004 has been valued at the unit price of SPV.

	Ownership of Investments 30-Jun-04	Operation	Form of Investments	Valuation 30-Jun-03 \$'000	New Investments 2004 \$'000	Divestments 2004 \$'000	Capital costs		Revaluation 2004 \$'000	Valuation 30-Jun-04 \$'000
							2004 \$'000	2004 \$'000		
Unlisted Investments										
Airport Development Group	25.4%	Airport	Ordinary and preference shares issued by Airport Development Group Pty Ltd	22,000	0	0	0	0	2,700	24,700
Airstralia Development Group	24.9%	Airport	Ordinary shares and shareholder loans issued by Airstralia Development Group Pty Ltd	134,025	0	0	22	(2,511)	18,625	150,161
Australia Pacific Airports Corporation	8.1%	Airport	Ordinary shares and shareholder loans issued by Australia Pacific Airports Corporation Limited	71,708	44,174	0	277	(8,003)	23,756	131,912
CSX World Terminals Adelaide	30.4%	Seaports	Units in SPV Unit Trust, which holds ordinary shares in CSX World Terminals Adelaide Pty Ltd	365	0	0	0	0	0	365
Epic Energy	4.0%	Gas distribution pipeline	Ordinary shares and shareholder loans in Icarose Pty Ltd, which in turn holds units in Epic Energy WA unit trust	17,500	0	0	0	(8,297)	(9,203)	0
Metro Light Rail	38.9%	Light rail	Ordinary shares, shareholder loans and infrastructure bonds issued by Metro Sydney Transport Pty Ltd and associated companies	6,100	0	0	6,378	0	(478)	12,000
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 Corporation Ltd.	14,143	0	0	0	0	1,082	15,225
Port of Portland Holdings	50.0%	Seaports	Ordinary shares issued by Port of Portland Holdings Pty Ltd	40,721	0	0	956	(4,319)	(2,158)	35,200
Statewide Roads	6.2%	Toll road	Preference and ordinary shares issued by Statewide Roads Limited	38,575	0	0	0	0	(6,075)	32,500
Other investments				0	1,410	0	0	0	0	1,410
Total portfolio				345,137	45,584	0	7,633	(23,130)	28,249	403,473

AUSTRALIAN INFRASTRUCTURE FUND

NOTES TO THE FINANCIAL STATEMENTS

12. PAYABLES

	2004	2003
	\$'000	\$'000
Trade creditors	206	139
Payables - director related entity	784	64
	<u>990</u>	<u>780</u>

Terms and Conditions

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

13. PROVISIONS

Dividend/distribution payable	<u>13,713</u>	<u>9,850</u>
-------------------------------	---------------	--------------

14. INTEREST BEARING LIABILITY

Bill facility	<u>0</u>	<u>4,000</u>
---------------	----------	--------------

The Company has provided a guarantee to Westpac Banking Corporation (Westpac), which has provided the Scheme with a loan facility of \$30,000,000 which expires on 31 July 2005. At 30 June 2004 \$0 (2003: \$4,000,000) of this facility was drawn down with an effective interest rate 5.42% p.a. (2003: 5.90% p.a.).

15. OTHER PROVISIONS

Directors' retirement benefit	664	552
Other provisions	<u>6</u>	<u>0</u>
	<u>670</u>	<u>552</u>

Directors' retirement benefit provision relates to the Company directors.

AUSTRALIAN INFRASTRUCTURE FUND

NOTES TO THE FINANCIAL STATEMENTS

16. STAPLED SECURITY HOLDERS' FUNDS

	2004 '000	2003 '000
a) Issued stapled securities (number)		
Stapled securities issued at start of the year	179,101	164,659
Stapled securities issued during the year		
- pursuant to market placement	45,741	0
- pursuant to dividend reinvestment plan (DRP)/DRP underwriting ⁽¹⁾	3,712	14,442
Stapled securities at the end of the year	<u>228,554</u>	<u>179,101</u>
	\$'000	\$'000
b) Issued stapled securities		
Stapled securities issued at start of the year	346,283	328,109
Stapled securities issued during the year		
- pursuant to market placement	70,900	0
- pursuant to dividend reinvestment plan/DRP underwriting ⁽¹⁾	5,921	18,485
Less: establishment costs pursuant to market placement/DRP underwriting ⁽¹⁾	(2,883)	(311)
Issued and paid up capital at the end of the year	<u>420,221</u>	<u>346,283</u>
(c) Undistributed income reserve		
Opening balance	4,355	(6,634)
Net operating income	37,324	30,285
Distributions	(23,669)	(19,296)
Closing balance	<u>18,010</u>	<u>4,355</u>

⁽¹⁾ DRP underwriting relates to the 2003 year only.

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

	2004	2003
Basic earnings per stapled security (cents per stapled security)	18.29	17.43
Weighted number of stapled securities ('000)	204,032	173,769
Earnings used in calculating basic earnings per stapled security (\$'000)	37,324	30,285

Diluted earnings per stapled security are not different from basic earnings per stapled security.

AUSTRALIAN INFRASTRUCTURE FUND

NOTES TO THE FINANCIAL STATEMENTS

18. SUBSEQUENT EVENTS

Since 30 June 2004 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. AIF also operates from one geographic location being Australia, from where its investing activities are managed. Revenue can include dividends, distributions, interest, gains and losses on sale of investments, and unrealised changes in the value of investments.

AUSTRALIAN INFRASTRUCTURE FUND

NOTES TO THE FINANCIAL STATEMENTS

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 and until the date of this report were:

Company

Paul Espie - Chairman, appointed Chairman 12 August 2004
Cliff Breeze - resigned as Chairman and director on 12 August 2004
Barry Capp
Ross Dunning
Mike Fitzpatrick
John Harvey - appointed 21 July 2004
Tony Hyams - resigned 24 August 2004

Responsible Entity

Sean McElduff - Chairman, appointed Chairman 25 June 2004
Phil Coffey - resigned as Chairman and director on 25 June 2004
Mike Fitzpatrick
Don Hamson - resigned 4 July 2003
Mike Hutchinson
Guy Strapp - appointed 11 August 2003
Jim Tate - appointed 25 June 2004
Ray Wilson

Responsible Entity

Hastings received management fees of \$4,045,303 from the Scheme and Company for the period ended 30 June 2004 (2003: \$3,397,796). Hastings was also reimbursed \$122,435 (2003: \$197,327) for costs incurred on behalf of AIF. These fees were paid by the Scheme.

AUSTRALIAN INFRASTRUCTURE FUND

NOTES TO THE FINANCIAL STATEMENTS

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 2004	30 June 2003
Cliff Breeze	73,440	55,270
Barry Capp	25,445	20,356
Ross Dunning	13,287	10,000
Paul Espie	83,843	63,099
Mike Fitzpatrick	1,372,957	1,146,568
Mike Hutchinson	10,375	7,500
Tony Hyams	218,750	175,000
Ray Wilson	264,421	211,537

Movements in directors' equity holdings

During the year, the above directors' equity holdings, where applicable, changed by 373,188 stapled securities due to participation in the dividend reinvestment plan, participation in the capital raising or additional purchases of securities.

Director related entities

Cliff Breeze received or is entitled to receive fees of \$25,000 (2003 - \$25,000) for his role as Chairman of Port of Portland Holdings Pty Ltd for the year ended 30 June 2004.

Barry Capp is a director of Westpac Private Equity Pty Limited which is a subsidiary of Westpac Banking Corporation. Westpac Banking Corporation is the holding company of Westpac Institutional Holdings Pty Limited which owns 51% of Hastings Funds Management Limited.

Paul Espie is the 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 \$35,750 (2003 - \$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 \$198,000 principally in relation to the CBD extension project (2003 - \$78,792).

AUSTRALIAN INFRASTRUCTURE FUND

NOTES TO THE FINANCIAL STATEMENTS

20. RELATED PARTIES continued

Director related entities continued

Tony Hyams received or is entitled to receive fees of \$28,148 (2003 - \$27,500) for his role as a director of Australia Pacific Airports Corporation Limited for the period ended 30 June 2004. Tony resigned as director effective 20 February 2004.

Mike Fitzpatrick was appointed an alternate director of Australia Pacific Airports Corporation Limited effective 20 February 2004. Mike is not remunerated for his services.

During the period the Company purchased 3.1% of Australia Pacific Airports Corporation Limited for \$44,174,925. An underwriting fee of \$222,155 was paid to Westpac Banking Corporation by the Scheme in relation to this transaction.

At 30 June 2004 the Scheme had a syndicated Multi Option Lending Facility agreement with Westpac of \$30,000,000 in total with a termination date of 31 July 2005. During the year, the Scheme received interest from Westpac totalling \$1,174,780 (2003 - \$461,405), incurred interest expense to Westpac of \$561,271 (2003 - \$1,003,874) and paid or incurred facility, line fees and other charges of \$59,887 (2003 - \$197,008).

At 30 June 2004 Westpac and its controlled entities held 9,436,982 AIF stapled securities (2003 - 11,283,081).

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

Other transactions

Westpac Banking Corporation owns 51% and controls Hastings Funds Management Limited. Mike Fitzpatrick owns a 49% interest in Hastings through his privately owned company Squitchy Lane Holdings Pty Ltd.

He is a director of Airstralia Development Group Pty Ltd, Port of Portland Holdings Pty Ltd and Hastings Funds Management Limited. He is also a director of Utilities of Australia Pty Ltd (UoA) which is trustee of Utilities Trust of Australia (UTA).

AUSTRALIAN INFRASTRUCTURE FUND

NOTES TO THE FINANCIAL STATEMENTS

20. RELATED PARTIES continued

Other transactions continued

Hastings Funds Management, on behalf of AIF held an interest of approximately 11% in Isarose Pty Ltd which in turn held an investment of 33% in Epic Energy Australia Trust (EEAT).

During the year, following a competitive bid process, EEAT agreed to sell the Epic Rest assets to Hastings as trustee of two trusts the Hastings Utilities Trust No. 2 (HUT2) and the HDUF Finance Trust (HDUF) (collectively referred to as the Purchaser). The Epic REST assets comprised all of the issued units in the Epic Energy East Pipeline Trust (held by the Epic Energy Australia Trust) and all of the issued shares in Epic Energy East Pipelines Pty Ltd, Epic Energy (Pilbara Pipeline) Pty Ltd and Epic Energy (WA) One Pty Ltd. The Purchaser did not acquire the Dampier to Bunbury Natural Gas Pipeline (DBNGP).

Westpac provided an equity bridge loan facility to the Purchaser of \$307,000,000, which was drawn to \$297,000,000 at balance date. The interest rate on the loan is 12 percent per annum.

Westpac will receive a \$1,500,000 fee from the Purchaser for acting as financial adviser to the Purchaser.

Westpac provided loan funds of \$355,560,000 on commercial terms to refinance existing loans made to entities within Epic Rest. Westpac received a \$4,533,269 fee from the Purchaser in relation to this facility.

Westpac is entitled to receive any profit which would arise from the sale of any securities by the Purchaser. Hastings may in certain circumstances be entitled to receive fees as Responsible Entity of HUT2 and/or HDUF if units in those trusts are sold to investors.

Squitchy Lane Holdings (SLH) provided a subordinated loan to the Purchaser of \$20,700,000 to complete the funding for the purchase of Epic Rest. The interest rate payable to SLH on the loan is 200 basis points over the BBSW. SLH received a fee of \$1,000,000 from the Purchaser for underwriting the transaction costs on behalf of the Purchaser.

During the year, AIFT received \$8,296,684 from Isarose Pty Ltd being repayment of shareholder loans. The repayment was made by Isarose out of a distribution from EEAT of the net sale proceeds. AIFT holds the remaining investment in Epic (DBNGP) at nil value as at 30 June 2004.

The Responsible Entity has advised the Board that all these transactions were conducted under commercial terms and conditions.

AUSTRALIAN INFRASTRUCTURE FUND

NOTES TO THE FINANCIAL STATEMENTS

21. IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS

The Manager of the Scheme has commenced transitioning the Scheme and Company accounting policies and financial reporting from current Australian Standards to Australian equivalents of International Financial Reporting Standards (IFRS). The Manager has allocated internal resources and engaged expert consultants to assess the impact of the transition to IFRS. As a result of this review it has been advised that there are minimal changes required, the main reason being that the Scheme and the Company already values investments in accordance with the international requirements. The current systems will also enable any comparative disclosure information (which will be minimal) to be reflected where required.

As the Scheme and the Company has a 30 June year end, priority has been given to considering the preparation of an opening balance sheet in accordance with equivalents of IFRS as at 1 July 2004. This will form the basis of accounting for Australian equivalents of IFRS in the future, and is required with the Company and the Scheme to prepare its first fully IFRS compliant financial report for the year ended 30 June 2006.

Based upon an initial assessment of the impact of transition to IFRS, set out below is the area where accounting policies will change and may have an impact on the financial report. Except where stated, at this time the Manager of the Scheme and the Company have not been able to reliably quantify the impacts on the financial report of AIF.

- Changes in accounting policies will be recognised by restating comparatives, rather than making current year adjustments via a note disclosure.

22. 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.

AUSTRALIAN INFRASTRUCTURE FUND

NOTES TO THE FINANCIAL STATEMENTS

22. FINANCIAL INSTRUMENTS continued.

(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.

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.

AUSTRALIAN INFRASTRUCTURE FUND

NOTES TO THE FINANCIAL STATEMENTS

22. 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 2004

	Floating interest rate	Fixed interest rate maturing in:			Non-interest bearing	Total carrying value as per statement of financial position 2004 \$'000	Weighted average effective interest rate pa 2004 %
		Within 1 year	1 -5 years	More than 5 years			
	2004 \$'000	2004 \$'000	2004 \$'000	2004 \$'000	2004 \$'000		
Financial assets:							
Cash	45,078	0	0	0	0	45,078 4.5	
Investments in unlisted securities	0	0	0	0	324,141	324,141 n/a	
Loans - non-interest bearing	0	0	0	0	25,347	25,347 n/a	
Loans - interest bearing	0	38,574	3,411	0	12,000	53,985 10.5	
Receivables	0	0	0	0	1,077	1,077 n/a	
	45,078	38,574	3,411	0	362,565	449,628 n/a	
Financial liabilities:							
Payables	0	0	0	0	990	990 n/a	
Provisions	0	0	0	0	13,713	13,713 n/a	
	0	0	0	0	14,703	14,703 n/a	

n/a - not applicable

**AUSTRALIAN INFRASTRUCTURE FUND
NOTES TO THE FINANCIAL STATEMENTS**

22. FINANCIAL INSTRUMENT Cont'd

(d) Interest Rate Risk

At 30 June 2003

	Floating interest rate	Fixed interest rate maturing in:				Non-interest bearing	Total carrying value as per statement of financial position 2003 \$'000	Weighted average effective interest rate pa 2003 %
		Within 1 year		More than 5 years				
		2003 \$'000	2003 \$'000	2003 \$'000	2003 \$'000			
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

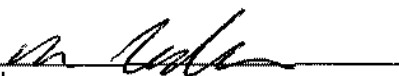
RESPONSIBLE ENTITY'S DECLARATION

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 2004 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: 30 August 2004

Independent audit report

To the stapled security holders of Australian Infrastructure Fund

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the responsible entity's declaration for Australian Infrastructure Fund being the combined structure of Australian Infrastructure Fund Limited and Australian Infrastructure Fund Trust for the year ended 30 June 2004.

The directors of Hastings Funds Management Limited as responsible entity of the Australian Infrastructure Fund Trust are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of Australian Infrastructure Fund, and that complies with Accounting Standards in Australia, in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

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

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

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

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

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

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

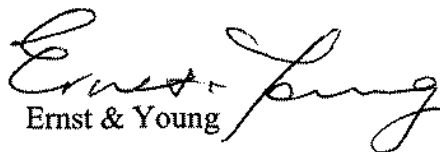
Independence


We are independent of Australian Infrastructure Fund, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

Audit opinion

In our opinion, the financial report of Australian Infrastructure Fund is in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of Australian Infrastructure Fund at 30 June 2004 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 financial reporting requirements in Australia.


Ernst & Young


G I Linton
Partner
Melbourne
Date: 