

## MARKET RELEASE

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### **CHALLENGER INFRASTRUCTURE FUND ACQUIRES UK'S LARGEST INDEPENDENT GAS TRANSPORTER**

1 September 2005, Sydney - Challenger Infrastructure Fund (CIF - ASX:CIFCA) today announced that it has acquired UK based Inexus Group Holdings Limited (Inexus) as part of a CIF led consortium.

Inexus is the largest independent gas transporter in the UK with a 47 per cent share of total existing connections and more than 450,000 gas and electricity connections and contracts. Inexus designs, constructs, owns and operates connections to gas and electricity systems throughout the UK.

The CIF led consortium has agreed to acquire 100 per cent of Inexus for an enterprise value of £465 million. CIF will hold approximately 80 per cent, entities managed by Colonial First State Global Asset Management (the Colonial First State Wholesale Infrastructure Income Fund and Colonial First State Private Capital Limited) will hold 13 per cent and Inexus management 7 per cent.

CIF Chief Executive, Mr Steven Bickerton said: "We believe this is an outstanding infrastructure asset. Key attributes include regulated stable pricing for the majority of revenue, revenue growth of 17 per cent per annum, strong operating cashflows and a first class management team with a proven track record.

"We are particularly pleased with management's decision to invest over £12 million of their own money into Inexus. This is a strong endorsement of their belief in Inexus' growth potential and reflects a strong alignment of interests between management and the consortium.

"Inexus meets all of our investment criteria. It provides an essential service, long-term stable revenue streams and is twice as large as its nearest competitor. Inexus also operates in a transparent and stable regulatory regime where the majority of revenue has attractive pricing. We believe that Inexus will have around 1 million connections built and contracted by the end of 2011." he said.

The acquisition will be funded by a combination of equity and debt. CIF will contribute £152m in equity, which it will initially fund via a bridge facility against its second equity instalment



with the Commonwealth Bank of Australia and Calyon Corporate and Investment Bank and borrowings from Challenger Financial Services Group Limited (CGF).

Senior and junior facilities to Inexus in the UK have been fully arranged and underwritten by Barclays Bank PLC and Royal Bank of Canada.

CIF intends to undertake a 1 for 3 pro rata rights offer to issue approximately 60 million Class A Securities at a price not less than A\$3.50 per security partly paid in two equal instalments, being the same price as the Initial Public Offer. The rights offer will be fully underwritten by JPMorgan, and sub-underwritten by Challenger Life, a division of Challenger Financial Services Group Limited. A Product Disclosure Statement (PDS) will be lodged with ASIC once completed and sent to eligible security holders. The funds raised by the rights offer will be applied in repayment of the Challenger facility and part repayment of the Commonwealth and Calyon facilities.

Mr Bickerton said, "The transaction is expected to be yield accretive for CIF, with preliminary management guidance increased to 14.2 cents for June 2006 distribution, from 14 cents as stated in the recent PDS dated 15 July 2005. Preliminary guidance of the expected annualised return from CIF's seed assets and Inexus for the year ended June 2007 has increased to 9.5 per cent up from the initial 9.25 per cent. The transaction is also expected to increase the tax deferred component of distributions to 80 per cent in 2007."

"Post this capital raising the market capitalisation of CIF on a fully paid basis will increase to around A\$840 million, based upon the original issue price, providing scope to further broaden our shareholder base and assist in improving liquidity for our securities. CIF will also have A\$135 million of uncommitted proceeds from its second instalment due in August 2006 and we remain confident in our robust pipeline" he said.

The consortium was advised by Challenger Management Services Limited and Macquarie Bank Limited. JPMorgan will act as adviser, lead manager and underwriter to CIF for the capital raising.

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