

Appendix 4E

Results for announcement to the market

Annual results for the year ended 30 June 2007

Challenger Infrastructure Fund comprising
CIF Investment Trust 1 ARSN 114 139 703 and
CIF Investment Trust 2 ARSN 114 139 632

	Year ended 30 June 2007 (\$'000)	Period ended 30 June 2006 (\$'000)	% increase (% decrease)
2.1 Revenue from ordinary activities	134,003	82,569	62.3%
2.2 Profit/(loss) from ordinary activities after tax	40,316	(20,685)	Large
2.3 Net profit/(loss) attributable to members	40,354	(20,685)	Large

2.4/2.5 Amounts per security of all distributions paid during the year:

	Distribution (cents per unit)	Record date	Payment date
- Interim distribution	14.4	29 December 2006	27 February 2007
- Final distribution	17.7	29 June 2007	30 August 2007
Total distribution	32.1		

Note: No distribution reinvestment plan is currently in operation.

2.6 Explanation of figures in 2.1 to 2.4

For an explanation of the above result refer to the following attached documents:

- Annual results market release
- Annual financial report

3.0 The net tangible assets for CIF for the year ended are:

	As at 30 June 2007 \$ per security	As at 30 June 2006 \$ per security	% increase (% decrease)
Net asset backing per security	3.84	3.35	14.6%
Net tangible asset backing per security	(1.34)	(0.95)	41.1%

4.0 The entities over which control has been gained during the period are:

Name of entity	Date Control was gained
LBC Holdings LLC	1 June 2007
LBC Acquisition Corporation Inc	1 June 2007
LBC Operations LLC	1 June 2007
LBC Houston LP	1 June 2007
LBC Baton Rouge LLC	1 June 2007
LBC Finance SARL	1 June 2007
LBC Luxembourg SARL	1 June 2007
LBC Luxembourg Holding SCA	1 June 2007
LBC Belgium Holding NV	1 June 2007
LBC Antwerpen NV	1 June 2007
LBC-ERTISA Tankterminal Antwerpen NV	1 June 2007
LBC Rotterdam BV	1 June 2007
LBC France Holding SAS	1 June 2007
LBC France SAS	1 June 2007
LBC SA	1 June 2007
LBC Sotrasol SA	1 June 2007
Sogestrol SAS (LBC Sogestran)	1 June 2007
LBC Nantes SA	1 June 2007
LBC Marseille-Fos SAS	1 June 2007
Terliq SA	1 June 2007
Terquisa SA	1 June 2007
LBC Tanquipor SARL	1 June 2007
Challenger LBC Terminals Jersey Limited	1 June 2007
Challenger LBC Terminals Holding Company Limited	1 June 2007
Challenger LBC Terminals Limited	1 June 2007
Challenger LBC Terminals LLC	1 June 2007
Challenger LBC Terminals Australia Pty Limited	1 June 2007
CIF LBC Trust	1 June 2007

For further details, refer to the following attached documents:

- Annual results market release
- Annual financial report

5.0 Details of distribution:

	Distribution (cents per unit)	Payment date	Year ended 30 June 2007 (\$'000)
- Interim distribution	14.4	27 February 2007	34,679
- Final distribution	17.7	30 August 2007	48,906
Total distribution	32.1		83,585



Suzie Koeppenkastrop
Company Secretary

15 August 2007

Date



ASX RELEASE

CHALLENGER INFRASTRUCTURE FUND ANNOUNCES 2007 FULL YEAR RESULTS

16 August 2007, Sydney – Challenger Infrastructure Fund (ASX: CIF) today announced its financial results for the year ended 30 June 2007, reaffirmed its distribution guidance of 34 cents per security for the 2008 financial year and has maintained its medium term forecast distribution guidance of five per cent growth per annum.

CIF delivered a solid result for the 12 months ended 30 June 2007. As expected the full year distribution of 32.1 cents per security was in line with the PDS forecast. This was 11.5% ahead of the original 2007 full year distribution guidance of 28.8 cents per security. The tax deferred component of 86% is slightly ahead of the 80% forecast in the PDS.

Key highlights from the 2007 financial year include;

- Increased assets under management by 82%: CIF acquired 66% of LBC Group (LBC) for \$336 million and increased its investment in Arqiva by \$154 million via participation in the rights issue undertaken to fund the acquisition of National Grid Wireless (NGW).
- Successfully raised equity: Over the past 12 months, CIF raised \$802 million¹ in equity comprising \$420 million from the payment of the second instalment and \$134 million from an overnight institutional placement to partially fund LBC. In July 2007, CIF completed a 1:4 Entitlement Offer raising \$248 million to pay down the debt drawn to fund LBC and strengthen CIF's balance sheet. CIFs market capitalisation has increased to over \$1.4 billion² from \$298 million³ as at the beginning of the period.
- Improved geographic diversification: Following the acquisition of LBC, CIF now has assets in the UK, North America and Western Europe.
- Strong organic growth: Fund and asset management focused on identifying and delivering organic growth opportunities including:
 - Inexus' gas and electricity business continues to exceed performance targets whilst awaiting a water licence to be granted from the regulator.
 - LBC continues to build capacity in order to meet customer demand.
 - Arqiva secured all four multiplex contracts put out to tender for the provision of digital transmission and services following digital switchover.

¹ Net of transaction costs

² Based on CIFs \$4.00 closing price 13 August 2007 based on 346,757,896 securities on issue

³ Based on CIF \$1.23 closing price 1 July 2006 based on 239,977,146 securities on issue

Further enquiry: Josie Ashton, Senior Manager, Investor Relations, Challenger Financial Services Group. 02 9994 7898
Media Relations, Lynn Anderson Challenger Financial Services Group. 02 9994 7509



- Wales & West Utilities and Northern Gas Networks continue to upgrade and expand their networks

CIF's Chief Executive, Steve Bickerton said: "It has been a very positive twelve months for CIF. We are particularly pleased by the enhanced growth profile of the Fund which has resulted from the acquisition of LBC and the increased investment in Arqiva following its acquisition of NGW. "

Performance in brief

	Year ended 30 June 2007 ⁴ (\$'000)	Period ended 30 June 2006 ⁵ (\$'000)
Consolidated Revenue	134,003	82,569
Consolidated EBITDA ⁶ pre unrealised gains	78,977	56,655
Distribution payable to security holders	83,585	34,077 ⁷

Distributions

CIF remains on track to deliver its PDS distribution forecast for the 2008 financial year of 34 cents per security, of which 65% is expected to be tax deferred. Medium term distribution guidance of five per cent growth per annum has been reaffirmed.

Mr Bickerton said; "CIF's board and management are committed to delivering attractive and growing distributions to securityholders with 6% distribution growth targeted for the 2008 financial year. The identified organic growth opportunities in each of the Fund's assets continue to gain momentum thus enabling CIF to generate a combination of growing distributions and capital growth."

Outlook

Summarising the outlook for the Fund, Mr Bickerton said, "The board and management of CIF believe the outlook for the 2008 financial year is very positive with the Fund well placed to deliver security holders an attractive distribution and organic growth. As part of CIF's focus to maximize securityholder value, CIF will continue to grow its assets under management through disciplined acquisitions that meet CIFs investment criteria and thus maintain the quality of the portfolio."

ENDS

⁴ Includes one month of LBC Group

⁵ Represents 11 months for Arqiva, Wales & West Utilities and Northern Gas Networks from allotment in August 2005 and 10 months for Inexus from acquisition in October 2005

⁶ Earnings before interest, tax, depreciation and amortisation

⁷ During FY06 CIF was partly paid at \$1.75

Challenger Infrastructure Fund

**Comprising the stapled securities:
CIF Investment Trust 1 (ARSN 114139703)
CIF Investment Trust 2 (ARSN 114139632)**

Financial Report

For the year ended 30 June 2007

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Challenger Infrastructure Fund
Financial Report

For the year ended 30 June 2007



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Directors' Report

The directors of Challenger Listed Investments Limited ("CLIL") ABN 94 055 293 644, the Responsible Entity of the CIF Investment Trust 1 (ARSN: 114 139 703) (CIF1) & CIF Investment Trust 2 (ARSN: 114 139 632) (CIF2), collectively known as the Challenger Infrastructure Fund ('CIF'), submit their report together with the financial report for CIF, for the year ended 30 June 2007.

Principal Activities

The principal activity of CIF during the period was the investment of funds in a diversified portfolio of global infrastructure assets.

On 4 April 2007, CIF subscribed for its pro rata share of Arqiva's rights issue, undertaken to fund its acquisition of National Grid Wireless (NGW) in the UK. On 1 June 2007, CIF purchased a majority investment interest in LBC Holdings LLC (LBC). LBC operates in the independent bulk liquid chemical storage sector whose operations are located in Europe and North America.

Scheme Information

Challenger Infrastructure Fund ("CIF") consists of two stapled Australian registered managed investment schemes: CIF1 and CIF2. Each security consists of one unit in CIF1 and one unit in CIF2. Units are stapled together so that one cannot be transferred, or otherwise dealt with, without the other. Challenger Infrastructure Fund Investment Trust #1 has been nominated the parent entity to CIF. Challenger Infrastructure Fund Investment Trust #2 has been nominated the parent entity to Challenger Infrastructure #2 consolidated ("CIF 2 Consolidated") entity.

Challenger Listed Investments Limited ("CLIL"), the responsible entity of the Scheme, is incorporated and domiciled in Australia. The registered office of the Responsible Entity is located at Level 15, 255 Pitt St Sydney, NSW, 2000.

Directors Summary

The following persons held office as directors of CLIL during the period and up to the date of this report:

- Stephen Gerlach Chairman
- Peter Brook (appointed 6 November 2006)
- Russell Hooper
- Ian Martens
- Greg Martin (resigned 4 August 2006)
- Geoff McWilliam
- Ian Moore
- Peter Polson (resigned 4 August 2006)
- Paul Rogan (resigned 2 November 2006)
- Robert Woods

Director and Executive Profiles

Challenger Listed Investments Limited has considerable expertise in the infrastructure, property and funds management sectors as illustrated by the experience of its Directors.

The names and details of the directors and executives in office as at the date of this report are as follows.

Directors

Stephen Gerlach **LLB, FAICD** **Chairman**

Mr Gerlach has extensive experience as a corporate adviser and company director, having held positions on the boards of several public companies. At present he is on the Board of Santos Limited (Chairman) and Futuris Corporation Limited (Chairman).

Mr Gerlach is the former Managing Partner of Adelaide legal firm Finlaysons, and is a former director of Elders Australia Limited (Chairman), Elders Rural Bank Limited, Equatorial Mining Limited (Chairman), Penrice Soda Products Limited (Chairman), Southcorp Limited and Brunner Mond Holdings Limited (UK).

Mr Gerlach is a member of the AICD, its Corporate Governance Committee and is Chairman of Foodbank SA Inc, a Director of Foodbank Australia Inc and a Trustee of the Australian Cancer Research Foundation.

Mr Gerlach is a member of the CLIL Challenger Wine Trust Investment Committee.

Russell Hooper **FAICD, FCPA, FFin** **Non-executive Director**

Mr Hooper has extensive experience in financial services, including over 13 years at St George Bank Limited and Advance Bank Limited, where he held senior management positions in life insurance, wealth management and listed investment trusts, including the role of Chief General Manager, Funds Management.

Mr Hooper is also a Director of Challenger, Challenger Life and Century Australia Investments Limited, and was previously a director of (and Chairman of the Audit Committee for) Commonwealth Insurance Limited, a subsidiary of the Commonwealth Bank. Mr Hooper is a Fellow of the Australian Institute of Company Directors, the Australian Society of Certified Practising Accountants and the Financial Services Institute of Australasia.

Mr Hooper is a member of the CLIL Audit and Compliance Committee, the CLIL Property Investment Committee and the CLIL Infrastructure Investment Committee.

Ian Martens **FCA, FAICD** **Non-executive Director**

Mr Martens is a chartered accountant and was senior partner at BDO Chartered Accountants (SA), where he is now a consultant. Throughout his career Mr Martens has advised a broad range of public and private companies on financial measurement and reporting, strategy development and evaluation and merger and acquisitions activities.

Mr Martens is currently Chairman of RAA Insurance Ltd and a Director of RAA Investments Pty Ltd and the Royal Automobile Association of SA Inc.

Mr Martens is Chairman of the CLIL Audit and Compliance Committee and the CLIL Challenger Wine Trust Investment Committee.

Geoff McWilliam
BE (Civil)
Non-executive Director

Mr McWilliam has had an extensive career in the Australian property investment industry. Most recently, Mr McWilliam spent 10 years building the Commonwealth Bank's property funds management division, Colonial First State Property. As head of this business, he was responsible for the management and performance of over \$16 billion in listed and unlisted property funds. Prior to this, Mr McWilliam spent 23 years with Lend Lease Corporation in a variety of senior management roles.

Mr McWilliam is a director of Lend Lease Funds Management Limited, Lend Lease Asian Retail Investments Limited, Lend Lease Real Estate Investments Limited, St Laurence Limited (NZ), Dunmore Lang College Limited and the Dusseldorp Skills Forum Incorporated, and a Fellow of the Australian Property Institute.

Mr McWilliam is Chairman of the CLIL Property Investment Committee.

Ian Moore
BA, FIA, FIAA
Non-executive Director

Mr Moore has extensive experience in investment banking and structured finance. Mr Moore was Head of Corporate Finance at Bankers Trust Investment Bank where he was responsible for all forms of corporate, project and asset backed financings.

Mr Moore is currently a director of Artesian Capital Management and a Fellow of the Institute of Actuaries of Australia and the Institute of Actuaries in London.

Mr Moore is a member of the CLIL Audit and Compliance Committee and Chairman of the CLIL Infrastructure Investment Committee.

Robert Woods
BCom
Executive Director

Mr Woods is Chief Executive, Asset Management at Challenger. In this role, Mr Woods is responsible for managing Challenger's \$5.4 billion portfolio of investments in direct property, infrastructure and fixed income. The Asset Management business manages assets for third party investors, policyholders and shareholders, generating spread and fee based income.

Prior to joining Challenger, Mr Woods was a founder of Zurich Capital Markets Asia, where he was responsible for the alternative asset business. Prior to this, Mr Woods spent 11 years with Bankers Trust in investment banking.

Peter Brook
BCom, MMngt, AICA,
Executive Director

Mr Brook is the Chief Financial Officer of Challenger's Asset Management division. In this role, Mr Brook is responsible for overseeing the financial management and reporting of the Asset Management division's investment portfolio and specialist funds across direct property, infrastructure and fixed income.

Mr Brook has over 20 years' experience in finance roles, most recently with MLC Limited and National Australia Bank, prior to which he was a partner in professional practice.

Executives

Steven Bickerton
BBuild, MBA
Chief Executive

Mr Bickerton joined Challenger in May 2005 and is the Chief Executive of CIF. In this role, he has overall day to day responsibility for the management of CIF. Prior to joining Challenger, Mr Bickerton was a Director of Project Finance at Calyon Australia Limited, previously Credit Agricole Indosuez, specialising in the financing of large infrastructure projects.

Mr Bickerton is a director of Inexus, LBC, Arqiva and Wales and the West Gas Distribution Network.

Chris Robson
BA, LLB (Hons), LLM
General Counsel & Group Company Secretary

Mr Robson is a qualified solicitor and is the Group Company Secretary and General counsel of the Challenger Financial Services Group. He is also a non-independent director of certain subsidiaries of the Challenger Group. His responsibilities include leading the legal and company secretariat teams within the Business Services division of the Challenger Group.

Suzie Koeppenkastrop
BCom, LLB, LLM
Company Secretary

Ms Koeppenkastrop is a qualified solicitor and Head of Company Secretariat at Challenger. Ms Koeppenkastrop has over 13 years experience in legal and company secretarial roles in the financial services industry.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of CLIL support and have adhered to the ASX Corporate Governance Council's Principles of Corporate Governance and Best Practise Recommendations.

Review and Results of Operations

The consolidated profit before tax for the year ended 30 June 2007 attributable to the stapled security holders of CIF was \$34,947,362 (2006: \$25,933,136 loss). The following table provides an analysis of the result:

	CIF1 Consolidated Year Ended 30 June 2007 \$'000	CIF1 Consolidated 19 May 2005 - 30 June 2006 \$'000
Total Revenue	134,003	82,569
EBIT	96,031	32,477
Profit/(Loss) before tax	34,947	(25,933)
Profit/(Loss) after tax attributable to security holders	40,354	(20,685)
Distributions to security holders	83,585	34,077
Interim Distribution (cents per security)	14.40	6.05
Final Distribution (cents per security)	17.70	8.15
Total Distribution (cents per security)	32.10	14.20

Distributions

The distribution for the year ended 30 June 2007 is 32.10 (2006: 14.20) cents per stapled security. An interim distribution of 14.40 (2006: 6.05) cents per stapled security was paid on 27 February 2007. On 15 August 2007, the directors resolved to pay a final distribution of 17.70 (2006: 8.15) cents per stapled security on 30 August 2007 in respect of the period ended 30 June 2007.

Application of AIFRS for financial reporting

During the period, CIF applied Australian equivalents to International Financial Reporting Standards (AIFRS) for financial reporting purposes.

Stapled Securities on Issue

Total stapled securities of CIF on issue at 30 June 2007 were 276,259,430 (2006: 239,977,147). Securities on issue were comprised of 231,263,715 (2006: 149,985,717) Class A securities and 44,995,715 (2006: 89,991,430) Class B stapled securities. During the period, 34,377,538 Class A stapled securities were issued through an equity placement, 1,904,746 were issued in consideration of management fees and 44,995,715 Class B securities were converted to Class A securities during the year.

Earnings Per Security versus Securities on Issue

Basic Earnings per security amounts are calculated by dividing the profit after tax attributable to security holders by the weighted average number of securities outstanding during the period.

As there were no outstanding options on issue for CIF, diluted earnings per security is the same as basic earnings per security.

The following reflects the income and security data used in the basic and diluted earnings per security computations.

	CIF1 Consolidated Year Ended 30 June 2007 \$'000	CIF1 Consolidated 19 May 2005 - 30 June 2006 \$'000
Profit/(Loss) after tax attributable to security holders	40,354	(20,685)
Time weighted average number of securities for basic and diluted earnings per security at year end	247,249	171,433
Basic earnings/(loss) per security attributable to security holders (cents per security)	16.32	(12.07)
Diluted earnings per security for net profit attributable to security holders (cents per security)	16.32	(12.07)

Scheme Assets

At 30 June 2007, CIF held assets with a total value of \$3,209,444,542 (2006: \$2,104,483,550). The basis for valuation of the assets is disclosed in Note 2 to the financial statements.

Fees Paid to the Responsible Entity and Associates

During the year, management fees amounting to \$9,650,777 (2006: \$2,483,833) were paid to CLIL and its associates.

In accordance with the CIF 1 and CIF 2 constitutions, a management agreement and a fee sharing agreement entered into by CLIL with Challenger Management Services Limited ("CMSL") and Challenger Group Services (UK) Limited ("CGSUK") the following management fees were paid by CIF out of scheme property for the year ended 30 June 2007:

Management Fees Paid to the Responsible Entity and Associates	Year Ended 30 June 2007 \$	19 May 2005 - 30 June 2006 \$
Management Fees Paid to CLIL from CIF under the CIF Trust Constitution and Fee Sharing Agreement	482,559	124,226
Management Fees Paid to CMSL from CIF under the CMSL Management Agreement and Fee Sharing Agreement	9,131,506	2,327,928
Management Fees Paid to CGSUK under UK Management Agreement and Fee Sharing Agreement	36,712	31,679

Transaction advisory fees of \$25,930,002 (2006: \$19,252,545) were paid or are payable to CMSL for transaction advisory services provided to CIF during the year.

Transaction Advisory Fees Paid to CMSL	Year Ended 30 June 2007 \$	19 May 2005 - 30 June 2006 \$
Transaction advisory fees paid or payable to CMSL in respect of the acquisition of CIF assets	23,955,002	19,252,545
Transaction advisory fees paid or payable to CMSL in respect of the establishment of CIF Acquisition Facility	1,975,000	-

Debt establishment fees of \$1,004,475 (2006: \$Nil) were paid or are payable to Challenger Life No.2 Limited ("CL2").

All of the above fees and services were conducted on an arms length basis at market rates.

Interests Held in CIF by the Responsible Entity and its Associates

The following related entity of CLIL holds interests of 5% or more in CIF.

- Challenger Life No.2 Limited – 31.43% (2006: 53.89%)

CL2 and CLIL are wholly owned subsidiaries of Challenger Financial Services Group Limited.

Significant Changes in the State of Affairs

Receipt of second instalment

The second instalment of \$1.75 per security was received on 21 August 2006 in respect of the 149,985,717 Class A and 89,991,430 Class B securities to complete the Initial Public Offer (IPO) and the Entitlement Offer (EO) in accordance with the requirements of the respective CIF Product Disclosure Statements.

Equity Placement

On 23 April 2007, CIF completed an equity placement of 34,377,538 Class A securities at a price of \$4.00 per unit.

CIF Acquisition Facility

On 28 March, CIF established an Acquisition Facility of \$245 million for the purpose of providing acquisition funding. At 30 June 2007, the outstanding borrowings under this facility were \$230 million.

Acquisition of Controlled Entities

- **LBC Holdings LLC**

On 1 June 2007, CIF acquired a 66% equity interest in LBC Holdings LLC (LBC) for \$336 million. As a result LBC is a controlled entity of CIF and is required to be consolidated into the results of CIF.

Acquisition of Available for Sale Investments

- **Arqiva additional investment**

On 4 April 2007, CIF subscribed for its \$154 million pro rata share of Arqiva's rights issue, undertaken to fund its acquisition of National Grid Wireless (NGW) in the UK. Following the subscription for its pro rata share of rights, CIF retained its 6.3% equity interest in Arqiva.

Significant Events after the Balance Date

Entitlement Offer

On 18 June 2007, CIF lodged a Product Disclosure Statement with ASIC for a fully underwritten 1 for 4 non-renounceable Entitlement Offer of Class A Securities to raise approximately \$262 million. This resulted in the issuance of 69,064,332 Class A units at an offer price of \$3.80 per security. The initial allotment date was 5 July 2007 with the final allotment date being 19 July 2007. The proceeds from the Entitlement Offer were used to strengthen CIF's balance sheet position by repaying debt facilities that were drawn down to partially fund the acquisition of LBC. New Class A Securities issued under the Entitlement Offer rank equally with existing Class A Securities.

On 27 July 2007, the \$230 million Acquisition Facility was repaid in full from the proceeds of the Entitlement Offer.

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

Likely Developments and Expected Results

Further information on likely developments on the operation of CIF and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to CIF.

Environmental Regulation and Performance

CIF and its related entities hold licenses issued by the relevant environmental protection authorities of the various countries in which it operates. These licenses cover items such as operating permits, environmental permits, air permits, water permits, hazardous waste, oil pollution, waste pollution and the different products handled at each LBC storage terminal.

There have been no known significant breaches of any other environmental requirements applicable to the Scheme and no fines recorded for the period.

Indemnification and Insurance of Directors and Officers

The Responsible Entity ("RE") has insured the Directors and Officers against liabilities incurred in their role as Directors and Officers of the RE. The RE is prohibited by the insurance contract itself from disclosing the nature of the liabilities covered and the amount of the premium. The auditors of CIF are in no way indemnified out of the assets of the scheme.

CEO and CFO Declaration

The Chief Executive Officer and Chief Financial Officer has given a declaration to the Board of Directors that in their opinion the financial records of CIF have been properly maintained in accordance with section 286 of the Corporations Act 2001, and the financial statements and notes for the financial period ended 30 June 2007 comply with accounting standards and give a true and fair view.

Rounding of Amounts in the Directors' Report and the Financial Report

CIF1 and CIF2 are registered schemes that are of a kind referred to in Class Order 98/100, issued by the Australian Securities & Investments Commission, relating to the 'rounding off' of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

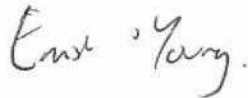
This report is made in accordance with a resolution of directors of Challenger Listed Investments Limited.



Director
Sydney
15 August 2007

Auditor's Independence Declaration to the Directors of the Responsible Entity of the Challenger Infrastructure Fund

In relation to our audit of the financial report of the Challenger Infrastructure Fund for the financial year ended 30 June 2007, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Ernst & Young



Graeme McKenzie
Partner

15 August 2007

Challenger Infrastructure Fund
Financial Report

For the year ended 30 June 2007



Income Statement

For the year ended 30 June 2007

	Notes	CIF1	CIF1	CIF2	CIF2	CIF Investment	CIF Investment	CIF Investment	CIF Investment
		Consolidated	Consolidated	Consolidated	Consolidated	Trust #1	Trust #1	Trust #2	Trust #2
		Year Ended 30 June 2007	19 May 2005 – 30 June 2006	Year Ended 30 June 2007	19 May 2005 – 30 June 2006	Year Ended 30 June 2007	19 May 2005 – 30 June 2006	Year Ended 30 June 2007	19 May 2005 – 30 June 2006
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Investment revenue		36,952	26,754	1,424	610	85,160	35,976	3	1
Transportation revenue		78,671	55,815	78,671	55,815	-	-	-	-
Tank storage revenue		18,380	-	18,380	-	-	-	-	-
Total revenue	3	134,003	82,569	98,475	56,425	85,160	35,976	3	1
Cost of sales		(14,025)	(5,755)	(14,025)	(5,755)	-	-	-	-
Gross profit		119,978	76,814	84,450	50,670	85,160	35,976	3	1
Operating expenses	4	(41,338)	(21,799)	(30,607)	(18,776)	(10,628)	(2,696)	-	-
Realised gains on derivative contracts		337	1,640	(627)	409	751	-	-	-
Earnings before interest, tax, depreciation, amortisation and unrealised gains/(losses)		78,977	56,655	53,216	32,303	75,283	33,280	3	1
Depreciation	4	(17,591)	(9,223)	(17,591)	(9,223)	-	-	-	-
Unrealised movements in employee share scheme	4	(16,140)	(1,144)	(16,140)	(1,144)	-	-	-	-
Unrealised gains/(losses) on derivative contracts	4	50,785	(13,811)	33,435	(7,757)	9,593	-	-	-
Earnings before interest and tax		96,031	32,477	52,920	14,179	84,876	33,280	3	1
Financing costs	4	(61,084)	(58,410)	(61,396)	(43,338)	(2,527)	-	-	-
Profit/(loss) before tax		34,947	(25,933)	(8,476)	(29,159)	82,349	33,280	3	1
Income tax benefit	5	5,369	5,248	5,369	5,267	-	-	(1)	-
Profit/(loss) after tax		40,316	(20,685)	(3,107)	(23,892)	82,349	33,280	2	1

Challenger Infrastructure Fund
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For the year ended 30 June 2007



Income Statement (continued)

For the year ended 30 June 2007

	CIF1	CIF1	CIF2	CIF2	CIF Investment	CIF Investment	CIF Investment	CIF Investment
	Consolidated	Consolidated	Consolidated	Consolidated	Trust #1	Trust #1	Trust #2	Trust #2
	Year Ended	19 May 2005 –	Year Ended	19 May 2005 –	Year Ended	19 May 2005 –	Year Ended	19 May 2005 –
	30 June 2007	30 June 2006	30 June 2007	30 June 2006	30 June 2007	30 June 2006	30 June 2007	30 June 2006
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Profit/(Loss) after tax attributable to:								
Security holders of CIF1	43,423	3,207	-	-	82,349	33,280	2	1
Security holders of CIF2	(3,069)	(23,892)	(3,069)	(23,892)	-	-	-	-
Minority interests	(38)	-	(38)	-	-	-	-	-
	40,316	(20,685)	(3,107)	(23,892)	82,349	33,280	2	1
Basic earnings per unit (cents)	16.32	(12.07)	(1.26)	(13.94)				
Diluted earnings per unit (cents)	16.32	(12.07)	(1.26)	(13.94)				

Challenger Infrastructure Fund
Financial Report

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Balance Sheet

As at 30 June 2007

	Notes	CIF1	CIF1	CIF2	CIF2	CIF	CIF	CIF	CIF	
		Consolidated	Consolidated	Consolidated	Consolidated	Investment	Investment	Investment	Investment	
		30 June 2007	30 June 2006	30 June 2007	30 June 2006	Trust #1	Trust #1	Trust #2	Trust #2	
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Assets										
Cash and cash equivalents	8	127,364	36,593	82,159	12,272	27,625	2,135	52	25	
Trade and other receivables	9	65,109	438,142	64,070	17,320	431,517	440,595	-	24	
Investments	10	481,196	318,486	-	-	776,890	399,223	-	-	
Property, plant and equipment	11	1,075,118	273,047	1,075,118	273,047	-	-	-	-	
Intangible assets	12	1,432,086	1,030,387	1,432,086	1,030,387	-	-	-	-	
Deferred tax assets	5	6,515	6,998	6,515	6,998	-	-	112	-	
Derivative financial instruments at fair value	22	20,132	-	9,039	-	9,591	-	-	-	
Other assets	14	1,925	831	1,925	831	-	-	-	-	
Total assets		3,209,445	2,104,484	2,670,912	1,340,855	1,245,623	841,953	164	49	
Liabilities										
Trade and other payables	15	179,012	76,511	167,476	72,549	11,597	1,817	113	-	
Distribution payable	6	48,906	19,558	-	-	48,906	19,558	-	-	
Provisions	17	40,322	447	40,322	447	-	-	-	-	
Deferred tax liabilities	5	161,348	10,527	161,348	10,527	-	-	-	-	
Derivative financial instruments at fair value	22	-	59,492	-	53,438	-	-	-	-	
Interest bearing liabilities	16	1,644,878	1,058,046	2,083,489	1,131,899	225,495	-	-	-	
Preference shares	16	73,123	76,976	73,123	76,976	-	-	-	-	
Total liabilities		2,147,589	1,301,557	2,525,758	1,345,836	285,998	21,375	113	-	
Net assets		1,061,856	802,927	145,154	(4,981)	959,625	820,578	51	49	
Equity										
Contributed equity	18	961,706	821,423	48	48	961,658	821,375	48	48	
Retained profits/(accumulated losses)	20	-	(20,685)	(26,999)	(23,892)	-	-	3	1	
Reserves	19	(57,371)	2,189	14,584	18,863	(2,033)	(797)	-	-	
Minority Interests		157,521	-	157,521	-	-	-	-	-	
Total equity		1,061,856	802,927	145,154	(4,981)	959,625	820,578	51	49	

Balance Sheet (continued)

As at 30 June 2007

Notes	CIF1	CIF1	CIF2	CIF2	CIF	CIF	CIF	CIF
	Consolidated	Consolidated	Consolidated	Consolidated	Investment	Investment	Investment	Investment
	30 June 2007	30 June 2006	30 June 2007	30 June 2006	Trust #1	Trust #1	Trust #2	Trust #2
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Comprised of :								
CIF1	916,702	807,908	-	-	959,625	820,578	51	49
CIF2	(12,367)	(4,981)	(12,367)	(4,981)	-	-	-	-
Minority interests	157,521	-	157,521	-	-	-	-	-
Total equity	1,061,856	802,927	145,154	(4,981)	959,625	820,578	51	49

Statement of Changes in Equity

For the year ended 30 June 2007

	Notes	CIF1	CIF1	CIF2	CIF2	CIF	CIF	CIF	CIF
		Consolidated	Consolidated	Consolidated	Consolidated	Investment	Investment	Investment	Investment
		Trust #1	Trust #1	Trust #2	Trust #2	Trust #1	Trust #1	Trust #2	Trust #2
		Year Ended 30 June 2007	19 May 2005 – 30 June 2006	Year Ended 30 June 2007	19 May 2005 – 30 June 2006	Year Ended 30 June 2007	19 May 2005 – 30 June 2006	Year Ended 30 June 2007	19 May 2005 – 30 June 2006
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening equity balance		802,927	-	(4,981)	-	820,578	-	49	-
Cash flow hedge reserve	19	27,608	6,195	27,608	6,195	-	-	-	-
Asset revaluation reserve	19	30,300	8,618	-	-	-	-	-	-
Foreign currency translation reserve	19	(52,043)	21,453	(30,416)	12,668	-	-	-	-
Total income and expenses for the period recognised in equity		5,865	36,266	(2,808)	18,863	-	-	-	-
Profit/(loss) after tax		40,316	(20,685)	(3,107)	(23,892)	82,349	33,280	2	1
Total income and expense for the period		46,181	15,581	(5,915)	(5,029)	82,349	33,280	2	1
Contributions of equity – security holders		143,764	839,920	-	48	143,764	839,872	-	48
Contributions of equity - minorities		157,521	-	157,521	-	-	-	-	-
Transaction costs		(3,481)	(18,497)	-	-	(3,481)	(18,497)	-	-
Distributions paid to security holders	6	(83,585)	(34,077)	-	-	(83,585)	(34,077)	-	-
Distributions paid to minorities	6	(1,471)	-	(1,471)	-	-	-	-	-
Closing equity balance		1,061,856	802,927	145,154	(4,981)	959,625	820,578	51	49

Cash Flow Statement

For the year ended 30 June 2007

	Note	CIF1	CIF1	CIF2	CIF2	CIF	CIF	CIF	CIF
		Consolidated	Consolidated	Consolidated	Consolidated	Investment	Investment	Investment	Investment
		Year Ended 30 June 2007	19 May 2005 - 30 June 2006	Year Ended 30 June 2007	19 May 2005 - 30 June 2006	Trust #1 Year Ended 30 June 2007	Trust #1 Year Ended 30 June 2006	Trust #2 Year Ended 30 June 2007	Trust #2 Year Ended 30 June 2006
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Cash flows from operating activities									
Receipts from customers		94,230	58,518	94,230	58,518	-	-	-	-
Payments to suppliers		(46,419)	(21,759)	(45,401)	(21,624)	(618)	(192)	-	-
Interest received		19,046	9,757	1,373	610	11,124	610	3	1
Dividends received		17,379	16,132	-	-	64,251	14,710	-	-
Interest paid		(37,454)	(19,539)	(38,594)	(4,081)	(3,349)	-	-	-
Tax received/(paid)		328	(29)	329	-	-	-	(122)	-
Net cash flow from operating activities	26	47,110	43,080	11,937	33,423	71,408	15,128	(119)	1
Cash flows from investing activities									
Acquisition of available for sale investments		(153,914)	(300,427)	-	-	-	-	-	-
Purchase of controlled entities (net of cash acquired)	10,28	(1,037,523)	(1,149,698)	(1,037,523)	(1,149,698)	(777,637)	(399,223)	-	-
Payments for purchase of property, plant and equipment		(54,816)	(27,973)	(54,816)	(27,973)	-	-	-	-
Net cash flow from investing activities		(1,246,253)	(1,478,098)	(1,092,339)	(1,177,671)	(777,637)	(399,223)	-	-
Cash flows from financing activities									
Net proceeds from issue of securities		556,704	401,463	24	24	556,692	401,439	24	24
Proceeds from minorities		173,000	73,974	173,000	73,974	-	-	-	-
Proceeds from borrowings		905,190	1,202,992	675,190	736,877	230,000	-	-	-
Repayment of borrowings		(288,378)	(194,277)	(29,410)	-	-	-	-	-
Loan from related party		-	-	335,693	357,822	(728)	(690)	122	-
Distributions paid		(55,348)	(14,519)	(1,102)	(9,305)	(54,245)	(14,519)	-	-
Net cash flow from financing activities		1,291,168	1,469,633	1,153,395	1,159,392	731,719	386,230	146	24

Cash Flow Statement (continued)

For the year ended 30 June 2007

	Note	CIF1	CIF1	CIF2	CIF2	CIF	CIF	CIF	CIF
		Consolidated	Consolidated	Consolidated	Consolidated	Investment	Investment	Investment	Investment
		Trust #1	Trust #1	Trust #2	Trust #2	Trust #1	Trust #1	Trust #2	Trust #2
		Year Ended 30 June 2007 \$'000	19 May 2005 - 30 June 2006 \$'000	Year Ended 30 June 2007 \$'000	19 May 2005 - 30 June 2006 \$'000	Year Ended 30 June 2007 \$'000	19 May 2005 - 30 June 2006 \$'000	Year Ended 30 June 2007 \$'000	19 May 2005 - 30 June 2006 \$'000
Net increase/(decrease) in cash assets held		92,025	34,615	72,993	15,144	25,490	2,135	27	25
Cash and cash equivalents at beginning of year		36,593	-	12,272	-	2,135	-	25	-
Net foreign exchange differences		(1,254)	1,978	(3,106)	(2,872)	-	-	-	-
Cash and cash equivalents at end of year	8	127,364	36,593	82,159	12,272	27,625	2,135	52	25

Notes to the Financial Statements

1. Corporate Information

The financial report for the year ended 30 June 2007 was authorised for issue in accordance with a resolution of the directors of the Responsible Entity dated 15 August 2007.

Challenger Infrastructure Fund ("CIF") consists of two stapled Australian registered managed investment schemes: CIF1 and CIF2. Each security consists of one unit in CIF1 and one unit in CIF2. Units are stapled together so that one cannot be transferred, or otherwise dealt with, without the other. Challenger Infrastructure Fund Investment Trust #1 has been nominated the parent entity to CIF. Challenger Infrastructure Fund Investment Trust #2 has been nominated the parent entity to Challenger Infrastructure #2 consolidated ("CIF 2 Consolidated") entity.

Challenger Listed Investments Limited ("CLIL"), the responsible entity of the Scheme, is incorporated and domiciled in Australia.

The principal activity of CIF during the period was the pooling of investor's funds in CIF through the public issue of Securities and the investment of CIF funds in UK, European and North American infrastructure assets.

2. Summary of Accounting Policies

The policies which have been adopted in the preparation of the financial statements are stated to assist in providing a general understanding of this report.

(i) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the Constitution and the requirements of the Corporations Act 2001 and Australian Accounting Standards. The financial report has been prepared on a historical cost basis, except for land and buildings, derivative financial instruments and available-for-sale financial assets that have been measured at fair value.

The financial statements have been prepared in accordance with ASIC Class Order 05/642 which allows issuers of stapled securities to include their financial statements and the consolidated or combined financial statements of the stapled group in adjacent columns in one financial report.

The financial report has been prepared based on a business combination by the parent entity, and in recognition of the fact that the securities issued by CIF1 and CIF2 have been stapled and cannot be traded separately. CIF1 and CIF2 are included as part of equity attributable to equity holders of the stapled group, in accordance with UIG 1002, "Consolidated Financial Reports in relation to Post-Date-of-Transition Stapling Arrangements".

CIF1 accounts are included as the ultimate parent entity to the CIF structure.

CIF2 accounts are included as the ultimate parent entity to the CIF 2 consolidated structure and these accounts are consolidated into CIF 1.

The Balance Sheet is presented on a liquidity basis. Assets and Liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current, additional information regarding this are included in the relevant notes.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to CIF under ASIC Class Order 98/100. CIF is an entity to which the class order applies.

Notes to Financial Statements (continued)

(ii) Statement of Compliance

Except for the amendments to AASB 101 Presentation of Financial Statements, which CIF has early adopted, Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by CIF for the annual reporting period ending 30 June 2007.

The following standards and amendments were available for early adoption but have not been applied by CIF in these financial statements:

- AASB 7: Financial Instruments: Disclosure replacing the presentation requirements of financial instruments under AASB 132: Financial Instruments: Disclosure and Presentation. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007.
- AASB 2005-10 Amendments to Australian Accounting Standards makes consequential amendments to AASB 132: Financial Instruments: Disclosure and Presentation, AASB 101: Presentation of Financial Statements, AASB 114: Segment Reporting, AASB 117 Leases, AASB 133: Earnings per share, AASB 139: Financial Instruments: Recognition and Measurement, AASB 1: First time adoption of AIFRS, AASB 4: Insurance Contracts, AASB 1023: General Insurance Contracts and AASB 1028: Life Insurance Contracts, arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007.
- AASB 8: Operating Segments. This is applicable for annual reporting periods beginning on or after 1 January 2009.

CIF plans to adopt AASB 7 and AASB 2005-10 in the year ended 30 June 2008. The initial application of AASB 7 and AASB 2005-10 is not expected to have an impact on the financial results of CIF as the standard and the amendment are concerned only with disclosures.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

A summary of the significant accounting policies of the Group under AIFRS are disclosed below.

(iii) Basis of Consolidation

The Fund has applied UIG 1002 to the stapling of CIF1 and CIF2. For the purposes of statutory reporting the stapled entity reflects the consolidated entity. The parent entity in this arrangement is CIF1.

The consolidated balance sheet and consolidated income statement comprises the financial position and performance of CIF1 and its subsidiaries, and CIF2 and its subsidiaries, collectively known as CIF.

The financial statements of subsidiaries are prepared for the same reporting period as CIF1 and CIF2, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

Subsidiaries are consolidated in accordance with the purchase method of accounting from the date on which control is transferred to CIF and cease to be consolidated from the date on which control is transferred out of CIF. Where loss of control of a subsidiary occurs, the consolidated financial statements include the results for the part of the reporting period during which CIF had control.

Notes to Financial Statements (continued)

Minority interests do not have a binding obligation to reimburse CIF for losses and accordingly losses applicable to the minority interest in excess of their interest in the equity of the subsidiary's equity are allocated against the parent interest. Minority interests in the profits of the relevant subsidiary are recognised once the minority's share of losses previously absorbed by CIF has been removed.

(iv) Investments in Financial Assets

Available for Sale

CIF investments in Arqiva, Wales and the West Gas DN and Northern Gas DN are classified as available for sale. Available for sale investments are initially recognised at fair value, being the cost of the investment acquired including acquisition charges associated with the investment.

Fair value movements in available for sale investments are recognised as a separate component of equity in the balance sheet until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Independent valuations of available for sale assets are obtained annually. The directors of the Responsible Entity make reference to these independent valuations when making their assessment of the fair value of the available for sale assets at each reporting date.

Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the consolidated entity has transferred substantially all risks and rewards of ownership.

(v) Derivative Financial Instruments

CIF uses derivative financial instruments such as foreign currency contracts, interest rate swaps and inflation swap contracts to hedge its risks associated with movements in foreign currency, interest rates and inflation. Such derivative financial instruments are stated at fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of inflation and interest rate swap contracts is determined by reference to market values for similar instruments.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objectives and strategies for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair values or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair values or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

For the purposes of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

In relation to cash flow hedges to hedge firm commitments which meet the conditions for special hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in the income statement.

Notes to Financial Statements (continued)

When the hedged firm commitment results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the income statement in the same year in which the hedged firm commitment affects the net profit and loss, for example when the future sale actually occurs.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs.

If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement.

Financial Instruments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the consolidated entity has transferred substantially all risks and rewards of ownership.

(vi) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to CIF and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Transportation and other operating revenue

Transportation and other operating revenue from the supply of goods and services are recognised in the income statement on an accruals basis.

Service revenue

Revenue from the provision of services, mainly rental fees and additional services, is recognised in the income statement as the services are performed and according to specific contractual terms.

Dividend and distribution revenue

Dividend and trust distributions are recognised when the security holders' right to receive the payment is established.

Interest revenue

Interest revenue is recognised to the extent that it is probable that the economic benefits will flow to CIF and the revenue can be reliably measured. Interest income is brought to account on an effective interest basis.

(vii) Expenses

Expenses are recognised in the income statement when CIF has a present obligation as a result of a past event that can be reliably measured. Expenses are recognised in the income statement if expenditure does not produce future economic benefits that qualify for recognition in the balance sheet.

Notes to Financial Statements (continued)

(viii) Finance Costs

Finance costs are recognised as an expense on an effective interest basis.

(ix) Cash and cash equivalents

For purposes of the Balance Sheet and the Statement of Cash Flows, cash includes cash on hand and in banks, deposits at call with financial institutions and other highly liquid investments with short periods to maturity of three months or less that are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(x) Trade and other receivables

Trade receivables are recognised at their fair value which is their original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(xi) Business Combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Except for non-current assets or disposal groups classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of the consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(xii) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials – purchase cost on a first-in, first-out basis; and
- Finished goods and work-in-progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Notes to Financial Statements (continued)

(xiii) Property, Plant and Equipment

Inexus Group Holdings Limited (Inexus)

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Property, Plant and Equipment are depreciated on a straight line basis over their estimated useful lives detailed below. This is done on a project by project basis with depreciation commencing when the company starts receiving transportation income from the project. The estimated useful lives are as follows:

Infrastructure	40 yrs straight line
Meters	20 yrs straight line

Depreciation is provided on other tangible fixed assets, at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition, of each asset over its estimated useful life as follows:

Computer software	4 yrs straight line
Plant and machinery	4 yrs straight line
Motor vehicles	4 yrs straight line
Fixtures & fittings	4 yrs straight line
Direct contracting plant & machinery	5 yrs straight line

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

LBC Holdings LLC (LBC)

Plant and equipment includes buildings, tank storage and dock facilities which have been recognised at depreciated replacement cost determined by an independent valuer at the date of acquisition of LBC. These are depreciated on a straight line basis over their estimated useful lives detailed below. This is also performed on a terminal by terminal basis with the depreciation commencing at the time the entity starts receiving income from the terminal. The estimated range of useful lives are as follows:

Buildings	10 – 40 years
Tank storage facilities	20 – 70 years
Dock facilities	50 – 70 years

Future decommissioning costs that may arise from legal or constructive obligations are recorded as components of fixed assets and depreciated over the useful life of the installations.

Notes to Financial Statements (continued)

(xiv) Land

Land is measured at fair value, based on periodic but at least triennial valuations by external independent valuers, less any impairment losses recognised after the date of the revaluation. Changes in fair value will be recognised in an asset revaluation reserve.

(xv) Goodwill and Intangibles

Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the net identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Intangibles

Leasehold contracts

The value of purchased Leasehold contracts entered into by LBC in excess of current market premium is recognised as an identifiable intangible asset at acquisition. This asset is amortised over the term of the respective leases. The estimated amortisation periods for the value of leasehold contracts recognised as intangible assets is 2 to 19 years.

Software

Intangibles include amounts paid by LBC for the access to property rights for the use of software programs. The costs of externally acquired software are depreciated on a straight line basis over a period of three years from the date of acquisition.

(xvi) Leased Assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Operating leases

Payments made under operating leases are expensed on a straight line basis over the term of the lease.

Notes to Financial Statements (continued)

Finance leases

Payments made under finance leases are capitalised at the inception of the lease at its fair value. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss. Capitalised leases are depreciated over the estimated useful life of the asset.

(xvii) Trade and Other Creditors

These amounts represent liabilities for goods and services provided to CIF prior to the end of the financial period, whether or not billed to CIF, which are unpaid.

Payables are recognised for amounts to be paid in the future for goods and services received and include outstanding settlements on the purchase of investments and distributions payable.

Amounts payable at balance date that are denominated in foreign currencies have been converted to local currency using the rates of exchange ruling at the end of the financial period.

(xviii) Provisions

Provisions are recognised when CIF has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where CIF expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Environmental Provisions

Estimated costs relating to the remediation of site land are taken to the Income Statement as soon as the need is identified and a reliable estimate of the liability is able to be assessed.

For sites where there are uncertainties with respect to what remediation obligations might be or what remediation techniques might be approved and no reliable estimate can presently be made, no amounts have been capitalised, expensed or provided for.

Repairs and Maintenance Provisions

Estimated costs relating to repairs and maintenance works associated with the prevention of environmental remediation of site land are taken to the Income Statement as soon as the need is identified and a reliable estimate of the liability is able to be assessed.

For future works where there are uncertainties with respect to what repairs and maintenance obligations are required and no reliable estimate can presently be made, no amounts have been capitalised, expensed or provided for.

Notes to Financial Statements (continued)

(xix) Employee Entitlements

Wages, salaries and non monetary benefits

Liabilities for wages and salaries, including non monetary benefits are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

Defined contribution stakeholder pension scheme - Inexus

CIF's subsidiary Inexus operates a defined contribution stakeholder pension scheme. Employee contributions are based on various percentages of their gross salaries. Contributions made by Inexus Group Holdings Limited (IGHL) are expensed as incurred. Inexus has no liability beyond its contributions.

Pension Plan and Employee Benefits – LBC

LBC conducts pension plans in accordance with the local conditions and practices in the countries in which it operates. In the European entities, when required by local practices, employee retirement commitments are recorded as a liability. Actuarial valuations are carried out where this obligation exists. In US entities, LBC maintains a 401(k) plan for all employees with at least six months of company service. Employees may make voluntary contributions as a percentage of their respective earnings which LBC will match, depending on the achievement of certain company goals.

(xx) Share-Based Payment Transactions

Challenger Connections Limited (a subsidiary of the CIF Group) provides benefits to employees of IGHL in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares within IGHL.

Under the Employee Incentive Equity Scheme the employees have an option to receive their vested shares paid as cash. As such, the Employee Incentive Equity Scheme is treated as a cash settled share-based scheme.

The liability is measured, initially and at each reporting date until settled, at the fair value of the share appreciation rights, by applying an option pricing model, and the extent to which the employees have rendered services to date. Changes in fair value are recognised in profit or loss.

(xxi) Interest Bearing Liabilities

All loans and borrowings are initially recognised at fair value. Upon initial recognition this is the consideration received net of issue costs associated with the borrowing.

Gains and losses are recognised in the income statement when the liabilities are derecognised.

(xxii) Redeemable Preference Shares

On the issue of redeemable preference shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a long-term liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost.

Notes to Financial Statements (continued)

(xxiii) Deferred Taxation

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future;
- deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised;
- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

(xxiv) Goods and Services Tax and Equivalent Foreign Taxes

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 receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component 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.

Notes to Financial Statements (continued)

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

(xxv) Terms and Conditions on Securities

Each Class A and Class B Security issued confers upon the security holder an equal interest in the Scheme, and is of equal value. A security does not confer any interest in any particular asset or investment of the Scheme. The Class A Securities and Class B Securities rank equally in all respects. Effective from 2 January 2007, half of the Class B Securities issued to Challenger Life became Class A Securities. As of 1 July 2008, both the Class A Securities and the remaining Class B Securities will become Ordinary Stapled Securities.

Class A and Class B Security holders have various rights under the Constitution and the Corporations Act 2001, including the right to:

- Receive income distribution;
- Attend and vote at meetings of security holders; and
- Participate in the termination and winding up of the Scheme.

(xxvi) Contributed Equity

CIF 1 and CIF2 stapled units are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(xxvii) Segment Reporting

A business segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is a distinguishable component of the entity that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different than those of segments operating in other economic environments.

(xxviii) Distributions

A provision is made by CIF for the amount of any distribution payable under the Constitution on or before the end of the financial period but not distributed at the balance date.

(xxix) Earnings per Security

Basic earnings per security is calculated by dividing net profit after tax for the year attributable to ordinary Class A or Class B security holders of the entity by the weighted average number of ordinary securities outstanding during the financial period.

There were no outstanding options during the year. Accordingly, diluted earnings per security equate to basic earnings per security.

(xxx) Foreign Currency Translation

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. The functional currencies of the overseas subsidiaries listed in note 28 are British Pounds (GBP) and Euros (EUR). As at the reporting date the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of CIF (AUD) at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average exchange rates for the period. The exchange differences arising on the retranslation are taken directly to a separate component of equity. Foreign Exchange translation differences in respect of available for sale assets are recognised in a separate component of equity.

Notes to Financial Statements (continued)

(xxxii) Significant accounting judgements, estimates and assumptions

The carrying amount of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of goodwill

The consolidated entity assess whether goodwill is impaired at least annually in accordance with the accounting policy in note 13. These calculations involve an estimation of the recoverable amount of the cash generating units to which the goodwill is allocated.

Share based payments

The consolidated entity measures the cost of cash-settled share based transactions with employees by reference to the fair value of the ordinary shares at the date at which they are granted.

(xxxiii) Valuation of Available for Sale Assets

Available for Sale assets are subject to fair value assessment every half year period. All movements are recognised through equity to the extent that the valuation of the assets are in excess of the acquired value. Any movements below the acquired value are recognised as an expense.

Where applicable, costs directly attributable to the valuation increase of available for sale assets have been passed through equity.

3. Revenue

	CIF1 Consolidated Year Ended 30 June 2007 \$'000	CIF1 Consolidated 19 May 2005 - 30 June 2006 \$'000	CIF2 Consolidated Year Ended 30 June 2007 \$'000	CIF2 Consolidated 19 May 2005 - 30 June 2006 \$'000	CIF1 Investment Trust #1 1 July 2006 - 30 June 2007 \$'000	CIF1 Investment Trust #1 19 May 2005 - 30 June 2006 \$'000	CIF1 Investment Trust #2 1 July 2006 - 30 June 2007 \$'000	CIF1 Investment Trust #2 19 May 2005 - 30 June 2006 \$'000
Investment revenue								
- Arqiva*	12,247	11,742	-	-	-	-	-	-
- North DN	8,528	5,580	-	-	-	-	-	-
- Wales & the West DN	6,778	7,422	-	-	-	-	-	-
Interest income	9,399	2,010	1,424	610	7,249	610	3	1
Revenue from Controlled Entities	-	-	-	-	77,911	35,366	-	-
	36,952	26,754	1,424	610	85,160	35,976	3	1
Operating revenue								
Transportation revenue	78,671	55,815	78,671	55,815	-	-	-	-
Tank storage revenue	18,380	-	18,380	-	-	-	-	-
Total revenue	134,003	82,569	98,475	56,425	85,160	35,976	3	1

* Arqiva refers to the combined Arqiva and National Grid Wireless businesses.

4. Expenses and unrealised items

	CIF1 Consolidated Year Ended 30 June 2007 \$'000	CIF1 Consolidated 19 May 2005 - 30 June 2006 \$'000	CIF2 Consolidated Year Ended 30 June 2007 \$'000	CIF2 Consolidated 19 May 2005 - 30 June 2006 \$'000	CIF1 Investment Trust #1 Year Ended 30 June 2007 \$'000	CIF1 Investment Trust #1 19 May 2005 - 30 June 2006 \$'000	CIF1 Investment Trust #2 Year Ended 30 June 2007 \$'000	CIF1 Investment Trust #2 19 May 2005 - 30 June 2006 \$'000
Operating expenses								
Management fees and expenses	(9,651)	(2,484)	-	-	(9,614)	(2,452)	-	-
Salaries & wages	(22,213)	(10,572)	(22,213)	(10,572)	-	-	-	-
Equipment costs	(2,910)	(1,873)	(2,910)	(1,873)	-	-	-	-
Communications	(1,438)	(1,071)	(1,438)	(1,071)	-	-	-	-
Other operating expenses	(5,126)	(5,799)	(4,046)	(5,260)	(1,014)	(244)	-	-
Total operating expenses	(41,338)	(21,799)	(30,607)	(18,776)	(10,628)	(2,696)	-	-
Depreciation								
Depreciation of property, plant and equipment	(17,591)	(9,223)	(17,591)	(9,223)	-	-	-	-
Unrealised Items								
Unrealised movements in employee share scheme	(16,140)	(1,144)	(16,140)	(1,144)	-	-	-	-
Unrealised gains/(losses) on foreign currency derivatives	23,795	(10,168)	6,446	(4,114)	9,593	-	-	-
Unrealised gains/ (losses) on inflation derivative contracts	26,990	(3,643)	26,989	(3,643)	-	-	-	-
Total unrealised items	34,645	(14,955)	17,295	(8,901)	9,593	-	-	-
Financing costs								
Preference shares and loan notes - Inexus minorities	(6,909)	(4,595)	(6,909)	(4,595)	-	-	-	-
Loan notes - LBC minorities	(140)	-	(140)	-	-	-	-	-
Interest bearing liabilities – external	(51,381)	(50,364)	(46,396)	(33,424)	(2,067)	-	-	-
Interest bearing liabilities – related entities	(211)	-	(6,373)	(3,993)	-	-	-	-
Amortisation of loan issue costs	(2,443)	(3,451)	(1,578)	(1,326)	(460)	-	-	-
Total financing costs	(61,084)	(58,410)	(61,396)	(43,338)	(2,527)	-	-	-

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5. Income Tax

Major components of income tax expense are:

	CIF1 Consolidated Year Ended 30 June 2007 \$'000	CIF1 Consolidated Year Ended 30 June 2006 \$'000	CIF2 Consolidated Year Ended 30 June 2007 \$'000	CIF2 Consolidated Year Ended 30 June 2006 \$'000	CIF Investment Trust #1 Year Ended 30 June 2007 \$'000	CIF Investment Trust #1 Year Ended 30 June 2006 \$'000	CIF Investment Trust #2 Year Ended 30 June 2007 \$'000	CIF Investment Trust #2 Year Ended 30 June 2006 \$'000
Income statement								
<i>Current income tax</i>								
Current income tax charge	(1)	(82)	(1)	(63)	-	-	(1)	-
<i>Deferred income tax</i>								
Relating to the origination and reversal of temporary differences	5,370	5,330	5,370	5,330	-	-	-	-
Income tax benefit reported in income statement	5,369	5,248	5,369	5,267	-	-	(1)	-

A reconciliation between tax expenses and accounting profit before income tax is as follows:

	CIF1 Consolidated Year Ended 30 June 2007 \$'000	CIF1 Consolidated Year Ended 30 June 2006 \$'000	CIF2 Consolidated Year Ended 30 June 2007 \$'000	CIF2 Consolidated Year Ended 30 June 2006 \$'000	CIF Investment Trust #1 Year Ended 30 June 2007 \$'000	CIF Investment Trust #1 Year Ended 30 June 2006 \$'000	CIF Investment Trust #2 Year Ended 30 June 2007 \$'000	CIF Investment Trust #2 Year Ended 30 June 2006 \$'000
Profit/(loss) before tax	34,947	(25,933)	(8,476)	(29,159)	82,349	33,280	3	1
At the statutory income tax rate of 30%	(10,484)	7,780	2,543	8,748	(24,705)	(9,984)	(1)	-
Adjustment in respect of current income tax of previous years	(61)	-	(61)	-	-	-	-	-
Unrecognised tax losses	-	(2,711)	-	-	-	-	-	-
Expenditure not allowable for income tax purposes	(4,768)	(19,775)	(4,768)	(3,656)	-	(5,509)	-	-
Non assessable items	20,225	19,798	7,198	-	24,705	15,493	-	-
Other	457	156	457	175	-	-	-	-
Income tax benefit/(expense) reported in income statement	5,369	5,248	5,369	5,267	-	-	(1)	-

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Deferred Income Tax

Deferred income tax at 30 June 2007 relates to the following:

CIF1 Consolidated	Balance Sheet		Income Statement	Income Statement
	30 June 2007	30 June 2006	30 June 2007	30 June 2006
	\$'000	\$'000	\$'000	\$'000
Deferred tax liability arising from fair value adjustment of property, plant and equipment and provisions on acquisition of subsidiary	(128,661)	-	-	-
Other acquired deferred tax liabilities on acquisition of subsidiary	(32,024)	(8,859)	-	-
Accelerated depreciation for tax purposes	(3,490)	(1,668)	6,510	(1,668)
Deferred gains on foreign exchange contracts	(862)	-	(2,096)	-
Other	3,689	-	-	-
Deferred income tax liabilities	(161,348)	(10,527)		
Deferred losses/(gains) on hedge contracts	81	1,234	81	1,234
Losses available for offset against future taxable income	6,434	5,764	875	5,764
Deferred income tax assets	6,515	6,998		
Deferred tax income/(expense)			5,370	5,330

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CIF 2 Consolidated	Balance Sheet	Balance Sheet	Income Statement	Income Statement
	30 June 2007	30 June 2006	30 June 2007	30 June 2006
	\$'000	\$'000	\$'000	\$'000
Deferred tax liability arising from fair value adjustment of property, plant and equipment and provisions on acquisition of subsidiary	(128,661)	-	-	-
Other acquired deferred tax liabilities on acquisition of subsidiary	(32,024)	(8,859)	-	-
Accelerated depreciation for tax purposes	(3,490)	(1,668)	6,510	(1,668)
Deferred gains on foreign exchange contracts	(862)	-	(2,096)	-
Other	3,689	-	-	-
Deferred income tax liabilities	(161,348)	(10,527)		
Deferred losses/(gains) on hedge contracts	81	1,234	81	1,234
Losses available for offset against future taxable income	6,434	5,764	875	5,764
Deferred income tax assets	6,515	6,998		
Deferred tax income/(expense)			5,370	5,330

CIF Investment Trust #2	Balance Sheet	Balance Sheet	Income Statement	Income Statement
	30 June 2007	30 June 2006	30 June 2007	30 June 2006
	\$'000	\$'000	\$'000	\$'000
Losses available for offset against future taxable income	112	-	-	-
Deferred income tax assets	112	-		
Deferred tax income/(expense)			-	-

CIF Investment Trust #1 contain \$nil deferred tax asset and deferred tax liability figures and as a result there are no disclosures to present.

The consolidated entity has unrecognised tax losses of \$4,292,248 (2006: \$2,710,810) that are available to offset against future taxable profits of companies in which the losses arose. In addition, Inexus has not recognised available capital allowances that may be utilised in the future.

6. Distributions Paid and Proposed

	CIF1 Consolidated 30 June 2007 \$'000	CIF1 Consolidated 30 June 2006 \$'000	CIF2 Consolidated 30 June 2007 \$'000	CIF2 Consolidated 30 June 2006 \$'000	CIF Investment Trust #1 30 June 2007 \$'000	CIF Investment Trust #1 30 June 2006 \$'000	CIF Investment Trust #2 30 June 2007 \$'000	CIF Investment Trust #2 30 June 2006 \$'000
a) Distributions paid and proposed								
Distributions to security holders	83,585	34,077	-	-	83,585	34,077	-	-
Distributions paid to Inexus minorities	1,471	-	1,471	-	-	-	-	-
	85,056	34,077	1,471	-	83,585	34,077	-	-
b) Components of distributions to security holders								
Interim stapled distribution paid	34,679	14,519	-	-	34,679	14,519	-	-
Final stapled distribution declared	48,906	19,558	-	-	48,906	19,558	-	-
	83,585	34,077	-	-	83,585	34,077	-	-
	Cents per security	Cents per security	Cents per security	Cents per security	Cents per security	Cents per security	Cents per security	Cents per security
Interim stapled distribution	14.40	6.05	-	-	14.40	6.05	-	-
Final distribution declared	17.70	8.15	-	-	17.70	8.15	-	-
	32.10	14.20	-	-	32.10	14.20	-	-

The interim distribution was paid on 27 February 2007. An announcement was made on 20 June 2007 regarding the final distribution with the Ex-distribution date being 25 June 2007 and the record date being 29 June 2007.

7. Earnings per Security

Basic earnings per security amounts are calculated by dividing profit after tax for the year attributable to the ordinary equity holders of the entity by the weighted average number of ordinary securities outstanding during the year.

Diluted earnings per security amounts are calculated by dividing the profit attributable to ordinary security holders by the weighted average number of ordinary securities outstanding during the year adjusted for any potential dilutionary securities outstanding.

The following reflects the income and security data used in the total operations basic and diluted earnings per security computations:

	CIF1 Consolidated Year Ended 30 June 2007 \$'000	CIF1 Consolidated 19 May 2005 - 30 June 2006 \$'000	CIF2 Consolidated Year Ended 30 June 2007 \$'000	CIF2 Consolidated 19 May 2005 - 30 June 2006 \$'000
Profit attributable to security holders of the parent	40,354	(20,685)	(3,107)	(23,892)
Interest on convertible non cumulative redeemable preference securities	-	-	-	-
Profit attributable to ordinary unit holders for diluted earnings per security	40,354	(20,685)	(3,107)	(23,892)
Weighted average number of ordinary securities for basic earnings per security	247,249	171,433	247,249	171,433
<i>Effect of dilution:</i>				
Security options	-	-	-	-
Redeemable preference securities	-	-	-	-
Adjusted weighted average number of ordinary securities for diluted earnings per security	247,249	171,433	247,249	171,433
Weighted average number of converted , lapsed or cancelled potential ordinary securities included in diluted earnings per security	-	-	-	-
Basic earnings per security (cents)	16.32	(12.07)	(1.26)	(13.94)
Diluted earnings per security (cents)	16.32	(12.07)	(1.26)	(13.94)

8. Cash and cash equivalents

	CIF1 Consolidated 30 June 2007 \$'000	CIF1 Consolidated 30 June 2006 \$'000	CIF2 Consolidated 30 June 2007 \$'000	CIF2 Consolidated 30 June 2006 \$'000	CIF Investment Trust #1 30 June 2007 \$'000	CIF Investment Trust #1 30 June 2006 \$'000	CIF Investment Trust #2 30 June 2007 \$'000	CIF Investment Trust #2 30 June 2006 \$'000
Cash at bank and on hand	110,705	36,593	65,500	12,272	27,625	2,135	52	25
Term deposits at call	16,659	-	16,659	-	-	-	-	-
Total	127,364	36,593	82,159	12,272	27,625	2,135	52	25

9. Trade and other receivables

	CIF1 Consolidated 30 June 2007 \$'000	CIF1 Consolidated 30 June 2006 \$'000	CIF2 Consolidated 30 June 2007 \$'000	CIF2 Consolidated 30 June 2006 \$'000	CIF Investment Trust #1 30 June 2007 \$'000	CIF Investment Trust #1 30 June 2006 \$'000	CIF Investment Trust #2 30 June 2007 \$'000	CIF Investment Trust #2 30 June 2006 \$'000
Initial public offer – 2nd instalment	-	314,970	-	18	-	314,952	-	18
Entitlement offer – 2nd instalment	-	104,990	-	6	-	104,984	-	6
Trade receivables	39,308	2,319	39,307	2,319	-	-	-	-
Accrued income	18,132	9,312	18,132	9,312	-	-	-	-
Interest receivables	7,183	6,531	6,631	5,665	-	-	-	-
Distribution receivables	-	-	-	-	30,338	20,656	-	-
Related Party receivables	-	-	-	-	400,693	-	-	-
Other receivables	486	20	-	-	486	3	-	-
Total	65,109	438,142	64,070	17,320	431,517	440,595	-	24

Interest receivables are comprised of accrued interest on investments, deposits and swap receivables.

Distribution receivables are related party balances between CIF 1 subsidiary trusts and CIF 1 Investment Trust #1 which are expected to settle in August 2007.

10. Investments

	CIF1 Consolidated 30 June 2007 \$'000	CIF1 Consolidated 30 June 2006 \$'000	CIF2 Consolidated 30 June 2007 \$'000	CIF2 Consolidated 30 June 2006 \$'000	CIF Investment Trust #1 30 June 2007 \$'000	CIF Investment Trust #1 30 June 2006 \$'000	CIF Investment Trust #2 30 June 2007 \$'000	CIF Investment Trust #2 30 June 2006 \$'000
Available for Sale Assets								
Carrying value of investments:								
▪ Wales & West Gas DN	91,757	96,591	-	-	-	-	-	-
▪ Northern Gas DN	91,993	94,434	-	-	-	-	-	-
▪ Arqiva	297,446	127,461	-	-	-	-	-	-
Total Available for Sale Assets	481,196	318,486	-	-	-	-	-	-
Investments in Controlled Entities								
▪ Investments in Controlled Entities	-	-	-	-	776,890	399,223	-	-
Total Investments	481,196	318,486	-	-	776,890	399,223	-	-

Independent valuations (in GBP) of the Available for Sale Assets were obtained as at 30 June 2007 from KPMG Corporate Finance (Aust) Pty Ltd ("KPMG"). The directors of the Responsible Entity made reference to these valuations when determining the fair value of the Available for Sale Assets at 30 June 2007. The directors have adopted GBP denominated valuations. The following table reports the Australian Dollar equivalent of these valuations at the AUD/GBP spot rate at 30 June 2007.

10. Investments (continued)

Wales & West Gas DN	30 June 2007	30 June 2006
	\$'000	\$'000
Opening carrying value of investment	96,591	90,935
Fair value increase	-	3,827
Foreign currency translation (*)	(4,834)	1,829
Carrying value of investment	91,757	96,591

Northern Gas DN	30 June 2007	30 June 2006
	\$'000	\$'000
Opening carrying value of investment	94,434	86,559
Fair value increase	2,406	3,780
Foreign currency translation (*)	(4,847)	4,095
Carrying value of investment	91,993	94,434

Arqiva	30 June 2007	30 June 2006
	\$'000	\$'000
Opening carrying value of investment	127,461	125,462
Additional investment (**)	154,641	-
Fair value increase (***)	27,894	1,011
Foreign currency translation (*)	(12,550)	988
Carrying value of investment	297,446	127,461

* Exchange differences arise from the foreign currency translation of Great Britain Pounds denominated assets into Australian Dollars. They are recognised in a separate component of equity (foreign currency translation reserve).

** Additional investment in Arqiva relates to CIF's subscription of its pro rata share of Arqiva rights issue undertaken as part of Arqiva's acquisition of National Grid Wireless.

*** Fair value increase is reported net of transaction fees payable in the event of a sale in CIF's equity interest in Arqiva. The accrued fee liability at 30 June 2007 is \$574,964.

11. Property Plant and Equipment

	CIF1 Consolidated					CIF2 Consolidated				
	30 June 2007					30 June 2007				
	\$'000					\$'000				
	Infrastructure Assets	Other Plant and Equipment	Land	Buildings	Total	Infrastructure Assets	Other Plant and Equipment	Land	Buildings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount 1 July 2006	268,274	4,773	-	-	273,047	268,274	4,773	-	-	273,047
Additions through acquisition of entity	668,548	44,711	30,731	60,940	804,930	668,548	44,711	30,731	60,940	804,930
Additions	45,525	8,786	-	505	54,816	45,525	8,786	-	505	54,816
Disposals	(592)	(253)	-	(127)	(971)	(592)	(253)	-	(127)	(971)
Depreciation/amortisation	(15,011)	(1,979)	-	(600)	(17,591)	(15,011)	(1,979)	-	(600)	(17,591)
Foreign currency translation	(34,544)	(1,612)	(991)	(1,966)	(39,113)	(34,544)	(1,612)	(991)	(1,966)	(39,113)
Carrying amount 30 June 2007	932,200	54,426	29,740	58,752	1,075,118	932,200	54,426	29,740	58,752	1,075,118

	CIF1 Consolidated					CIF2 Consolidated				
	30 June 2006					30 June 2006				
	\$'000					\$'000				
	Infrastructure Assets	Other Plant and Equipment	Land	Buildings	Total	Infrastructure Assets	Other Plant and Equipment	Land	Buildings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount 1 May 2005	-	-	-	-	-	-	-	-	-	-
Additions through acquisition of entity	237,955	3,221	-	-	241,176	237,955	3,221	-	-	241,176
Additions	27,934	2,462	-	-	30,396	27,934	2,462	-	-	30,396
Disposals	-	-	-	-	-	-	-	-	-	-
Depreciation/amortisation	(8,123)	(1,100)	-	-	(9,223)	(8,123)	(1,100)	-	-	(9,223)
Foreign currency translation	10,508	190	-	-	10,698	10,508	190	-	-	10,698
Carrying amount 30 June 2006	268,274	4,773	-	-	273,047	268,274	4,773	-	-	273,047

CIF Investment Trust #1 and CIF Investment Trust #2 do not own property plant and equipment.

There are no specific restrictions surrounding the ownership or use of Property, Plant and Equipment. Property, Plant and Equipment as part of the overall assets of LBC and Inexus are secured by fixed and floating charges as included in Note 16. All Property, Plant and Equipment commitments are disclosed in Note 23.

12. Intangible Assets

	CIF1 Consolidated 30 June 2007 \$'000	CIF1 Consolidated 30 June 2006 \$'000	CIF2 Consolidated 30 June 2007 \$'000	CIF2 Consolidated 30 June 2006 \$'000	CIF Investment Trust #1 30 June 2007 \$'000	CIF Investment Trust #1 30 June 2006 \$'000	CIF Investment Trust #2 30 June 2007 \$'000	CIF Investment Trust #2 30 June 2006 \$'000
Goodwill on acquisition of Inexus	992,476	992,476	992,476	992,476	-	-	-	-
FX on Goodwill on acquisition of Inexus	(13,665)	37,911	(13,665)	37,911	-	-	-	-
Goodwill on acquisition of Inexus	978,811	1,030,387	978,811	1,030,387	-	-	-	-
Goodwill on acquisition of LBC	446,140	-	446,140	-	-	-	-	-
FX on Goodwill on acquisition of LBC	(14,394)	-	(14,394)	-	-	-	-	-
Goodwill on acquisition of LBC	431,746	-	431,746	-	-	-	-	-
Leasehold Contracts on acquisition	19,871	-	19,871	-	-	-	-	-
Amortisation of Leasehold Contracts	(107)	-	(107)	-	-	-	-	-
FX on Leasehold Contracts	(641)	-	(641)	-	-	-	-	-
Leasehold Contracts	19,123	-	19,123	-	-	-	-	-
Software Licenses	2,561	-	2,561	-	-	-	-	-
Amortisation of Software Licenses	(72)	-	(72)	-	-	-	-	-
FX on Software Licenses	(83)	-	(83)	-	-	-	-	-
Software Licenses	2,406	-	2,406	-	-	-	-	-
Total	1,432,086	1,030,387	1,432,086	1,030,387	-	-	-	-

The goodwill on acquisition of LBC is provisional and will be finalised during the 12 month period following acquisition date.

13. Impairment test of Goodwill

Goodwill acquired through business combinations has been allocated to individual cash generating units as follows for the purposes of impairment testing:

Inexus - UK Gas cash generating unit

LBC - European tank storage and USA tank storage cash generating units

The recoverable amount of the cash generating units has been determined based on a value in use calculation.

Key assumptions used in value in use calculations for 30 June 2007

Inexus Impairment Testing

Inexus impairment testing has been conducted based on a value in use calculation. To calculate this, cash flow projections are based on financial budgets approved by senior management covering a 30 year period. A 30 year period has been used given the long term predictable cash flow characteristics of the asset and the matching of the time periods against the derivative instruments in place. Further, the business' financial budgets and forecasts are modelled from 30 year forecasts.

A discount rate has been applied to cash flow projections which has been provided as a mid point within a range completed by an independent external valuer. The factors considered in calculating the discount rate are the risk free rate, market equity risk premium and company specific adjustments.

The following describes each key assumption used on which management has based its cash flow projections to undertake impairment testing of goodwill:

- Budgeted and long term forecast distribution amounts – the basis used to determine the value assigned to the budgeted and long term forecast distributions is the projected distribution amounts factoring in broader regulatory and commercial considerations.
- Risk free rate – the yield on a ten year government bond rate at the beginning of the budgeted year is utilised. This long time frame is consistent with the period by which the cash flows are being valued.
- Market risk premium – this is included as an appropriate measure of the investment climate in the United Kingdom.
- Company specific premium – this is included as an appropriate margin to assess the risks specific to the Inexus Cash Generating Unit.

LBC Impairment Testing

Due to the one month time frame between the acquisition of LBC and the balance date of LBC, the impairment testing of LBC goodwill has been satisfied by reference to the acquisition price paid by the CIF led consortium's acquisition of LBC, adjusted for material changes in prevailing market conditions between acquisition date and the CIF balance date.

The two cash generating units that have been nominated for LBC are European tank storage and US tank storage.

The goodwill on acquisition of LBC is provisional and will be finalised during the 12 month period following acquisition date. The allocation of the goodwill between European tank storage and USA tank storage is provisional and will be allocated during the 12 month period following acquisition date.

14. Other Assets

	CIF1 Consolidated 30 June 2007 \$'000	CIF1 Consolidated 30 June 2006 \$'000	CIF2 Consolidated 30 June 2007 \$'000	CIF2 Consolidated 30 June 2006 \$'000	CIF Investment Trust #1 30 June 2007 \$'000	CIF Investment Trust #1 30 June 2006 \$'000	CIF Investment Trust #2 30 June 2007 \$'000	CIF Investment Trust #2 30 June 2006 \$'000
Inventory	1,925	831	1,925	831	-	-	-	-
Total	1,925	831	1,925	831	-	-	-	-

15. Trade and other payables

	CIF1 Consolidated 30 June 2007 \$'000	CIF1 Consolidated 30 June 2006 \$'000	CIF2 Consolidated 30 June 2007 \$'000	CIF2 Consolidated 30 June 2006 \$'000	CIF Investment Trust #1 30 June 2007 \$'000	CIF Investment Trust #1 30 June 2006 \$'000	CIF Investment Trust #2 30 June 2007 \$'000	CIF Investment Trust #2 30 June 2006 \$'000
Trade creditors and accruals	114,813	47,951	103,417	45,166	11,353	2,507	-	-
Employee share scheme payables	16,656	1,193	16,656	1,193	-	-	-	-
Interest payable	46,155	27,283	44,382	25,810	1,662	-	-	-
Other payables	1,388	84	1,367	62	-	-	(9)	-
Amounts payable to controlled entities	-	-	1,654	318	(1,418)	(690)	122	-
Total	179,012	76,511	167,476	72,549	11,597	1,817	113	-

Trade Creditors and accruals represent liabilities for goods and services provided to CIF prior to the end of the financial period which are unpaid. Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to CIF, and include distributions payable.

Interest payable is settled in accordance with the terms of the respective governing loan or financial instrument contracts.

16. Interest Bearing Liabilities

	CIF1 Consolidated 30 June 2007			CIF1 Consolidated 30 June 2006			CIF2 Consolidated 30 June 2007			CIF2 Consolidated 30 June 2006		
	\$'000			\$'000			\$'000			\$'000		
	Outstanding	Facility	Unused	Outstanding	Facility	Unused	Outstanding	Facility	Unused	Outstanding	Facility	Unused
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Bank Loans												
Bridge debt	-	-	-	284,363	320,819	36,456	-	-	-	-	-	-
Senior bank debt – Inexus	713,598	1,040,538	326,940	679,005	1,095,367	416,362	713,598	1,040,538	326,940	679,005	1,095,367	416,362
Junior bank debt – Inexus	82,770	82,770	-	87,131	87,131	-	82,770	82,770	-	87,131	87,131	-
Senior bank debt – LBC	517,361	716,346	198,985	-	-	-	517,361	716,346	198,985	-	-	-
Junior bank debt - LBC	63,675	111,432	47,757	-	-	-	63,675	111,432	47,757	-	-	-
Other debt facilities - LBC	20,489	30,253	9,764	-	-	-	20,489	30,253	9,764	-	-	-
CIF Acquisition Facility	230,000	245,000	15,000	-	-	-	-	-	-	-	-	-
less capitalised line fees	(21,298)	-	-	(7,114)	-	-	(16,792)	-	-	(6,720)	-	-
Total Bank Loans	1,606,595	2,226,339	598,446	1,043,385	1,503,317	452,818	1,381,101	1,981,339	583,446	759,416	1,182,498	416,362
Non-bank Loans												
Loan Notes to Inexus minority shareholders	13,927	-	-	14,661	-	-	13,927	-	-	14,661	-	-
Loan Notes to LBC minority shareholders	24,356	-	-	-	-	-	24,356	-	-	-	-	-
Related party	-	-	-	-	-	-	664,105	698,827	34,722	357,822	363,134	5,312
Total Non-bank Loans	38,283	-	-	14,661	-	-	702,388	698,827	34,722	372,483	363,134	5,312
Total Interest Bearing Liabilities	1,644,878	2,226,339	598,446	1,058,046	1,503,317	452,818	2,083,489	2,680,166	618,168	1,131,899	1,545,632	421,674
Preference Shares issued to Inexus minorities	73,123	-	-	76,976	-	-	73,123	-	-	76,976	-	-

	CIF Investment Trust #1			CIF Investment Trust #1		
	30 June 2007			30 June 2006		
	\$'000			\$'000		
	Outstanding	Facility	Unused	Outstanding	Facility	Unused
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Bank Loans						
CIF Acquisition Facility	230,000	245,000	15,000	-	-	-
less Capitalised Line Fees	(4,505)	-	-	-	-	-
Total Bank Loans	225,495	245,000	15,000	-	-	-
Non-bank Loans	-	-	-	-	-	-
Total Interest Bearing Liabilities	225,495	245,000	15,000	-	-	-

CIF Investment Trust # 2 contains \$nil balances and as a result there are no disclosures required.

Security for Borrowings

Bridge Debt

All amounts owing under the Senior Facilities were repaid on 28 August 2006 (Termination Date) from the CIF IPO and Entitlement Offer (EO) Second Instalment proceeds.

CIF Acquisition Facility

On 28 March 2007 CIF entered into a \$245 million multi-currency Acquisition Facility, of which \$230 million was outstanding at 30 June 2007. The maximum theoretical Debt Capacity that the CIF portfolio could support is calculated through the analysis of forecast cash flow available for debt servicing of the fund, relative to the interest rate cover ratios. The Facility Limit is currently set at \$245 million. The Facility Limit must be less than or equal to the Debt Capacity. The maturity of the facility is 30 March 2010.

Senior and Junior Bank Debt - Inexus

The Senior Bank Debt Facility amounting to £440,000,000 and the Junior Bank Debt Facility amounting to £35,000,000 are secured by fixed and floating charges granted by Challenger Connections Company Limited, Challenger Connections Mid Company Limited, Inexus Group (Holdings) Limited and its material subsidiaries over all assets (excluding relevant assets in regulated subsidiaries). The maturity of the Senior and Junior Debt Facility is 31 August 2010.

Senior and Junior Bank Debt - LBC

The Senior Bank Debt Facility amounting to €450,000,000 and the Junior Bank Debt Facility amounting to €70,000,000 are secured by fixed and floating charges granted by Challenger LBC Terminals Holding Company Limited over all assets of LBC. The maturity of the Senior and Junior Debt Facility is 1 June 2014.

17. Provisions

	CIF1 Consolidated 30 June 2007 \$'000				CIF1 Consolidated 30 June 2006 \$'000			
	Environmental	Repairs and Maintenance	Other Provisions	Total	Environmental	Repairs and Maintenance	Other Provisions	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at beginning of period	-	-	447	447	-	-	-	-
Provisions acquired on acquisition of LBC and Inexus	23,754	6,353	10,596	40,703	-	-	1,161	1,161
Arising during the year	-	-	-	-	-	-	-	-
Amounts utilised	(71)	(327)	(430)	(828)	-	-	(714)	(714)
Restatement in provision	-	-	-	-	-	-	-	-
Carrying amount at end of period	23,683	6,026	10,613	40,322	-	-	447	447

	CIF2 Consolidated 30 June 2007 \$'000				CIF2 Consolidated 30 June 2006 \$'000			
	Environmental	Repairs and Maintenance	Other Provisions	Total	Environmental	Repairs and Maintenance	Other Provisions	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at beginning of period	-	-	447	447	-	-	-	-
Provisions acquired on acquisition of LBC and Inexus	23,754	6,353	10,596	40,703	-	-	1,161	1,161
Arising during the year	-	-	-	-	-	-	-	-
Amounts utilised	(71)	(327)	(430)	(828)	-	-	(714)	(714)
Restatement in provision	-	-	-	-	-	-	-	-
Carrying amount at end of period	23,683	6,026	10,613	40,322	-	-	447	447

CIF Investment Trust #1 and CIF Investment Trust # 2 contain \$nil balances and as a result there are no disclosures required.

Repairs & Maintenance Provision

These provisions relate to the long term preventative repair and maintenance works required to be undertaken to ensure that there is no future breach in environmental regulations. These provision totals have been quantified by an independent valuer on a nominal basis and have been subsequently net present valued at the LBC pre tax WACC where liabilities from the works is expected to be beyond 12 months from balance date.

Environmental Provision

Environmental provisions relate to liabilities arising from LBC in respect of the remediation of sites or specified areas under various jurisdictions' environmental laws and regulations. These provision totals have been quantified by an independent valuer on a nominal basis and have been subsequently net present valued at the LBC pre tax WACC where liabilities from the works is expected to occur beyond 12 months from balance date.

Other Provision

Other provisions relate to liabilities arising from contributions to the LBC defined benefits scheme and the liabilities of LBC operations. The provisions in respect of the defined benefit scheme are referred to in Note 24.

18. Contributed Equity

	CIF1 Consolidated 30 June 2007 \$'000	CIF1 Consolidated 30 June 2006 \$'000	CIF2 Consolidated 30 June 2007 \$'000	CIF2 Consolidated 30 June 2006 \$'000	CIF Investment Trust #1 30 June 2007 \$'000	CIF Investment Trust #1 30 June 2006 \$'000	CIF Investment Trust #2 30 June 2007 \$'000	CIF Investment Trust #2 30 June 2006 \$'000
Class A Securities	826,199	524,950	30	36	826,169	524,920	30	36
Class B Securities	157,485	314,970	18	12	157,467	314,952	18	12
Transaction Costs	(21,978)	(18,497)	-	-	(21,978)	(18,497)	-	-
Total	961,706	821,423	48	48	961,658	821,375	48	48

Year ended 2007 securities	Number of stapled securities '000	Total \$'000
Class A Securities on issue at the beginning of the period	149,986	524,950
Class A Securities Issued - 9 October 2006	854	2,509
Class A Securities Issued - 29 January 2007	1,051	3,745
Conversion of Class B to Class A Securities - 2 January 2007	44,995	157,485
Equity Placement - 23 April 2007	34,378	137,510
Total Class A Securities on issue at 30 June 2007	231,264	826,199
Class B Securities on issue at the beginning of the period	89,991	314,970
Conversion of Class B to Class A Securities - 2 January 2007	(44,996)	(157,485)
Total Class B Securities on issue at 30 June 2007	44,995	157,485
Total Transaction Costs on Security Issues		(21,978)
Total Stapled Securities on issue at 30 June 2007	276,259	961,706

Please refer to note 2 (xxv) for the terms and conditions attached to Class A and Class B Securities.

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Period to 30 June 2006 securities	Number of stapled securities '000	Total \$'000
Class A Securities on issue at the beginning of the period	-	-
IPO - 19 August 2005	89,992	314,970
Entitlement Offer - 24 November 2005	59,994	209,980
Total Class A Securities on issue at 30 June 2006	149,986	524,950
Class B Securities on issue at the beginning of the period	-	-
IPO - 19 August 2005	89,991	314,970
Total Class B Securities on issue at 30 June 2006	89,991	314,970
Total Transaction Costs on Security Issues		(18,497)
Total Stapled Securities on issue at 30 June 2006	239,977	821,423

19. Reserves

	CIF1 Consolidated	CIF1 Consolidated	CIF2 Consolidated	CIF2 Consolidated	CIF Investment Trust #1	CIF Investment Trust #1	CIF Investment Trust #2	CIF Investment Trust #2
	30 June 2007	30 June 2006	30 June 2007	30 June 2006	30 June 2007	30 June 2006	30 June 2007	30 June 2006
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cashflow hedge reserve	33,803	6,195	33,803	6,195	-	-	-	-
Asset revaluation reserve	38,918	8,618	-	-	-	-	-	-
Capital distribution reserve	(99,502)	(34,077)	(1,471)	-	(2,033)	(797)	-	-
Foreign currency translation reserve	(30,590)	21,453	(17,748)	12,668	-	-	-	-
Total	(57,371)	2,189	14,584	18,863	(2,033)	(797)	-	-
Movements in reserves								
Cashflow hedge reserve								
Opening balance	6,195	-	6,195	-	-	-	-	-
Realised items transferred to Income Statement	17,215	71	17,215	71	-	-	-	-
Changes in fair value	10,393	6,124	10,393	6,124	-	-	-	-
	33,803	6,195	33,803	6,195	-	-	-	-
Asset revaluation reserve								
Opening balance	8,618	-	-	-	-	-	-	-
Changes in fair value								
- Wales & West Gas DN	-	3,827	-	-	-	-	-	-
- North Gas DN	2,406	3,780	-	-	-	-	-	-
- Arqiva	27,894	1,011	-	-	-	-	-	-
	38,918	8,618	-	-	-	-	-	-
Capital distribution reserve								
Opening balance	(34,077)	-	-	-	(797)	-	-	-
Distributions in excess of Retained Profits	(65,425)	(34,077)	(1,471)	-	(1,236)	(797)	-	-
	(99,502)	(34,077)	(1,471)	-	(2,033)	(797)	-	-
Foreign currency translation reserve								
Opening balance	21,453	-	12,668	-	-	-	-	-
Changes in fair value	(52,043)	21,453	(30,416)	12,668	-	-	-	-
	(30,590)	21,453	(17,748)	12,668	-	-	-	-

Nature and purpose of reserves

Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Asset Revaluation Reserve

This reserve includes the cumulative net change in the fair value of available for sale investments until the investment is derecognised or sold.

Capital Distribution Reserve

This reserve is used to record amounts transferred to/from reserves on distribution.

Foreign currency translation reserve

This reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the Company and foreign exchange translation differences in respect of Available for Sale Assets.

20. Retained Profits / (Accumulated Losses)

	CIF1 Consolidated 30 June 2007 \$'000	CIF1 Consolidated 30 June 2006 \$'000	CIF2 Consolidated 30 June 2007 \$'000	CIF2 Consolidated 30 June 2006 \$'000	CIF Investment Trust #1 30 June 2007 \$'000	CIF Investment Trust #1 30 June 2006 \$'000	CIF Investment Trust #2 30 June 2007 \$'000	CIF Investment Trust #2 30 June 2006 \$'000
Opening balance	(20,685)	-	(23,892)	-	-	-	1	-
Net Profit/(Loss) after tax	40,316	(20,685)	(3,107)	(23,892)	82,349	33,280	2	1
Distributions declared	(85,056)	(34,077)	(1,471)	-	(83,585)	(34,077)	-	-
Amounts transferred from capital distribution reserve	65,425	34,077	1,471	-	1,236	797	-	-
Balance at end of year	-	(20,685)	(26,999)	(23,892)	-	-	3	1

21. Segment Information

CIF's primary segment reporting format is business segments. Secondary segment information is reported geographically.

Business segments

The Fund has identified its reportable business segments based on the internal reports that are reviewed and used by management in assessing performance. These are the sources of the Fund's major risks and have the most effect on the rates of return.

CIF has three distinct business segments – Inexus, LBC and Other. The Other business segment refers to other activities conducted by the fund including the management of the fund and the investment in minority owned assets. These segments have been selected as they provide the clearest representation of how management views CIF. The segments include financing costs and income tax balances within the result.

The accounting policies used by CIF in reporting operating segments are the same as those contained in Note 2 to the accounts and in the prior period.

Business Segments	Inexus	LBC	Other	TOTAL
	Jun 2007	Jun 2007	Jun 2007	Jun 2007
	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	78,671	18,380	27,553	124,604
Interest Income	465	743	8,191	9,399
Segment revenue	79,136	19,123	35,744	134,003
Operating & other expenses	(26,263)	(10,962)	(12,432)	(49,657)
Depreciation	(12,922)	(4,669)	-	(17,591)
Unrealised (losses)/gains on derivative contracts & employee share scheme	10,850	(270)	24,065	34,645
Net financing costs	(51,929)	(3,305)	(5,850)	(61,084)
Segment expenses	(80,264)	(19,206)	5,783	(93,687)
Net Profit/(loss) after tax	(1,128)	(83)	41,527	40,316
Segment assets	1,302,458	1,364,913	542,074	3,209,445
Total assets	1,302,458	1,364,913	542,074	3,209,445
Segment Liabilities	1,030,126	877,309	240,154	2,147,589
Total liabilities	1,030,126	877,309	240,154	2,147,589
Net Assets	272,332	487,604	301,920	1,061,856
Capital expenditure	45,642	9,174	-	54,816

Business Segments	Inexus Jun 2006 \$'000	Other Jun 2006 \$'000	TOTAL Jun 2006 \$'000
Revenue from external customers	55,815	24,744	80,559
Interest Income	554	1,456	2,010
Segment revenue	56,369	26,200	82,569
Operating & other expenses	(20,436)	(230)	(20,666)
Depreciation	(9,223)	-	(9,223)
Unrealised (losses)/gains on hedge contracts & employee share scheme	(4,586)	(10,369)	(14,955)
Net financing costs	(39,345)	(19,065)	(58,410)
Segment expenses	(73,590)	(29,664)	(103,254)
Net Profit/(loss) after tax	(17,221)	(3,464)	(20,685)
Segment assets	1,339,527	764,957	2,104,484
Total assets	1,339,527	764,957	2,104,484
Segment Liabilities	983,520	318,037	1,301,557
Total liabilities	983,520	318,037	1,301,557
Net Assets	356,007	446,920	802,927
Capital expenditure	30,396	-	30,396

Geographic segments

The Fund's geographic segments are determined based on the location of CIF's assets. CIF operates in four distinct geographic segments – Australia (AUS), the United Kingdom (UK), Europe (EUR) and the United States of America (USA).

Geographic Segments	AUS Jun 2007 \$'000	UK Jun 2007 \$'000	EUR Jun 2007 \$'000	USA Jun 2007 \$'000	TOTAL Jun 2007 \$'000
Revenue from external customers	-	106,224	11,793	6,587	124,604
Interest Income	7,739	917	708	35	9,399
Segment revenue	7,739	107,141	12,501	6,622	134,003
Operating & other expenses	(12,330)	(26,365)	(8,565)	(2,397)	(49,657)
Depreciation	-	(12,922)	(3,706)	(963)	(17,591)
Unrealised (losses)/gains on hedge contracts & employee share scheme	24,065	10,850	(270)	-	34,645
Net financing costs	(5,850)	(51,929)	(740)	(2,565)	(61,084)
Segment expenses	5,885	(80,366)	(13,281)	(5,925)	(93,687)
Net Profit/(loss) after tax	13,624	26,775	(780)	697	40,316

For the year ended 30 June 2007

Geographic Segments	AUS	UK	EUR	USA	TOTAL
	Jun 2007	Jun 2007	Jun 2007	Jun 2007	Jun 2007
	\$'000	\$'000	\$'000	\$'000	\$'000
Segment assets	59,860	1,784,671	1,204,757	160,157	3,209,445
Total assets	59,860	1,784,671	1,204,757	160,157	3,209,445
Segment Liabilities	286,718	983,561	391,337	485,973	2,147,589
Total liabilities	286,718	983,561	391,337	485,973	2,147,589
Net Assets	(226,858)	801,110	813,420	(325,816)	1,061,856
Capital expenditure	-	45,642	6,102	3,072	54,816

Geographic Segments	AUS	UK	TOTAL
	Jun 2006	Jun 2006	Jun 2006
	\$'000	\$'000	\$'000
Revenue from external customers	-	80,559	80,559
Interest Income	1,319	691	2,010
Segment revenue	1,319	81,250	82,569
Operating & other expenses	96	(20,762)	(20,666)
Depreciation	-	(9,223)	(9,223)
Unrealised (losses)/gains on hedge contracts & employee share scheme	(10,369)	(4,586)	(14,955)
Net financing costs	(19,065)	(39,345)	(58,410)
Segment expenses	(29,338)	(73,916)	(103,254)
Net Profit/(loss) after tax	(28,019)	7,334	(20,685)
Segment assets	444,073	1,660,411	2,104,484
Total assets	444,073	1,660,411	2,104,484
Segment Liabilities	318,016	983,541	1,301,557
Total liabilities	318,016	983,541	1,301,557
Net Assets	126,057	676,870	802,927
Capital expenditure	-	30,396	30,396

22. Financial Instruments

(a) Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, comprise bank loans, cash and short-term deposits.

The main purpose of these financial instruments is to raise finance for the CIF's investments. CIF has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. CIF also enters into derivative transactions, principally interest rate swaps, inflation linked swaps and foreign exchange hedge contracts. The purpose is to manage the interest rate, inflation and currency risk arising from CIF's operations and its sources of finance. It is, and has been throughout the period, CIF's policy that no trading in financial instruments shall be undertaken. The main risk arising from the CIF's financial instruments are cash flow risk, interest rate risk, inflation risk, liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial assets, financial liability and equity instruments are disclosed in note 2 to the financial statements.

(b) Interest rate risk

CIF's exposure to the risk of changes in market interest rates relates primarily to CIF's long term debt obligation with floating interest rates.

CIF's policy is to manage its interest cost using fixed rate debt. Floating interest contracts are aligned to matching swap contracts to hedge against fluctuations in interest rate movements.

CIF hedges variable interest rate exposures arising from interest bearing liabilities using interest rate swaps. The interest rate swaps are designated as a cash flow hedge.

At 30 June 2007, CIF had a total hedge asset/(liability) set out in the following table:

	CIF1 Consolidated 30 June 2007 \$'000	CIF1 Consolidated 30 June 2006 \$'000	CIF2 Consolidated 30 June 2007 \$'000	CIF2 Consolidated 30 June 2006 \$'000	CIF Investment Trust #1 30 June 2007 \$'000	CIF Investment Trust #1 30 June 2006 \$'000	CIF Investment Trust #2 30 June 2007 \$'000	CIF Investment Trust #2 30 June 2006 \$'000
Inflation hedge contracts	(2,804)	(55,396)	(2,804)	(55,396)	-	-	-	-
Interest rate hedge contracts	9,511	6,072	9,511	6,072	-	-	-	-
Foreign exchange hedge contracts	13,425	(10,168)	2,332	(4,114)	9,591	-	-	-
Total Asset/(Liability)	20,132	(59,492)	9,039	(53,438)	9,591	-	-	-

Set out below is a comparison by category of carrying amounts and fair values of all of CIF's financial instruments recognised in the financial statements.

Year ended 30 June 2007	Fixed interest maturing in:							
	Effective Rate	Floating interest rate	<1 year	>1 - <2 years	>2 - <5 years	>5 years	Non-interest bearing	Total
	%	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
CIF1 Consolidated								
Financial assets								
Cash		5.87%	127,364	-	-	-	-	127,364
Trade and other receivables			65,109	-	-	-	-	65,109
Available for sale assets	12.59%		-	-	-	126,580	354,616	481,196
Derivative in financial instruments at fair	6.76%		-	-	-	-	20,132	20,132
			<u>192,473</u>	<u>-</u>	<u>-</u>	<u>126,580</u>	<u>354,616</u>	<u>693,801</u>
Financial liabilities								
Trade and other payables			-	-	-	-	(179,012)	(179,012)
Distribution payable			-	-	-	-	(48,906)	(48,906)
Interest bearing liabilities:								
Bank loans		7.07%	-	-	(1,026,368)	(601,524)	21,298	(1,606,595)
Non bank loans	7.18%		-	-	-	(38,283)	-	(38,283)
Preference shares	7.50%		-	-	-	(73,123)	-	(73,123)
			<u>-</u>	<u>-</u>	<u>(1,026,368)</u>	<u>(712,930)</u>	<u>(206,620)</u>	<u>(1,945,919)</u>
Net financial assets (liabilities)			<u>192,473</u>	<u>-</u>	<u>(1,026,368)</u>	<u>(586,350)</u>	<u>147,996</u>	<u>(1,252,118)</u>

Year ended 30 June 2006	Fixed interest maturing in:							
	Effective Rate	Floating interest rate	<1 year	>1 - <2 years	>2 - <5 years	>5 years	Non-interest bearing	Total
	%	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
CIF1 Consolidated								
Financial assets								
Cash		4.93%	36,593	-	-	-	-	36,593
Receivables			-	-	-	-	419,960	419,960
Available for sale assets	12.31%		-	-	-	70,584	247,903	318,487
			<u>36,593</u>	<u>-</u>	<u>-</u>	<u>70,584</u>	<u>667,863</u>	<u>775,040</u>
Financial liabilities								
Derivatives in hedging relationships			-	-	-	-	(59,492)	(59,492)
Interest bearing liabilities:								
Bank loans		5.51%	(284,364)	-	(766,136)	-	7,114	(1,043,387)
Non bank loans	7.50%		-	-	-	(14,661)	-	(14,661)
Preference shares	7.50%		-	-	-	(76,976)	-	(76,976)
			<u>(284,364)</u>	<u>0</u>	<u>(766,136)</u>	<u>(91,637)</u>	<u>(52,378)</u>	<u>(1,194,515)</u>
Net financial assets (liabilities)			<u>(247,771)</u>	<u>0</u>	<u>(766,136)</u>	<u>(21,053)</u>	<u>615,485</u>	<u>(419,475)</u>

Year ended 30 June 2007	Fixed interest maturing in:							
	Effective Rate	Floating interest rate	<1 year	>1 - <2 years	>2 - <5 years	>5 years	Non-interest bearing	Total
	%	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
CIF2 Consolidated								
Financial assets								
Cash		4.08%	82,159	-	-	-	-	82,159
Trade and other receivables			-	-	-	-	64,070	64,070
Derivative in financial instruments at fair	6.76%		-	-	-	-	9,039	9,039
			<u>82,159</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,109</u>	<u>155,268</u>
Financial liabilities								
Trade and other payables			-	-	-	-	(167,476)	(167,476)
Interest bearing liabilities:								
Bank loans		6.92%	-	-	(796,368)	(601,524)	16,792	(1,381,101)
Non bank loans	7.10%		-	-	-	(330,641)	(371,747)	(702,388)
Preference shares	7.50%		-	-	-	(73,123)	-	(73,123)
			<u>-</u>	<u>-</u>	<u>(796,368)</u>	<u>(1,005,288)</u>	<u>(522,431)</u>	<u>(2,324,088)</u>
Net financial assets (liabilities)			<u>82,159</u>	<u>-</u>	<u>(796,368)</u>	<u>(1,005,288)</u>	<u>(449,322)</u>	<u>(2,168,820)</u>

Year ended 30 June 2006	Fixed interest maturing in:							
	Effective Rate	Floating interest rate	<1 year	>1 - <2 years	>2 - <5 years	>5 years	Non-interest bearing	Total
	%	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
CIF2 Consolidated								
Financial assets								
Cash		4.63%	12,270					12,270
Receivables				-			24	24
			<u>-</u>	<u>12,270</u>	<u>-</u>	<u>-</u>	<u>24</u>	<u>12,294</u>
Financial liabilities								
Derivatives in hedging relationships			-	-	-	-	(53,438)	(53,438)
Interest bearing liabilities:								
Bank loans		5.21%	-	-	(766,136)	-	6,720	(759,416)
Non bank loans	7.42%	-	-	-	-	(79,661)	(292,822)	(372,483)
Preference shares	7.50%	-	-	-	-	(76,976)	-	(76,976)
			<u>-</u>	<u>-</u>	<u>(766,136)</u>	<u>(156,637)</u>	<u>(339,540)</u>	<u>(1,262,313)</u>
Net financial assets (liabilities)			<u>-</u>	<u>12,270</u>	<u>-</u>	<u>(766,136)</u>	<u>(339,516)</u>	<u>(1,250,019)</u>

Year ended 30 June 2007	Fixed interest maturing in:							
	Effective Rate	Floating interest rate	<1 year	>1 - <2 years	>2 - <5 years	>5 years	Non-interest bearing	Total
	%	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
CIF Investment Trust #1								
Financial assets								
Cash		6.03%	27,625	-	-	-	-	27,625
Trade and other receivables	7.30%		-	-	-	65,000	366,517	431,517
Available for sale assets			-	-	-	-	776,890	776,890
Derivative in financial instruments at fair	6.76%		-	-	-	-	9,591	9,591
			<u>27,625</u>	<u>-</u>	<u>-</u>	<u>65,000</u>	<u>1,152,998</u>	<u>1,245,623</u>
Financial liabilities								
Trade and other payables			-	-	-	-	(11,597)	(11,597)
Distribution payable			-	-	-	-	(48,906)	(48,906)
Interest bearing liabilities:								
Bank loans		7.99%	-	-	(230,000)	-	4,505	(225,495)
			<u>-</u>	<u>-</u>	<u>(230,000)</u>	<u>-</u>	<u>(55,998)</u>	<u>(285,998)</u>
Net financial assets (liabilities)			<u>27,625</u>	<u>-</u>	<u>(230,000)</u>	<u>65,000</u>	<u>1,097,000</u>	<u>959,625</u>

Year ended 30 June 2006	Fixed interest maturing in:							
	Effective Rate	Floating interest rate	<1 year	>1 - <2 years	>2 - <5 years	>5 years	Non-interest bearing	Total
	%	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
CIF Investment Trust #1								
Financial assets								
Cash		5.50%	2,135	-	-	-	-	2,135
Receivables			-	-	-	-	419,936	419,936
Available for sale assets			-	-	-	-	399,223	399,223
			<u>-</u>	<u>2,135</u>	<u>-</u>	<u>-</u>	<u>819,159</u>	<u>821,294</u>
Financial liabilities								
			<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net financial assets (liabilities)			<u>-</u>	<u>2,135</u>	<u>-</u>	<u>-</u>	<u>819,159</u>	<u>821,294</u>

Year ended 30 June 2007	Fixed interest maturing in:							
	Effective Rate	Floating interest rate	<1 year	>1 - <2 years	>2 - <5 years	>5 years	Non-interest bearing	Total
	%	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
CIF Investment Trust #2								
Financial assets								
Cash		6.03%	52	-	-	-	-	52
			52	-	-	-	-	52
Financial liabilities								
Trade and other payables			-	-	-	-	(113)	(113)
			-	-	-	-	(113)	(113)
Net financial assets (liabilities)			52	-	-	-	(113)	(61)

Year ended 30 June 2006	Fixed interest maturing in:							
	Effective Rate	Floating interest rate	<1 year	>1 - <2 years	>2 - <5 years	>5 years	Non-interest bearing	Total
	%	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
CIF Investment Trust #2								
Financial assets								
Cash		5.50%	25	-	-	-	-	25
Receivables			-	-	-	-	24	24
			-	25	-	-	24	49
Financial liabilities								
			-	-	-	-	-	-
Net financial assets (liabilities)			-	25	-	-	24	49

(c) Inflation risk

CIF has inflation risk exposure to income derived by Inexus business due to the nature of the long term fixing of prices in real terms until 2018. It also has exposure to inflation risk on the debt facility within Inexus as it is calculated at a real rate of interest. CIF's policy is to manage this inflation risk with the use of an inflation rate swap which is linked to real interest rates.

(d) Foreign Currency Risk

CIF has transactional currency exposure as a result of the functional currencies of its UK operations being GBP, European operations being EUR and United States operations being USD.

CIF has foreign currency distribution hedges with Challenger Life No.2 Limited (a related entity) as well as with external counterparties. These hedges fix the foreign exchange rate of the distributions being paid to a nominated amount of Australian Dollars over a 5 year period. The current foreign exchange hedges for the UK operations are due to expire in December 2011 and for the European operations in June 2012.

LBC Group have foreign currency hedges in relation to the conversion of US denominated revenues from its US operations into Euros. These hedges expire in June 2012.

(e) Credit Risk

CIF's exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the statement of financial position.

The main source of credit risk involves customer and trade receivables that result from Inexus and LBC operations. These are monitored by Inexus and LBC management in accordance with policies disclosed in Note 2.

(f) Liquidity Risk

CIF's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. CIF maintains adequate headroom in its facilities to manage working capital requirements.

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(g) Fair Values

The fair values of CIF's financial assets together with the carrying amounts shown in the balance sheet are as follows:

CIF1 Consolidated	Carrying amount	Carrying amount	Fair Value	Fair Value
	30 June 2007	30 June 2006	30 June 2007	30 June 2006
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	127,364	36,593	127,364	36,593
Trade and other receivables	65,109	438,142	65,109	438,142
Investments	481,196	318,486	481,196	318,486
Derivatives in financial instruments at fair value	20,132	(59,492)	20,132	(59,492)
Trade and other payables	(179,012)	(76,511)	(179,012)	(76,511)
Distribution payable	(48,906)	-	(48,906)	-
Interest bearing liabilities:				
Bank loans	(1,606,595)	(1,043,385)	(1,606,595)	(1,043,385)
Non bank loans	(38,283)	(14,661)	(38,283)	(14,661)
Preference Shares	(73,123)	(76,976)	(73,123)	(76,976)
	(1,252,118)	(477,804)	(1,252,118)	(477,804)

CIF2 Consolidated	Carrying amount	Carrying amount	Fair Value	Fair Value
	30 June 2007	30 June 2006	30 June 2007	30 June 2006
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	82,159	12,272	82,159	12,272
Trade and other receivables	64,070	17,320	64,070	17,320
Derivatives in financial instruments at fair value	9,039	(53,438)	9,039	(53,438)
Trade and other payables	(167,476)	(72,549)	(167,476)	(72,549)
Interest bearing liabilities:				
Bank loans	(1,381,101)	(759,416)	(1,381,101)	(759,416)
Non bank loans	(702,388)	(372,483)	(702,388)	(372,483)
Preference Shares	(73,123)	(76,976)	(73,123)	(76,976)
	(2,168,820)	(1,305,270)	(2,168,820)	(1,305,270)

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CIF1 Investment Trust #1	Carrying amount	Carrying amount	Fair Value	Fair Value
	30 June 2007	30 June 2006	30 June 2007	30 June 2006
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	27,625	2,135	27,625	2,135
Trade and other receivables	431,517	440,595	431,517	440,595
Investments	776,890	399,223	776,890	399,223
Derivatives in financial instruments at fair value	9,591	-	9,591	-
Trade and other payables	(11,597)	(1,817)	(11,597)	(1,817)
Distribution payable	(48,906)	-	(48,906)	-
Interest bearing liabilities				
Bank loans	(225,495)	-	(225,495)	-
	959,625	840,136	959,625	840,136

CIF1 Investment Trust #2	Carrying amount	Carrying amount	Fair Value	Fair Value
	30 June 2007	30 June 2006	30 June 2007	30 June 2006
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	52	25	52	25
Trade and other payables	(113)	24	(113)	24
	(61)	49	(61)	49

Market values have been used to determine the fair value of Available for Sale investments listed above. The fair values of derivatives have been calculated by discounting the expected future cash flows at prevailing interest rates. The fair value of receivables and payables with a remaining life of less than one year is deemed to be the notional amount.

23. Commitments and Contingencies

Operating Leases

Inexus entered into a commercial operating lease for the rental of property on 9 Feb 2004. The lease has a life of 10 years (expires 8 Feb 2014) with an upward rent review due 8 Feb 2009.

LBC has entered into commercial operating leases for the rental of tank storage sites in various locations. The range in lease lives is between 2 to 19 years. LBC also leases motor vehicles and commercial vehicles under operating leases. These leases have a life of 3 years.

Finance Leases

LBC holds a finance lease over property. When LBC benefits from property leases the risk of non renewal at expiration date is considered to be \$nil. Therefore the duration of leases does not impact the depreciation plans of those assets. Depreciation on Buildings is calculated using the straight line method over their useful lives, of between 20 to 30 years.

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Details of the relevant commitments are contained below:

	CIF1 Consolidated 30 June 2007 \$'000	CIF1 Consolidated 30 June 2006 \$'000	CIF2 Consolidated 30 June 2007 \$'000	CIF2 Consolidated 30 June 2006 \$'000
Lease commitments				
Commitments payable in relation to leases contracted for at the reporting date but not recognised as liabilities:				
Not later than one year	1,216	404	1,216	404
Later than one year but not later than 2 years	1,625	275	1,625	275
Later than 2 years but not later than 5 years	3,319	702	3,319	702
Later than 5 years	43,953	738	43,953	738
	50,113	2,119	50,113	2,119
Representing:				
Non-cancellable operating leases	45,209	2,119	45,209	2,119
Future finance charges on finance leases	4,904	-	4,905	-
	50,113	2,119	50,113	2,119
Operating leases				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Not later than one year	796	404	796	404
Later than one year but not later than 2 years	785	275	785	275
Later than 2 years but not later than 5 years	1,218	702	1,218	702
Later than 5 years	42,410	738	42,410	738
Commitments not recognised in the financial statements	45,209	2,119	45,209	2,119

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	CIF1 Consolidated 30 June 2007 \$'000	CIF1 Consolidated 30 June 2006 \$'000	CIF2 Consolidated 30 June 2007 \$'000	CIF2 Consolidated 30 June 2006 \$'000
Financing leases Commitments for minimum lease payments in relation to non-cancellable financing leases are payable as follows:				
Not later than one year	420	-	420	-
Later than one year but not later than 2 years	840	-	840	-
Later than 2 years but not later than 5 years	2,101	-	2,101	-
Later than 5 years	1,543	-	1,543	-
Commitments not recognised in the financial statements	4,904	-	4,904	-
Capital Expenditure commitments Commitments payable in relation to capital expenditure commitments contracted for at the reporting date but not recognised as liabilities:				
Not later than one year	35,797	32,139	35,797	32,139
Later than one year but not later than 5 years	76,529	72,593	76,529	72,593
Later than 5 years	41,697	32,701	41,697	32,701
	154,023	137,433	154,023	137,433

CIF Investment Trust #1 and CIF Investment Trust # 2 do not have any commitment disclosures required.

The capital expenditure commitments are in association with the building of infrastructure with Inexus and LBC. Inexus commitments relate to trenching and LBC commitments relate to tank storage facilities.

24. Employee Entitlements

Inexus

Balances for employee entitlements are \$nil as annual leave and sick leave are to be used within the year accrued.

Employees of Inexus totalled 248 at balance date.

LBC

Balances for employee entitlements are \$2,585,213 due to annual leave and sick leave.

Employees of LBC totalled 626 at balance date.

Management Equity Incentive Plan – Share Based Scheme

Challenger Connections Limited (a subsidiary of the CIF Group) provides benefits to employees of IGHL in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares within IGHL.

Under the Employee Incentive Equity Scheme the employees have an option to receive their vested shares paid as cash. As such, the Employee Incentive Equity Scheme is treated as a cash settled share-based scheme.

The liability is measured, initially and at each reporting date until settled, at the fair value of the share appreciation rights, by applying an option pricing model, and the extent to which the employees have rendered services to date. Changes in fair value are recognised in the income statement.

The carrying amount of the liability relating to the cash-settled share-based payment at 30 June 2007 is \$16,656,395 (2006: \$1,192,867).

LBC Pension Plans

LBC operates Pension plans in accordance with the local conditions and practices in the countries in which it operates.

The LBC European entities are required to treat employee retirement commitments as a liability when required by local practices. Actuarial valuations will be carried out based upon the latest employment and social data available.

The principle actuarial assumptions used in determining pension obligations for the European plan are shown as follows:

	30 June 2007
	%
Discount rate	4.3%
Estimated annual salary increase	3.0%
Retirement age	60-65 depending on personnel category or local legal age
Social Security contributions	45% or local regulations
Turnover	Average rate of 3.1% depending on age group of employee
Mortality rate	INSEE table TH TF 2000-2002

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled. Funding recommendations made by the actuary are based on a variety of assumptions such as future salary levels, mortality rates, membership turnover and interest rates.

The LBC US entities are required to maintain a 401(k) plan for the benefit of all employees with at least six months of service with the company. Eligible employees may elect to make voluntary contributions to the plan which will be matched by the company. Employees may contribute as a percentage of their respective earnings. For each dollar contributed (up to 6% of earnings), the company will contribute an amount of up to an additional dollar, depending on the achievement of certain company goals.

During the period since acquisition, there was no movement in the P&L in regards to the value of the plan.

The value of the net liability attributable is presented in the following table:

	30 June 2007 \$'000
Benefit asset/(liability) included in the balance sheet	
Present value of defined benefit obligation	(3,676)
Fair value of plan assets	-
Net benefit asset/(liability) – non current	<u>(3,676)</u>

During the one month period since acquisition there was no movement in the movement of the benefit liability.

25. Related Party Disclosures

a) Responsible Entity

The responsible entity of CIF is CLIL, a wholly owned subsidiary of Challenger Life Holdings Pty Limited.

b) Details of Key Management Personnel

i) Directors

The Directors of CLIL, the Responsible Entity of CIF are considered to be key management personnel.

- Stephen Gerlach Chairman
(appointed 6 November 2006)
- Peter Brook
- Russell Hooper
- Ian Martens
- Greg Martin (resigned 4 August 2006)
- Geoff McWilliam
- Ian Moore
- Peter Polson (resigned 4 August 2006)
- Paul Rogan (resigned 2 November 2006)
- Robert Woods

During the year ended 30 June 2007, directors were paid \$639,150 in respect of their directorship of the Responsible Entity. This amount includes all fees paid to the Directors of CLIL in respect of their Responsible Entity Board and Committee duties for all trusts, including this trust.

ii) Key Management Personnel

In addition to the directors noted above, the following were considered Key Management Personnel during the period with the authority for the strategic direction and management of the Challenger Infrastructure Fund:

- Steven Bickerton (Chief Executive – Challenger Infrastructure Fund)
- CLIL (Responsible Entity – Challenger Infrastructure Fund)

iii) Compensation of the Key Management Personnel of CIF

No amounts are paid by CIF directly to the Key Management Personnel of the Trust.

CLIL, as the responsible entity of CIF, is deemed to be the key management personnel of CIF. Compensation paid directly to CLIL in the form of fees is disclosed in Note 25(c).

c) CLIL Fees

CLIL provides strategic management and compliance infrastructure to CIF and outsources management, custodial and administrative functions to associated entities that are wholly owned by Challenger Financial Services Group Limited ("CFSGL"). It is entitled to a fee under the CIF Trust Constitutions.

Challenger Management Services Limited ("CMSL") provides custodial and management services to CIF in accordance with the CMSL Management Services Agreement ("CMSL Management Agreement").

CGSUK holds a management agreement with the CIF Jersey Companies ("UK Management Agreement") whereby it will provide certain management services to the Jersey Companies as defined under the agreement. The fees are paid by the CIF Jersey Companies directly to CGSUK for management services performed.

A fee sharing arrangement is in place between CLIL, CMSL and CGSUK ("the Fee Sharing Agreement"). This agreement sets out the allocation of fees payable to CLIL, CMSL and CGSUK.

The total base fee payable to CMSL is calculated as 1% per annum of Adjusted Equity Value as at the end of each half year period (exclusive of GST and similar foreign taxes) and is payable in securities of CIF. Allotments of securities during the year took place on 9 October 2006 and 29 January 2007, in respect of these fees.

The adjusted equity value is calculated as Equity Value less Uncommitted Cash where Equity Value is the arithmetic average of the daily volume weighted average price of Class A Securities on the ASX over the Valuation Period multiplied by the total number of Securities (including Class B Securities before 1 July 2008) outstanding at the end of the Valuation Period. The Valuation Period is defined as the first ten business days for which the Class A Securities are quoted on an 'ex' basis for the Distribution whose record date is closest to the end of the fee period. The Responsible Entity can elect that the Valuation Period be the last 10 business days of the fee period.

All costs associated with custodial and management services are paid for by CMSL. CMSL is entitled to recover all out of pocket expenses as included in the Management Services Agreement. CLIL is entitled to recover costs from CIF under the Constitution.

Transactions between CLIL, CMSL and CIF are conducted on an arms lengths basis with that company as the Responsible Entity. CLIL is an Australian Financial Services License holder.

Challenger Treasury Limited ("CTL") and Challenger Life No. 2 Limited ("CL2") are wholly owned subsidiaries of Challenger Financial Services Group ("CFSG") and are associates of CLIL.

The attached table discloses all fees and expenses paid by CIF to CLIL, CMSL and CGSUK through the fee sharing arrangement and payments made to CTL and CL2.

Challenger Infrastructure Fund
Financial Report

For the year ended 30 June 2007



Related Party Fees and Expenses	CIF1 Consolidated 30 June 2007 \$	CIF1 Consolidated 30 June 2006 \$	CIF2 Consolidated 30 June 2007 \$	CIF2 Consolidated 30 June 2006 \$	CIF Investment Trust #1 30 June 2007 \$	CIF Investment Trust #1 30 June 2006 \$	CIF Investment Trust #2 30 June 2007 \$	CIF Investment Trust #2 30 June 2006 \$
a) Management Fees Paid to CLIL from CIF under the CIF Trust Constitution and Fee Sharing Agreement	482,559	124,226	-	-	482,559	124,226	-	-
b) Management Fees Paid to CMSL from CIF under the CMSL Management Agreement and Fee Sharing Agreement	9,131,506	2,327,928	-	-	9,131,506	2,327,928	-	-
c) Management Fees Paid to CGSUK under UK Management Agreement and Fee Sharing Agreement	36,712	31,679	-	-	36,712	31,679	-	-
Total Management Fees paid or payable	9,650,777	2,483,833	-	-	9,650,777	2,483,833	-	-
a) Transaction advisory fees paid or payable to CMSL in respect of								
(i) the acquisition of CIF assets	23,955,002	19,252,545	23,227,044	-	727,958	19,252,545	-	-
(ii) establishment of CIF Acquisition Facility	1,975,000	-	-	-	1,975,000	-	-	-
b) Debt establishment fees paid to CL2	1,004,475	-	1,004,475	-	-	-	-	-
c) Interest paid to CTL in respect of equity bridge funding as part of acquisition of Inexus	-	1,632,004	-	-	-	-	-	-
Total Related Party Expenses paid or payable	26,934,477	20,884,549	24,231,519	-	2,702,958	19,252,545	-	-

d) Interests in the shares and options of the company and related bodies corporate

As at the date of this report, the following related parties held the following interests in CIF:

Key Management Personnel	CIF1 Consolidated ^		CIF1 Consolidated ^		CIF2 Consolidated ^^		CIF2 Consolidated ^^	
	30 June 2007		30 June 2006		30 June 2007		30 June 2006	
	Class A - Ordinary Units	Class B - Ordinary Units	Class A - Ordinary Units	Class B - Ordinary Units	Class A - Ordinary Units	Class B - Ordinary Units	Class A - Ordinary Units	Class B - Ordinary Units
	30-Jun-07 ('000)	30-Jun-07 ('000)	30-Jun-06 ('000)	30-Jun-06 ('000)	30-Jun-07 ('000)	30-Jun-07 ('000)	30-Jun-06 ('000)	30-Jun-06 ('000)
CL2 (*)	41,826	44,996	39,338	89,991	41,826	44,996	39,338	89,991
S Gerlach	40	-	40	-	40	-	40	-
IM Martens	19	-	19	-	19	-	19	-
R Woods	-	-	72	-	-	-	72	-
R Hooper	40	-	40	-	40	-	40	-
I Moore	150	-	150	-	150	-	150	-
G McWilliam	25	-	25	-	25	-	25	-
P Brook	-	-	-	-	-	-	-	-
S Bickerton	89	-	75	-	89	-	75	-

*Challenger Life No.2 Limited owns 31.43% (2006: 53.89%) of CIF.

^ CIF Investment Trust #1 contains the same interests as included in CIF 1 Consolidated.

^^ CIF Investment Trust #2 contains the same interest as included in CIF 2 Consolidated.

e) Related Party Loans

As at the date of this report, the following related party loans were applicable to CIF 1 within the CIF consolidated group.

Facility	Borrower	Lender	Amounts drawn at 30 June 2007	Terms & Conditions
AUD65m	Challenger Property Nominees (CPN) as trustee of the CIF Lastmile Trust	CLIL as Responsible Entity for CIF Investment Trust 1	AUD65,000,000	Interest payable at the rate of 7.3%
EUR65m	CPN as trustee of the CIF LBC Trust	CLIL as Responsible Entity for CIF Investment Trust 1	EUR65,954,371	Interest free
AUD335m	CPN as trustee of the CIF LBC Trust	CLIL as Responsible Entity for CIF Investment Trust 1	AUD227,358,089	Interest free

As at the date of this report, the following related party loans were applicable to CIF 2 Consolidated within the CIF consolidated group.

Facility	Borrower	Lender	Amounts drawn at 30 June 2007	Terms & Conditions
AUD65m	CLIL as Responsible Entity for Inexus Australia Holdings Pty Limited	CPN as trustee of the CIF Lastmile Trust	AUD65,000,000	Interest payable at the rate of 7.4%
AUD298m	CLIL as Responsible Entity for Inexus Australia Holdings Pty Limited	CPN as trustee of the CIF Lastmile Trust	AUD263,411,825	Interest free
EUR65m	CLIL as Responsible Entity for Challenger LBC Terminals Australia Pty Limited	CPN as trustee of the CIF LBC Trust	EUR65,954,371	Interest free
AUD335m	CLIL as Responsible Entity for Challenger LBC Terminals Australia Pty Limited	CPN as trustee of the CIF LBC Trust	AUD227,358,089	Interest payable at the rate of 7.0%
Junior Facility EUR70,000,000	Challenger LBC Terminals Holding Company Limited	Challenger Life No. 2	EUR40,000,000	Interest is cash margin + EURIBOR + mandatory costs. Cash margin being 0% within 6 months of completion and 4.5% thereafter. Mandatory costs means percentage rate per annum calculated by the Agent in accordance with Schedule 3

f) Related Party Derivative Contracts

As at the date of this report, the following related party derivative contracts were outstanding between CIF and its controlled entities and Challenger Life No.2 Limited.

Entity	Notional - AUD	Notional - GBP	Rate	Maturity date
CIF North of England Gas Trust	27,366,961	11,347,186	0.415086	30 June 2010
CIF Wales & the West Gas Trust	39,484,456	16,389,440	0.415086	30 June 2010
CIF UK Towers Trust	42,797,168	17,764,499	0.415086	31 July 2010
Inexus Australia Holdings Co Pty Ltd	119,201,603	48,382,977	0.405892	12 August 2010

g) Related Party Guarantees

As at the date of this report, the following related party guarantees were applicable to CIF and its controlled entities.

Facility involving guarantee	Other Contractual Party	Borrower	Lender	Guarantor relationship	Total Facility Commitment
Challenger Infrastructure Fund Acquisition Facility	CPN as trustee for CIF UK Towers Trust CPN as trustee for CIF North of England Gas Trust CPN as trustee for CIF Wales and the West Gas Trust CPN as trustee for CIF Lastmile Trust CLIL as Responsible Entity for CIF Investment Trust 2 Inexus Australian Holdings Co Pty Limited	CLIL as Responsible Entity of the CIF Investment Trust 1	The Royal Bank of Scotland plc, Australia Branch, BOS International (Australia) Limited, Commonwealth Bank of Australia	CLIL as Responsible Entity for CIF Investment Trust 2, Inexus Australian Holdings Co Pty Limited and Challenger LBC Terminals Australia Pty Limited guarantees, jointly and severally, the obligations of Challenger Listed Investments Limited as RE of CIF Investment 1 (as borrower) and certain other security providers within the CIF group	\$245,000,000

26. Statement of Cash Flows

Reconciliation of Profit/(Loss) after tax to Net Cash Flows from Operating Activities

	CIF1 Consolidated 30 June 2007 \$'000	CIF1 Consolidated 30 June 2006 \$'000	CIF2 Consolidated 30 June 2007 \$'000	CIF2 Consolidated 30 June 2006 \$'000	CIF Investment Trust #1 30 June 2007 \$'000	CIF Investment Trust #1 30 June 2006 \$'000	CIF Investment Trust #2 30 June 2007 \$'000	CIF Investment Trust #2 30 June 2006 \$'000
Profit/(Loss) after income tax	40,316	(20,685)	(3,107)	(23,892)	82,349	33,280	2	1
Depreciation	17,591	9,223	17,591	9,223	-	-	-	-
Amortisation	2,443	3,451	1,578	1,326	-	-	-	-
Unrealised movements in employee share scheme	16,140	1,144	16,140	1,144	-	-	-	-
Unrealised losses/(gains) on foreign currency derivatives	(23,795)	10,168	(6,446)	4,114	(9,593)	-	-	-
Unrealised losses/(gains) on inflation derivative contracts	(26,991)	3,643	(26,991)	3,643	-	-	-	-
Other	10,227	-	1,576	-	9,615	-	-	-
Change in assets and liabilities								
Increase in receivables	(11,615)	(5,561)	(10,697)	(3,767)	(13,013)	(20,659)	(121)	-
Increase in payables and other liabilities	22,794	41,697	22,293	41,632	2,050	2,507	-	-
Net cash flow from operating activities	47,110	43,080	11,937	33,423	71,408	15,128	(119)	1

27. Auditors Remuneration

	CIF1 Consolidated 30 June 2007 \$'000	CIF1 Consolidated 30 June 2006 \$'000	CIF2 Consolidated 30 June 2007 \$'000	CIF2 Consolidated 30 June 2006 \$'000	CIF Investment Trust #1 30 June 2007 \$'000	CIF Investment Trust #1 30 June 2006 \$'000	CIF Investment Trust #2 30 June 2007 \$'000	CIF Investment Trust #2 30 June 2006 \$'000
Amounts received or receivable by Ernst & Young for:								
Audit or review of the financial report of the consolidated entity	286	213	189	156	97	40	-	-
Taxation services	-	887	-	-	-	887	-	-
Due diligence services	-	1,909	-	271	-	1,638	-	-
Total Amounts received or receivable by Ernst & Young	286	3,009	189	427	97	2,565	-	-
Amounts received or receivable by KPMG for:								
Audit or review of the financial report of LBC	80	-	80	-	-	-	-	-
Amounts received or receivable by KPMG	366	3,009	269	427	97	2,565	-	-

28. Investments in Controlled Entities

Name of entity	Controlling Parent Entity	Year end	Country of incorporation	Class of shares/securities	Equity holding 30 June 2006 %
CIF UK Towers Trust	CIF 1	30 June	Australia	Ordinary	100
CIF North of England Gas Trust	CIF 1	30 June	Australia	Ordinary	100
CIF Wales and the West Gas Trust	CIF 1	30 June	Australia	Ordinary	100
Challenger Towers Limited	CIF 1	30 June	United Kingdom	Ordinary	100
Challenger Northern Gas Limited	CIF 1	30 June	United Kingdom	Ordinary	100
Challenger Wales & West Gas Limited	CIF 1	30 June	United Kingdom	Ordinary	100
CIF Australian Lastmile Holding Company Pty Limited	CIF 2	30 June	Australia	Ordinary	100
CIF Last Mile Trust	CIF 1	30 June	Australia	Ordinary	100
Challenger Connections Top Company Limited	CIF 2	30 June	United Kingdom	Ordinary	80
Challenger Connections Mid Company Limited	CIF 2	30 June	United Kingdom	Ordinary	80
Challenger Connections Limited	CIF 2	30 June	United Kingdom	Ordinary	80
Inexus Group (Holdings) Limited	CIF 2	30 June	United Kingdom	Ordinary	80
Independent Pipelines Limited	CIF 2	30 June	United Kingdom	Ordinary	80
Connect Utilities Limited	CIF 2	30 June	United Kingdom	Ordinary	80
Quadrant Pipelines Limited	CIF 2	30 June	United Kingdom	Ordinary	80
Independent Metering Limited	CIF 2	30 June	United Kingdom	Ordinary	80
Inexus (EST) Limited	CIF 2	30 June	United Kingdom	Ordinary	80
Independent Power Networks Limited	CIF 2	30 June	United Kingdom	Ordinary	80
Inexus Group Limited	CIF 2	30 June	United Kingdom	Ordinary	80
Inexus Limited	CIF 2	30 June	United Kingdom	Ordinary	80
Inexus (Licence) Limited	CIF 2	30 June	United Kingdom	Ordinary	80
Inexus Employee Benefit Trust	CIF 2	30 June	United Kingdom	Ordinary	80
Challenger Employee Share Ownership Plan Trust	CIF 2	30 June	United Kingdom	Ordinary	80
Inexus Gas Infrastructure (Holdings) Limited (formerly Anglian Connections Limited)	CIF 2	30 June	United Kingdom	Ordinary	80
Inexus (Services) Limited	CIF 2	30 June	United Kingdom	Ordinary	80
Envoy Asset Management Limited	CIF 2	30 June	United Kingdom	Ordinary	80
LBC Holdings LLC	CIF 2	31 December	United States of America	Ordinary	66
LBC Acquisition Corporation Inc	CIF 2	31 December	United States of America	Ordinary	66

28. Investments in Controlled Entities (continued)

Name of entity	Controlling Parent Entity	Year end	Country of incorporation	Class of shares/securities	Equity holding 30 June 2006 %
LBC Operations LLC	CIF 2	31 December	United States of America	Ordinary	66
LBC Houston LP	CIF 2	31 December	United States of America	Ordinary	66
LBC Baton Rouge LLC	CIF 2	31 December	United States of America	Ordinary	66
LBC Finance SARL	CIF 2	31 December	Luxembourg	Ordinary	66
LBC Luxembourg SARL	CIF 2	31 December	Luxembourg	Ordinary	66
LBC Luxembourg Holding SCA	CIF 2	31 December	Luxembourg	Ordinary	66
LBC Belgium Holding NV	CIF 2	31 December	Belgium	Ordinary	66
LBC Antwerpen NV	CIF 2	31 December	Belgium	Ordinary	66
LBC-ERTISA Tankterminal Antwerpen NV	CIF 2	31 December	Belgium	Ordinary	66
LBC Rotterdam BV	CIF 2	31 December	Netherlands	Ordinary	66
LBC France Holding SAS	CIF 2	31 December	France	Ordinary	66
LBC France SAS	CIF 2	31 December	France	Ordinary	66
LBC SA	CIF 2	31 December	France	Ordinary	66
LBC Sotrasol SA	CIF 2	31 December	France	Ordinary	66
Sogestrol SAS (LBC Sogestran)	CIF 2	31 December	France	Ordinary	66
LBC Nantes SA	CIF 2	31 December	France	Ordinary	66
LBC Marseille-Fos SAS	CIF 2	31 December	France	Ordinary	66
Terliq SA	CIF 2	31 December	Spain	Ordinary	66
Terquisa SA	CIF 2	31 December	Spain	Ordinary	66
LBC Tanquipor SARL	CIF 2	31 December	Portugal	Ordinary	66
Challenger LBC Terminals Jersey Limited	CIF 2	31 December	United Kingdom	Ordinary	66
Challenger LBC Terminals Holding Company Limited	CIF 2	31 December	Malta	Ordinary	66
Challenger LBC Terminals Limited	CIF 2	31 December	Malta	Ordinary	66
Challenger LBC Terminals LLC	CIF 2	31 December	United States of America	Ordinary	66
Challenger LBC Terminals Australia Pty Limited	CIF 2	31 December	Australia	Ordinary	100
CIF LBC Trust	CIF 1	31 December	Australia	Ordinary	100

Acquisition of Controlled Entities

LBC Holdings LLC (LBC)

On 1 June 2007 CIF completed the acquisition of 66% of the issued capital of LBC. As a result, LBC is a controlled entity which is required to be consolidated into the results of CIF.

Net fair value assets and liabilities acquired

	1-June-07
	\$'000
Cash	71,172
Property, plant and equipment	804,930
Receivables	46,855
Other Assets	24,766
Payables and other liabilities	(114,281)
Deferred Tax Liabilities	(160,685)
Outside Equity in controlled entity	(10,202)
Total	662,555
Goodwill recognised on acquisition	446,140
	1-June-07
	\$'000
Consideration:	
Consideration before costs	1,028,487
Acquisition costs	80,208
Total Cost of Business Combination	1,108,695
	1-June-07
	\$'000
Cash Outflow on acquisition of Controlled Entities:	
Net cash acquired with subsidiary	71,172
Consideration before costs	(1,028,487)
Transaction costs	(80,208)
Total Cash Outflow	(1,037,523)

The goodwill on acquisition of LBC is provisional and will be finalised during the 12 months following acquisition date.

Funding of CIF's investment in LBC

CIF funded the acquisition of LBC by the use of uninvested cash of \$106m raised through the equity placement completed in April 2007 and a \$230 million drawdown from the CIF Acquisition Facility.

From the date of acquisition, LBC has contributed a loss after tax of \$0.1m to the net profit of CIF 1 consolidated.

29. Events subsequent to balance date

Entitlement Offer

On 18 June 2007, CIF lodged a Product Disclosure Statement with ASIC for a fully underwritten 1 for 4 non-renounceable Entitlement Offer of Class A Securities to raise approximately \$262 million. This resulted in the issuance of 69,070,473 Class A units at an offer price of \$3.80 per security. The initial allotment date was 5 July 2007 with the final allotment date being 19 July 2007. The proceeds from the Entitlement Offer were used to strengthen CIF's balance sheet position by repaying debt facilities that were drawn down to partially fund the acquisition of LBC. New Class A Securities issued under the Entitlement Offer rank equally with existing Class A Securities.

On 27 July 2007, the \$230 million Acquisition Facility was repaid in full from the proceeds of the Entitlement Offer.

The directors are not aware of any other matter or circumstance not otherwise dealt with in the financial report that has occurred since the period end that has significantly affected the operations of CIF or the state of affairs in periods subsequent to the period ended 30 June 2007.

30. Contingencies

As at balance date there are no material contingent liabilities or contingent assets (2006: Nil).

**Statement by the Directors of the Responsible Entity of CIF
On the Financial Report of the Challenger Infrastructure Fund**

In accordance with a resolution of the directors of Challenger Listed Investments Limited (the Responsible Entity of the CIF Investment Trust 1 and CIF Investment Trust 2, collectively known as the Challenger Infrastructure Fund ("CIF")), I state that:

1. In the opinion of the directors:
 - (a) The financial statements and notes of the Challenger Infrastructure Fund are in accordance with the Scheme Constitutions and the Corporations Act 2001, including:
 - (i) giving a true and fair view of the CIF Investment Trust 1, CIF Investment Trust 2 and the consolidated entity's financial position as at 30 June 2007 and of its performance 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 Challenger Infrastructure Fund will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial period ending 30 June 2006.



Director
Sydney
15 August 2007

Independent auditor's report to the unitholders of Challenger Infrastructure Fund

We have audited the accompanying financial report for the stapled securities CIF Investment Trust 1 and CIF Investment Trust 2 collectively known as the Challenger Infrastructure Fund (CIF) and the entities they controlled during the year, which comprises the balance sheet as at 30 June 2007, the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Responsible Entity for CIF are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Responsible Entity, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

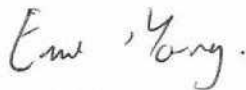
Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Responsible Entity a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Auditor's Opinion

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

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of CIF and the consolidated entities as at 30 June 2007 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations); and
- (b) other mandatory financial reporting requirements in Australia.



Ernst & Young



Graeme McKenzie
Partner
Sydney

15 August 2007