



Challenger Infrastructure Fund

Half-yearly Update 31 December 2006

Challenger Infrastructure Fund

Comprising:

CIF Investment Trust 1 ARSN 114 139 703

CIF Investment Trust 2 ARSN 114 139 632

Responsible Entity

Challenger Listed Investments Limited

ABN 94 055 293 644

AFSL 236887



CIF's investment objective is to provide investors with a combination of long-term, predictable income streams with the potential for capital growth via investment in a diversified portfolio of global utility and infrastructure assets.

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Important notice

Challenger Listed Investments Limited (ABN 94 055 293 644) (AFSL 236887) (CLIL) is the Responsible Entity of CIF Investment Trust 1 (ARSN 114 139 703) and CIF Investment Trust 2 (ARSN 114 139 632) which together form the Challenger Infrastructure Fund (CIF).

CLIL, as the responsible entity of CIF, has prepared this Half-yearly Update (Update) based on information available to it. The information in this Update should be regarded as general information only. Nothing contained in this Update constitutes investment, legal, tax or other advice. It has been prepared without taking account of any person's objectives, financial situation or needs. Recipients should, before acting on any such information, consider its appropriateness, having regard to their objectives, financial situation and needs, and seek the assistance of their financial or other licensed professional adviser before making any investment decision.

Any investment in CIF is subject to investment risk and other risks, including possible loss of income and principal invested. None of CLIL, Challenger Management Services Limited (ABN 29 092 382 842) (AFSL 234678) (CMSL), Challenger Financial Services Group Limited (ABN 85 106 842 371) (Challenger) or any other member of the Challenger Group gives any guarantee or assurance as to the performance of CIF or the repayment of capital. Nothing in this Update should be considered a solicitation, offer or invitation to buy, subscribe to or sell any financial products.

All reasonable care has been taken to ensure that the facts stated and opinions given in this Update are fair and accurate. To the maximum extent permitted by law, the recipient releases CLIL, each member of the Challenger Group, their directors, officers, employees, representatives and advisers from any liability (including, without limitation, in respect of direct, indirect or consequential loss or damage or loss or damage arising by negligence) arising in relation to any recipient relying on anything contained in or omitted from this Update.

Any forward looking statements included in this Update involve subjective judgment and analysis and are subject to significant uncertainties, risks and contingencies, many of which are outside the control of, and are unknown to, CLIL. In particular, they speak only as of the date of these materials, they assume the success of CIF's business strategies, and they are subject to significant regulatory, business, competitive and economic uncertainties and risks. Actual future events may vary materially from forward looking statements and assumptions on which those statements are based. Given these uncertainties, recipients are cautioned not to place undue reliance on such forward looking statements.

Any past performance information provided in this Update is not a reliable indication of future performance.

CLIL does not receive any specific remuneration for any general advice which may be provided to you in this Update. However, CLIL and CMSL receive trustee and management fees as issuer and manager of CIF, respectively. For more details on fees, please refer to the CIF 2006 Annual Report and additional information on the Australian Securities Exchange (ASX) website www.asx.com.au. Financial advisers (including some Challenger Group companies) may receive fees or commissions if they provide advice to you or arrange for you to invest in a Challenger product (including CIF). CLIL and its associates may have an interest in the financial products referred to in this Update and may earn fees or other benefits as a result of transactions in any such financial products.

Members of the Challenger Group and their officers and directors may hold securities in CIF from time to time.

Fund Manager's report

Dear Securityholder,

On behalf of Challenger Infrastructure Fund's (CIF or the 'Fund') Responsible Entity, Challenger Listed Investments Limited (CLIL) and the Fund's Manager, Challenger Management Services Limited (CMSL), I am pleased to provide this report to securityholders on the operations and performance of the Fund for the six months ended 31 December 2006.

It has been a positive six months for CIF. Inexus, CIF's cornerstone asset, delivered ahead of the Manager's expectations as the rollout of its electricity connections business exceeded its performance targets whilst the gas connections business maintained its market leading position. Arqiva continued to take advantage of the United Kingdom's (UK) broadcasting industry transitioning to digital technology and identifying value-adding opportunities such as the acquisition of British Telecom's (BT's) Satellite Broadcast Services¹. The two gas distribution networks (GDNs), Wales & West Utilities and Northern Gas Networks, continue to deliver operational efficiencies, however, the warmest year in the UK since 1731 had its impact on volumes.

Financial results

The Fund delivered earnings before interest, tax, depreciation, amortisation and unrealised gains/(losses) on financial instruments (EBITDA) of \$46.4 million for the six months ended 31 December 2006. During the period, CIF's revenue was \$58.2 million. Both EBITDA and revenue were in line with the Manager's expectations for the period.

Distributions

For the six months ended 31 December 2006, the Directors declared an interim distribution of 14.4 cents per security, totaling \$34.7 million, payable on 27 February 2007. The dividend reinvestment plan remains suspended for this interim period.

The interim distribution was covered 1.87 times by the gross cash flows contributed by the assets to the Fund.

¹ Subject to approval by Office of Fair Trade.

Positively, CIF is in a position to upgrade its distribution guidance for the 12 months ending 30 June 2007 to 32.1 cents per security. This is 5.7 cents per security ahead of the original distribution forecast of 26.4 cents per security in the Entitlement Offer Product Disclosure Statement (PDS). It is also 3.3 cents per security ahead of the guidance of 28.8 cents per security given in May 2006, which reflected the base case scenario for the FY07 distribution if the cash balance post the payment of the final instalment in August 2006 remained uninvested and earning bank interest.

CIF is in a position to upgrade its final distribution for the 12 months ending 30 June 2007 to 32.1 cents per security reflecting:

- CIF finished FY06 with \$8.8 million in excess distributions resulting from conservative economic management of the Fund and its assets. Additionally, the surplus cash position also eliminated any need for CIF to use the \$3.9 million working capital facility originally considered in the PDS.
- Inexus will be able to increase its final FY07 distribution by \$4.5 million to \$38.9 million as the business performed ahead of expectations.
- Arqiva's distribution of \$9.9 million is slightly ahead of Management's forecasts as a result of new long-term forecasts for the business.
- Wales & West Utilities distribution for the 12 months ending 30 June 2007 is expected to be \$2.9 million lower than forecast at \$7.1 million, as the hottest year in the UK since 1731 impacted volumes and revenues. The regulated pricing regime of the GDNs will enable a significant proportion of this weather driven shortfall to be recouped in the future. Hence this lower than expected distribution does not present any major concerns to the Manager.
- Northern Gas Networks has changed its distribution frequency to semi-annual from annual which will increase its distribution to \$8.6 million from \$6.5 million.
- Higher than forecast bank interest paid on the final instalment cash will increase the interest earned by \$3.1 million to \$9.2 million for the 10 months from the payment of the final instalment in August 2006 to 30 June 2007.

Forecast composition of FY07 CIF distribution	30 June 2007 \$m
Opening cash available for distribution	8.8
Distributions from seed assets	
– Arqiva	9.9
– Northern Gas Networks	8.6
– Wales & West Utilities	7.1
Distributions from Inexus*	38.9
Interest income	9.2
Cash operating expenses	(0.8)
Cash available for distribution	81.7
Distributions to CIF securityholders	77.5
Cash surplus	4.2

* A distribution from Inexus was received on 2 February 2007 and represents a full year distribution for the period ended 31 December 2006. The forecast distribution for the period will include a component of the distribution for the period ending 30 June 2007.

The Manager is comfortable paying out those cash flows which have come in ahead of expectations given the confidence it has in the outlook for the Fund and its future distributions.

Capital position

On 21 August 2006, CIF received \$420 million in proceeds from the final instalment of the Fund's initial public offering (IPO) in August 2005 and the one for three Entitlement Offer on 21 August 2005. Of these proceeds \$289 million was used to pay down the bridging debt facility utilised as part of the funding package used for the Inexus acquisition, leaving the Fund debt free and with surplus cash of approximately \$131 million.

The Manager will look to use a combination of the \$131 million surplus cash and Balance Sheet capacity available to CIF when looking to fund future investments that meet the Fund's investment criteria.

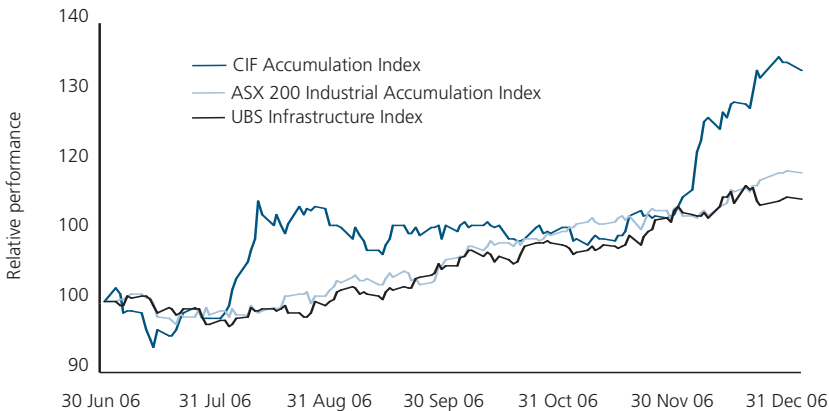
Valuation uplift

On 31 December 2006, the Fund's net asset value¹ (NAV) was \$3.90, up 6.8% from \$3.65 as at 30 June 2006. This increase was predominantly driven by a 12% uplift in the valuation of Inexus, as a result of its stronger than forecast performance in connection sales since its acquisition in September 2005.

Investment performance

During the six months ended 31 December 2006, CIF delivered a price return of 29.3% and a total return of 34.3%. This result compares to the ASX 200 Industrial Accumulation Index which recorded a total return of 18.8% over the same period. CIF's performance benefited from its enhanced liquidity following the payment of the final instalment in August 2006 as well as broader market support for infrastructure companies.

Relative total return performance – six months to 31 December 2006



Source: IRESS. Base: 1 July 06 = 100.

Performance fee

The Fund did not attain its performance fee benchmark for the six months ended 31 December 2006 due to the performance shortfall carried forward from the previous period and therefore did not recognise a performance fee for this period.

¹ Net asset value per security is calculated as the total value of all CIF investments (including goodwill in Inexus), and foreign exchange movements, divided by the number of securities on issue at 31 December 2006.

Impact of rising interest rates

CIF's investments are relatively insensitive to short-term changes in interest rates as a significant proportion of the debt in CIF's assets is hedged.

Whilst rising interest rates will have some impact on CIF's cash flows, the high level of certainty of future revenues from CIF's assets allows for the implementation of tailored strategies to minimise the impact of rising interest rates.

Over the long term, CIF's investments have a natural hedge to rising interest rates resulting from the presence of a correlation between interest rates and inflation. Whilst rising interest rates would typically decrease the value of CIF's investments (via increasing its cost of capital), the presence of inflation-linked pricing mechanisms increases the cash flow and value of each of CIF's assets.

Board changes

During the half there were a number of changes to the CLIL Board membership. In August, Mr Peter Polson and Mr Greg Martin resigned from the CLIL Board. Mr Polson's resignation followed the appointments of independent directors Mr Geoff McWilliam and Mr Ian Moore early in 2006.

In November, Mr Peter Brook, Chief Financial Officer for Challenger's Asset Management division, joined the CLIL Board as an Executive Director following the resignation of Mr Paul Rogan, Chief Financial Officer for Challenger Financial Services Group.

With five of the seven CLIL directors non-executive and independent the CLIL Board reflects Challenger's commitment to best practice corporate governance.

Asset update

The key operational highlights for each asset are provided below.

Inexus

CIF owns 80.3% of Inexus.

Inexus is the leading independent gas transporter (IGT) in the UK, providing the 'last mile' of gas and electricity connections to new dwellings. Revenue is derived from charging the gas shippers and electricity suppliers an 'access charge' to ship their gas and electricity to customers through Inexus' 'last mile' connections network.

Inexus business update

Inexus continued to deliver in excess of performance targets over the six months ended 31 December 2006 as evidenced in its ability to pay a higher than forecast distribution to CIF. Organic growth continued as Inexus maintained its market leading position in gas connections and the rollout of the electricity connections business continues to exceed expectations.

	Six months ended 31 Dec 06 \$m
Financial highlights	
Total revenue	38.5
EBITDA	23.6
Distribution paid to CIF	34.4

At 31 December 2006, Inexus had 390,889 gas connections in the ground, having constructed 26,354 connections in the last six months. Electricity connections total 1,723 with 740 constructed over the same period.

The order book continues to grow with strong sales in both gas and electricity connections. At 31 December 2006 the total order book was 199,419 connection sales, comprising 163,407 gas connection sales and 36,012 electricity connection sales. Both gas and electricity sales over the period were well ahead of budget as illustrated in the table below.

Connection sales for the period	Actual sales for 6 months to 31 Dec 06	Budget for 6 months to 31 Dec 06	Budget for FY07
Gas	41,596	32,000	65,000
Electricity	17,078	11,000	23,000
Total	58,674	43,000	88,000

Following its launch in late 2005, the electricity connections business continues to gain momentum. Inexus is able to leverage off its existing developer relationships to offer either a bundled gas and electricity connection or a gas only or electricity only connection.

The competitive outlook for the electricity connections market remains favourable. Whilst Inexus is not the only licensed and accredited Independent Distribution Network Operator (IDNO), it is the only active IDNO in the UK market, enabling it to build off its first mover advantage to offer both gas and electricity connections. Inexus continues to work with the UK Office of Gas and Electricity Markets (Ofgem) to establish a uniform pricing regime for electricity connections.

Following the successful launch of the electricity connections business, Inexus continues to explore further opportunities to 'bundle' utility services in the 'last mile' network, such as water and telecommunications. As part of the initial steps to developing a last mile water offering, Inexus has applied for an 'inset' water licence to the Water Services Regulation Authority (Ofwat) and expects it to be granted towards the end of 2007.

Arqiva

CIF owns a 6.3% interest in Arqiva.

Arqiva is one of two leading national broadcast transmission and site leasing infrastructure operators in the UK. Revenue is predominantly derived from the leasing of its broadcast towers, teleports and wireless sites on long-term contracts to transmitters of analogue and digital broadcast content and wireless communication providers in the UK. In addition, Arqiva derives revenue through the provision of broadcast and wireless communication related design, construction and maintenance services to its customers.

Arqiva business update

Arqiva continues to perform ahead of expectations, delivering a strong performance across a number of parameters.

Financial highlights	Six months ended 31 Dec 06 \$m
Total revenue	407.3
EBITDA	150.9
Distribution paid to CIF	3.3

Pleasingly, Arqiva continues to source new revenue opportunities across all five of its divisions:

- Following the appointment of Arqiva's terrestrial media division as the preferred supplier to the British Broadcasting Corporation (BBC) distribution network and managed transmission services for digital terrestrial television in May 2006, the contract was signed in September 2006. The £1.8 billion contract runs until at least 2031 and will see Arqiva design, deploy and operate the BBC's new high powered digital network.
- As part of expanding the global geographic reach of the satellite media division, Arqiva successfully negotiated the acquisition of British Telecom's (BT) satellite broadcast business for £25 million. Whilst this acquisition is subject to regulatory approval, once completed it will open up new markets for Arqiva in France and the United States of America.

- The wireless solutions division successfully completed projects for the Scottish Parliament and London's Canary Wharf.
- The public safety division continues to be the leading provider of communications services and support for emergency services and government bodies in the UK. Arqiva is currently short-listed by Ireland's Department of Finance to replace its communications network and has successfully completed the mobile data trial with London's Metropolitan police.
- The mobile media division has been pioneering the establishment of mobile broadcasting for over six years. Trials have been conducted throughout the UK and in October 2006 Arqiva and O2 announced the first ever consumer trial of broadcast mobile TV in Ireland.

Given the trends towards digital, mobile and wireless technology, Arqiva will continue to develop opportunities for growth within the UK broadcast industry.

Gas distribution networks

CIF owns an 8.6% interest in Wales & West Utilities and a 5.8% interest in Northern Gas Networks.

There are eight regulated gas distribution networks already defined in the UK. Each is responsible for owning, maintaining and extending the network of pipes and associated infrastructure required to distribute gas within a specified geographic area over which it has a regional monopoly. The GDNs derive revenue by charging gas shippers a combination of capacity and volume related transportation charges.

Gas distribution networks regulatory update

In December 2006, Ofgem published its final proposals for its one year interim gas distribution price control review. Both Wales & West Utilities and Northern Gas Networks accepted the proposed outcomes which will apply from April 2007. The clarity provided by this one year review has reduced some of the perceived risks associated with the next five year review (due in late 2007).

Two key positive outcomes were:

- Pension contributions will now be allowed to be recovered in the calculation of the regulated asset value.
- Gas shrinkage occurs when in colder weather gas volumes decline. Historically, the GDNs have had to make up the shortfall of volume that occurs during the distribution phase hence exposing the GDNs to some commodity price risk. Going forward, gas price risk will be removed from shrinkage gas purchasing.

Both Wales & West Utilities and Northern Gas Networks have submitted their initial proposals to Ofgem ahead of the five year price control review. Initial feedback from this review is expected in May 2007.

Wales & West Utilities business update

The hottest summer in the UK since 1731 provided a challenging start to the six months ended 31 December 2006 and resulted in lower volumes and revenues for the period. Reassuringly, given the nature of the regulated industry in which Wales & West Utilities operates, this weather driven impact on revenue will be predominantly recouped in subsequent periods.

Financial highlights	Six months ended 31 Dec 06 \$m
Total revenue	388.6
EBITDA	53.1
Distribution paid to CIF	0.9

Positively, Wales & West Utilities continues to focus on delivering operational efficiencies. In July, it relocated its head office to a purpose built facility in Newport. The move is estimated to save £1 million per annum and delivered an immediate improvement to the working environment and morale within the organisation.

In the release of the one year interim price control review, Wales & West Utilities was the only GDN not to be given an operating expenditure efficiency target by the regulator, highlighting that Wales & West Utilities is considered the most efficient network in the UK. As the gas main replacement program remains ahead of plan, Wales & West Utilities has again pulled forward its capital expenditure program, which, despite this timing difference, remains on budget.

Northern Gas Networks business update

Record temperatures also impacted Northern Gas Networks, resulting in lower than expected gas volumes and revenue for the period. As is the case with Wales & West Utilities, the majority of any shortfall on short-term revenues is recoverable via the regulatory process in subsequent periods.

Financial highlights	Six months ended 31 Dec 06 \$m
Total revenue	290.0
EBITDA	79.2
Distribution paid to CIF	6.5

Pleasingly, following a 12 month implementation program, full operation of the new front office system was completed in November 2006, both on time and within budget. Northern Gas Networks management will use the new system to bring improved operational support for field operatives and managers which will enable the delivery of future efficiencies.

Northern Gas Networks continues to utilise its unique outsourcing model with United Utilities to drive down costs and deliver efficiency gains. This places it in a sound position leading into the upcoming regulatory review.

Outlook

CIF's quality assets continue to deliver strong and predictable cash flows via long-term contracts and/or highly transparent regulatory pricing structures. Management at both the Fund and asset level continue to identify additional operating efficiencies and identify organic growth opportunities, particularly within Inexus and Arqiva.

The ability for CIF to increase its final distribution to 32.1 cents per security reinforces the momentum within Inexus and is supported by the Manager's confidence in the outlook for the Fund.

The Manager will continue to look to add to CIF's strong infrastructure investment base with assets that meet the Fund's investment criteria. Whilst the infrastructure market continues to be competitive, the Manager remains confident that its disciplined acquisition strategy will deliver growth orientated utility and infrastructure assets which offer a combination of long-term, predictable income streams and potential for capital growth. Given these investment parameters, the Manager anticipates that future opportunities for CIF will predominantly arise within the utilities sectors of OECD countries.

Thank you for your continued support of the Fund over the six months to 31 December 2006.

Yours sincerely,



Steve Bickerton
Fund Manager

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) and 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 half-year ended 31 December 2006.

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
- Ian Moore
- Peter Polson (resigned 4 August 2006)
- Paul Rogan (resigned 2 November 2006)
- Robert Woods
- Geoff McWilliam
- Greg Martin (resigned 4 August 2006)

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 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 41, 88 Phillip Street, Sydney NSW 2000.

Review and results of operations

The consolidated loss before tax for the half-year ended 31 December 2006 attributable to the stapled securityholders of CIF was \$20,549,432 (2005: (\$16,079,085)). CIF derived a profit before tax of \$3,569,082 (2005: \$1,357,700 loss) after adding back the \$24,118,514 (2005: \$14,721,385) of unrealised losses on inflation and foreign exchange hedge contracts. The following table provides an analysis of the result:

	CIF1 Consolidated 1 July 2006 – 31 Dec 2006 \$'000	CIF1 Consolidated 19 May 2005 – 31 Dec 2005 \$'000	CIF2 Consolidated 1 July 2006 – 31 Dec 2006 \$'000	CIF2 Consolidated 19 May 2005 – 31 Dec 2005 \$'000
Total revenue	58,229	36,885	38,448	21,407
EBIT	8,528	8,790	(7,847)	(6,239)
Profit/(Loss) before tax	(20,550)	(16,079)	(33,712)	(23,550)
Profit/(Loss) after tax attributable to stapled securityholders of CIF	(18,665)	(15,370)	(31,827)	(22,821)
Interim distribution (cents per unit)	14.40	6.05	–	–

Significant changes in the state of affairs

Payment of second instalment

The second instalment on issued securities was received by CIF1 on 21 August 2006 in accordance with the requirements in the CIF Product Disclosure Statement and Entitlement Offer.

Distributions

On 13 February 2007, the directors resolved to pay an interim distribution of 14.40 cents per security. The distribution amount of \$34,679,631 will be paid on 27 February 2007.

Significant events after the balance date

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.

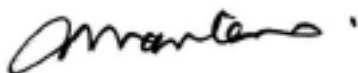
Rounding of amounts in the directors' report and the financial report

CIF1 and CIF2 are registered schemes that are of a kind referred to in Class Order 98/100, issued by the Australian Securities and 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.

Auditors independence declaration

We have obtained an independence declaration from our auditor Ernst & Young as set out on page 5 of the full CIF Interim Financial Report.

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



Ian Martens

Sydney

13 February 2007

Financial statements

Income Statement

For the half-year ended 31 December 2006

	CIF1 Consolidated 1 July 06 – 31 Dec 06 \$'000	CIF1 Consolidated 19 May 05 – 31 Dec 05 \$'000
Investment revenue	20,100	15,763
Transportation revenue	38,129	21,122
Total revenue	58,229	36,885
Cost of sales	(3,590)	(2,263)
Gross profit	54,639	34,622
Operating expenses	(15,283)	(7,297)
Realised gains on foreign currency hedges	7,081	–
Earnings before interest, tax, depreciation, amortisation and unrealised gains/(losses) on financial instruments	46,437	27,325
Depreciation	(6,331)	(3,364)
Unrealised movements in employee share scheme	(7,460)	(449)
Unrealised (losses)/gains on foreign currency hedges	(5,149)	4,074
Unrealised losses on inflation hedge contracts	(18,969)	(18,796)
Earnings before interest and tax	8,528	8,790
Interest expense – preference shares	(3,515)	(1,818)
Interest expense – debt	(24,361)	(20,576)
Amortisation of loan issue costs	(1,202)	(2,475)
Profit/(Loss) before tax	(20,550)	(16,079)
Tax benefit	1,885	709
Net profit/(loss) after tax	(18,665)	(15,370)
Net profit/(loss) after tax attributable to:		
Securityholders of CIF1	13,162	6,911
Securityholders of CIF2	(31,827)	(22,281)
Minority interests	–	–
	(18,665)	(15,370)
Basic earnings per unit (cents)	(7.77)	(7.82)
Diluted earnings per unit (cents)	(7.77)	(7.82)

The above Income Statement is an extract only and should be read in conjunction with the notes to the full CIF Interim Financial Report for the half-year ended 31 December 2006 which has been lodged with the Australian Securities Exchange (ASX) and is available for download on the CIF website (www.challenger.com.au/cif).

Balance Sheet

As at 31 December 2006

	CIF1 Consolidated 31 Dec 06 \$'000	CIF1 Consolidated 30 Jun 06 \$'000
Assets		
Cash	171,546	36,593
Trade and other receivables	21,632	438,142
Inventory	975	831
Investments	320,067	318,486
Property, plant and equipment	285,937	273,047
Intangible assets	1,027,736	1,030,387
Deferred tax assets	4,192	6,998
Total assets	1,832,085	2,104,484
Liabilities		
Trade and other payables	93,162	76,511
Provisions	115	447
Deferred tax liabilities	5,491	10,527
Distribution payable	34,680	19,558
Interest bearing liabilities	785,298	1,058,046
Preference shares	76,778	76,976
Hedge contracts at market value	85,250	59,492
Total liabilities	1,080,774	1,301,557
Net assets	751,311	802,927
Equity		
Contributed equity	823,932	821,423
Retained earnings	(39,350)	(20,685)
Reserves	(33,271)	(2,189)
Total equity	751,311	802,927
Comprised of:		
CIF1	790,482	807,908
CIF2	(13,171)	(4,981)
Minority interests	–	–
Total equity	751,311	802,927

The above Balance Sheet is an extract only and should be read in conjunction with the notes to the full CIF Interim Financial Report for the half-year ended 31 December 2006 which has been lodged with the Australian Securities Exchange (ASX) and is available for download on the CIF website (www.challenger.com.au/cif).

Statement of Cash Flows

For the half-year ended 31 December 2006

	CIF1 Consolidated 1 July 06 – 31 Dec 06 \$'000	CIF1 Consolidated 19 May 05 – 31 Dec 05 \$'000
Cash flows from operating activities		
Receipts from customers	35,960	21,201
Payments to suppliers	(10,220)	(5,987)
Interest received	7,835	4,655
Dividends received	11,459	10,143
Interest paid	(21,441)	(8,729)
Tax paid	(336)	(531)
Net cash flow from operating activities	23,257	20,752
Cash flows from investing activities		
Acquisition of available for sale investments	–	(300,427)
Purchase of controlled entities (net of cash acquired)	–	(1,149,698)
Payments for purchase of property, plant and equipment	(21,272)	(4,580)
Net cash flow from investing activities	(21,272)	(1,454,705)
Cash flows from financing activities		
Net proceeds from issue of securities	420,157	401,495
Proceeds from issue of preference shares	–	73,974
Proceeds from borrowings	13,623	1,193,101
Repayment of borrowings	(288,751)	(168,279)
Loan from related party	–	–
Distributions paid	(19,533)	–
Net cash flow from financing activities	125,496	1,500,291
Net increase in cash assets held	127,481	66,338
Cash and cash equivalents at beginning of year	36,593	–
Net foreign exchange differences	7,472	505
Cash and cash equivalents at end of year	171,546	66,843

The above Statement of Cash Flows is an extract only and should be read in conjunction with the notes to the full CIF Interim Financial Report for the half-year ended 31 December 2006 which has been lodged with the Australian Securities Exchange (ASX) and is available for download on the CIF website (www.challenger.com.au/cif).

Securityholder information

ASX listing

Challenger Infrastructure Fund (CIF) is listed on the Australian Securities Exchange (ASX). The Fund's securities trade under the code 'CIF'. Security prices are published daily in major Australian metropolitan newspapers, and are also accessible from the CIF website.

The CIF website

The CIF website www.challenger.com.au/cif contains important information about the Fund, including security prices, announcements, reports and an overview of each asset in the CIF portfolio.

Securityholder enquiries

If you have queries relating to your securityholding or wish to provide a change of address, Tax File Number, instructions for payment of distributions or annual report elections please contact the Security Registry as follows:

Challenger Infrastructure Fund
C/- Link Market Services Limited
Locked Bag A14
SYDNEY SOUTH NSW 1235
Telephone: 1800 114 027
Telephone (outside Australia): +61 2 8280 7795
Facsimile: +61 2 9287 0303

If you have any questions relating to the management of the Fund, please contact Challenger on +61 2 9994 7000, or send an email to cif@challenger.com.au.

Distributions

CIF pays distributions half-yearly for the periods ending 30 June and 31 December. Distribution payments can be paid by direct credit to a nominated Australian financial institution account or a cheque mailed to your registered securityholding address.

An Annual Taxation Statement is sent to securityholders in August each year. This statement includes important taxation information and should be retained by securityholders to assist in the completion of their taxation return.

Directory

Challenger Infrastructure Fund (CIF)

Comprising:

CIF Investment Trust 1
ARSN 114 139 703

CIF Investment Trust 2
ARSN 114 139 632

Australian Securities Exchange (ASX) code

CIF

Responsible Entity

Challenger Listed Investments Limited
ABN 94 055 293 644
AFSL 236887

Directors of the Responsible Entity

S Gerlach (Chairman)
RRR Hooper
IM Martens
GK McWilliam
IR Moore
PR Brook
RJ Woods

Company Secretary

C Robson
S Koeppenkastrop

Manager

Challenger Management Services Limited
ABN 29 092 382 842

Address

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Telephone: +61 2 9994 7000
Facsimile: +61 2 9994 7777
Email: cif@challenger.com.au
Website: www.challenger.com.au/cif

Unit Registry

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Telephone (outside Australia): +61 2 8280 7111
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