Challenger Infrastructure Fund

2006 annual results presentation

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Challenger Infrastructure Fund

23 August 2006

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Agenda

- Achievements
- Financial results
- Portfolio overview
- Asset performance
- Investment strategy
- Outlook

Achievements

- Normalised EBITDA $49.5m – 5.4% ahead of forecast
- Delivered on PDS forecast DPU 14.2 cpu
- Distribution 81.5% tax deferred
- Asset revaluation uplift to NAV of 23 cpu
- Seed assets and Inexus performing well
- On track to meet FY07 distribution guidance of 28.8 cpu

Financial performance

For period ended 30 June 2006

	Actual vs	PDS forecast ($m)	
Total revenue	82.6	↑	15.3%
EBITDA	56.7	↑	20.8%
Normalised EBITDA*	49.5	↑	5.4%
Distributions to security holders	34.1	↔	In line
Distribution per security	14.2cpu	↔	In line

** Refer Appendix 1 for reconciliation of Normalised EBITDA*

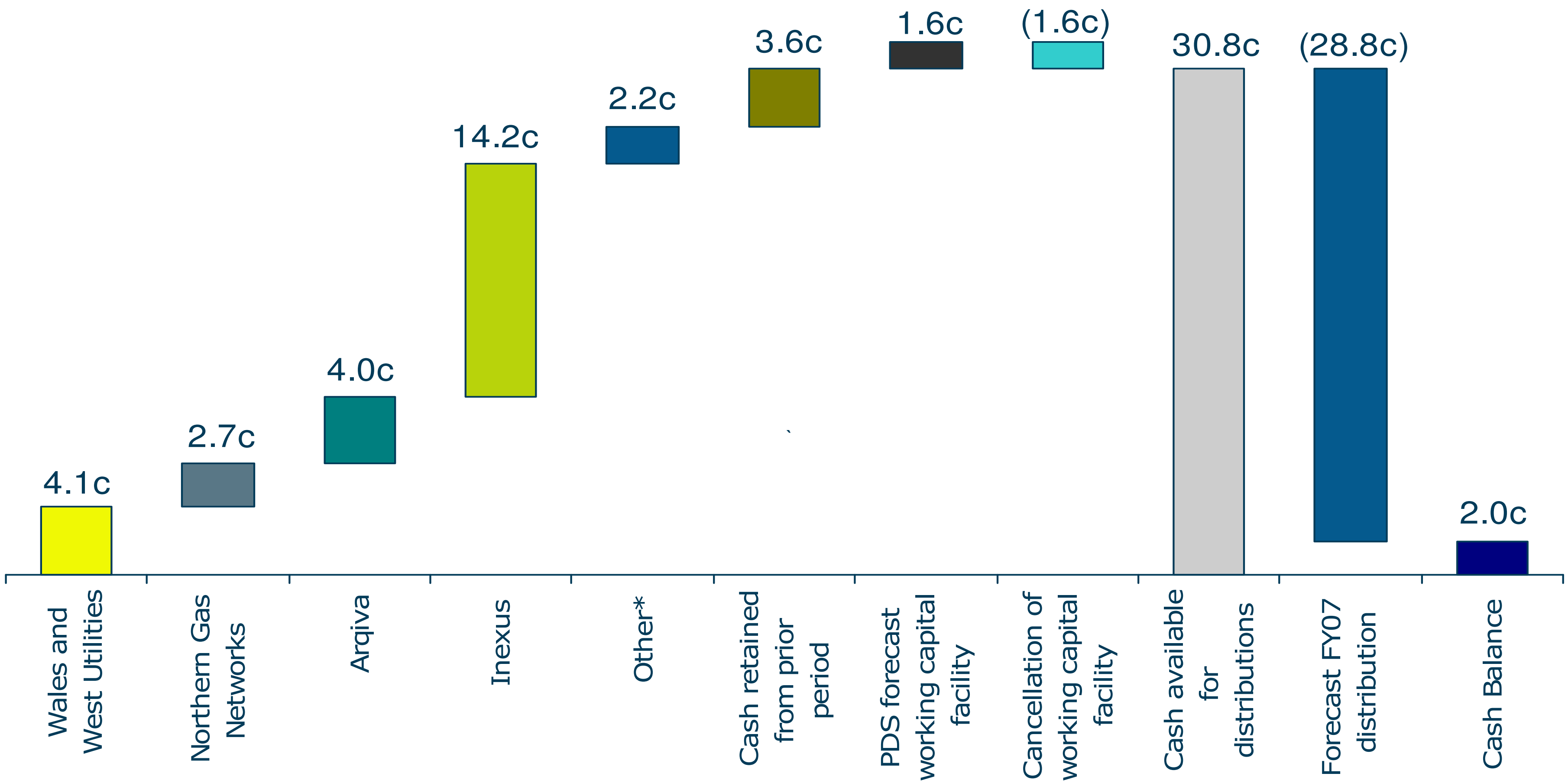
FY06 Distribution – composition

Cash available for distribution $42.9 million – 23% above PDS forecast

	Period from allotment to 30 June 2006	
	Actual ($m)	**PDS ($m)**
Distributions from seed assets		
- Arqiva	18.5	16.8
- Northern Gas Networks	5.6	1.8
- Wales and West Utilities	6.7	7.8
Distribution from Inexus	9.3	9.2
Interest income	1.8	0.0
Realised foreign exchange gains	1.6	0.0
Cash operating expenses	(0.6)	(0.7)
Cash available for distribution	**42.9**	**34.9**
Distribution at 30 June 2006	(34.1)	(34.1)
Closing cash balance	**8.8**	**0.8**

FY07 Distribution – forecast

CIF remains on track to deliver FY07 distribution of 28.8 cpu



** Other includes bank interest on $131 million of uninvested cash net of cash operating expenses*

Capital structure

- 30 June 2006 - borrowing at Fund level of $284.4m
- 21 August 2006 - second instalment raised $420m
  - $289m repay bridge debt facility
  - $131m cash on balance sheet
- Post second instalment
  - Repayment of bridge refreshes borrowing capacity at Fund level
- Challenger Group remains cornerstone investor via long term escrowed ownership of Class B Securities (37.5%)

CIF Securities	% Issued Capital	Challenger Group holding
Class A	62.5%	16.5%
Class B	37.5%	37.5%
Total	100.0%	54.0%

Quality infrastructure assets

Asset	Nature of Regulation	UK Market position	Long term cash flow certainty	Ownership	Growth
Inexus	Price regulated	Leading gas and only active gas and electricity connections provider	Ongoing demand for gas	CIF majority stake aligned through co-ownership	Dual connections with potential to expand into other utilities
Arqiva	Regulated by site sharing agreement	1of 2 operators and high barriers to entry	Average contract length 12 years	Board representation	Participation in digital switchover, wireless growth and mobile TV
Gas Distribution Networks	Price regulated	Regional monopoly	Ongoing demand for gas	Board representation	Operating efficiency and capital management discipline

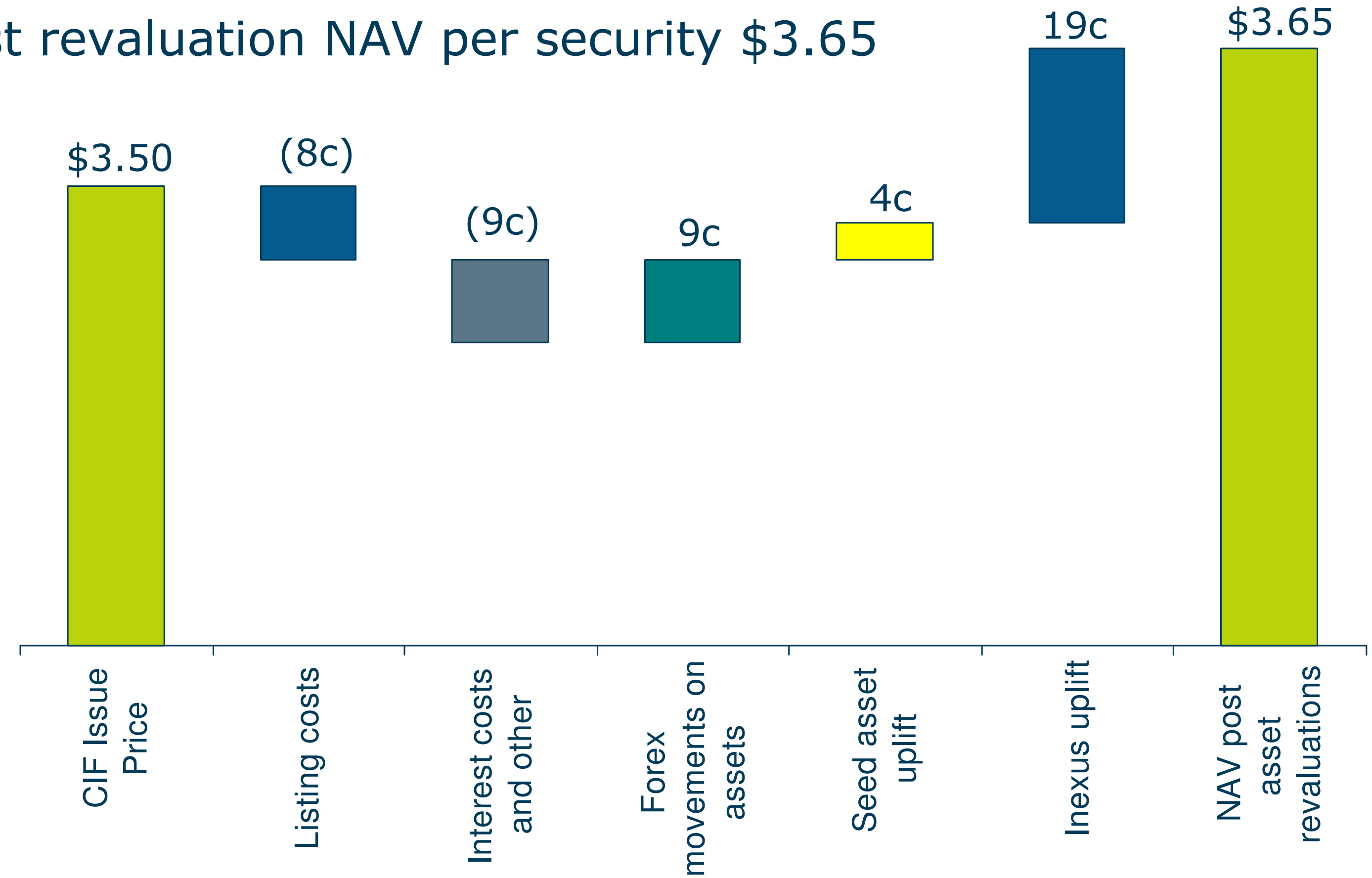
Asset Valuations – uplift of 8%

Carrying value excludes foreign exchange movements between the date of asset acquisition and 30 June 2006 revaluation date

Asset	CIF Ownership Interest	30 June 2006		Uplift from independent valuation ($m)	Increase in Fair Value
		Carrying Value of investment PRE valuation uplift ($m)	Carrying Value of investment POST valuation uplift ($m)		
Inexus	80.4%	377.8	424.5	46.7	12.4%
Arqiva	6.3%	126.5	127.5	1.0	0.8%
Wales and West Utilities	8.6%	92.8	96.6	3.8	4.1%
Northern Gas Networks	5.8%	90.6	94.4	3.8	4.2%
TOTAL		687.7	743.0	55.3	8.0%

Asset revaluation uplift of 23 cents

Post revaluation NAV per security $3.65



Notes:

1. Interest costs and other includes interest costs, management fees and other fund expenses

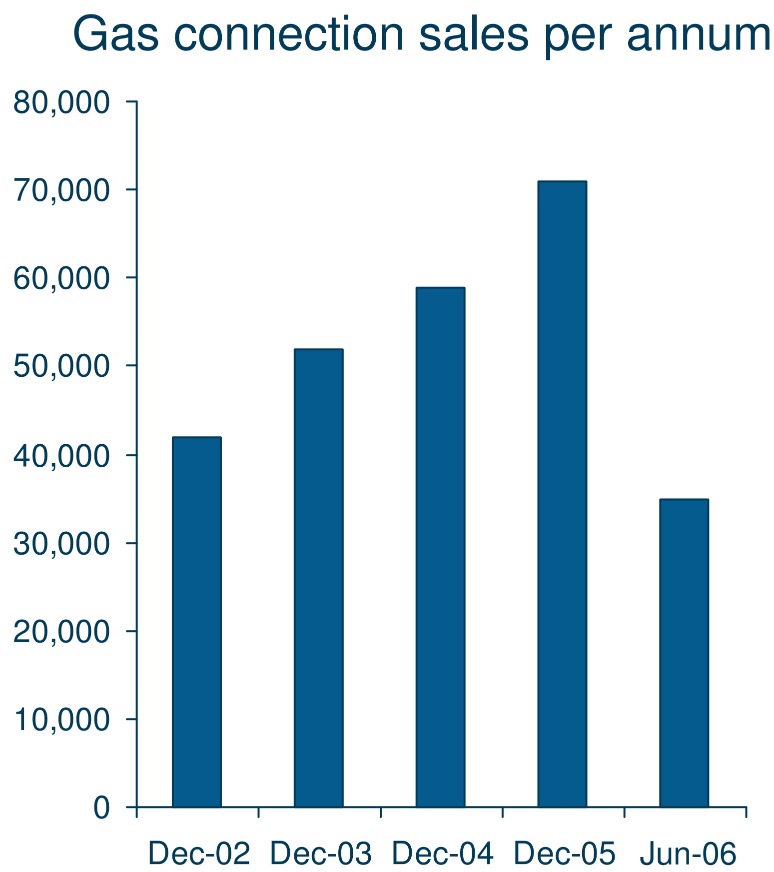
2. Net asset value per security is calculated as the total value of all CIF investments including the valuation increase in Inexus and foreign exchange movements, divided by the number of securities on issue at 30 June 2006

3. Asset values converted at $A = £0.401692

4. Refer Appendix 1 for reconciliation of Net Asset Backing to Net Asset Value

Inexus – performing well

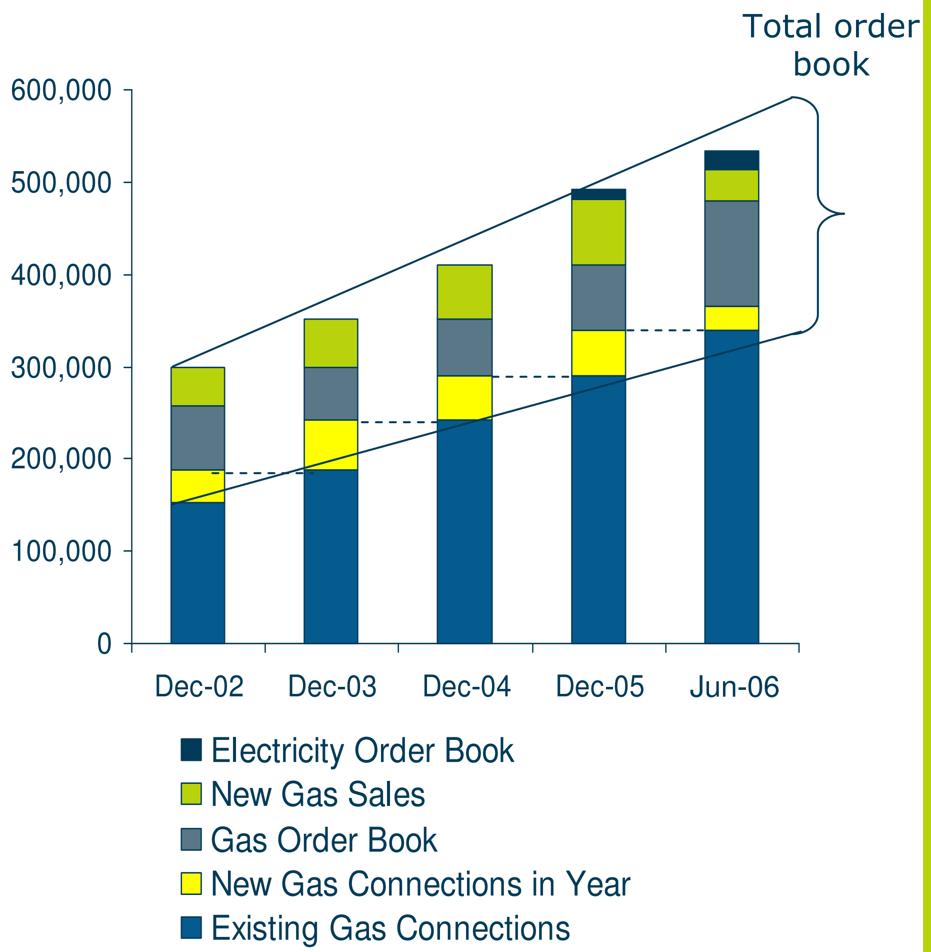
- Total gas connections 366,000
- Retained market leading position in new gas connection sales
  - Estimated 55% market share
- 6 months to 30 June 2006 new gas connection sales were 34,854
- Cost per connection continues to decline over fixed cost base



Inexus – predictable future revenues

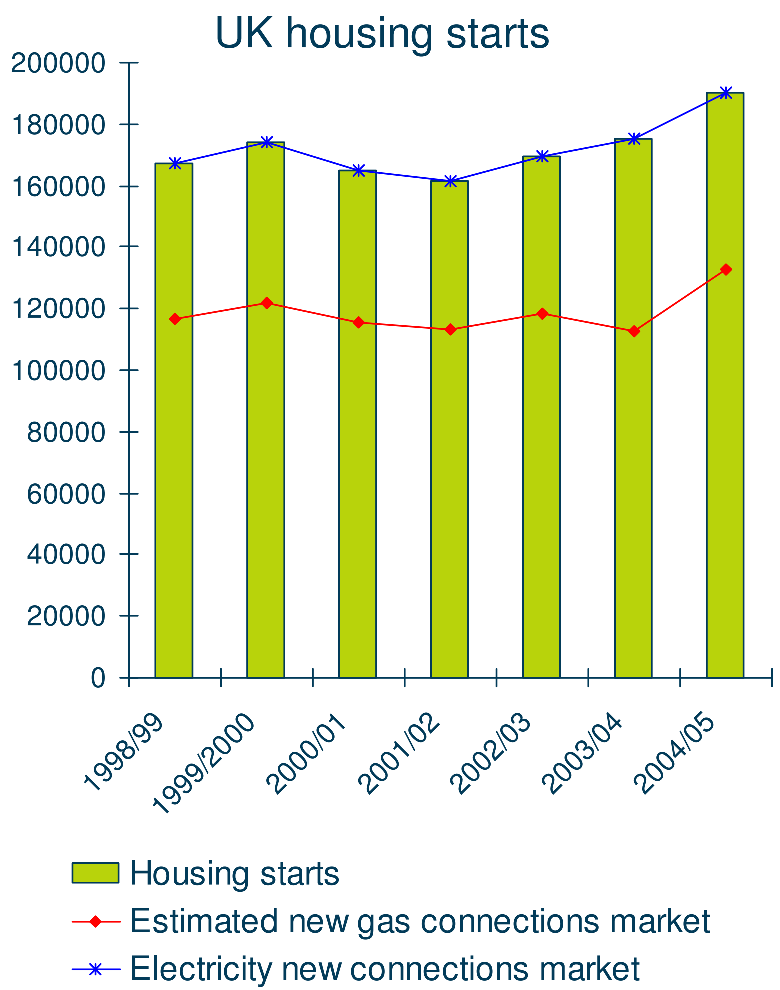
- EBITDA CAGR of 24% over past 5 years
- Renewable order book
  - Average duration 2.5 – 3 yrs
  - Transparency in outlook

Total connections and sales



Inexus – electricity update

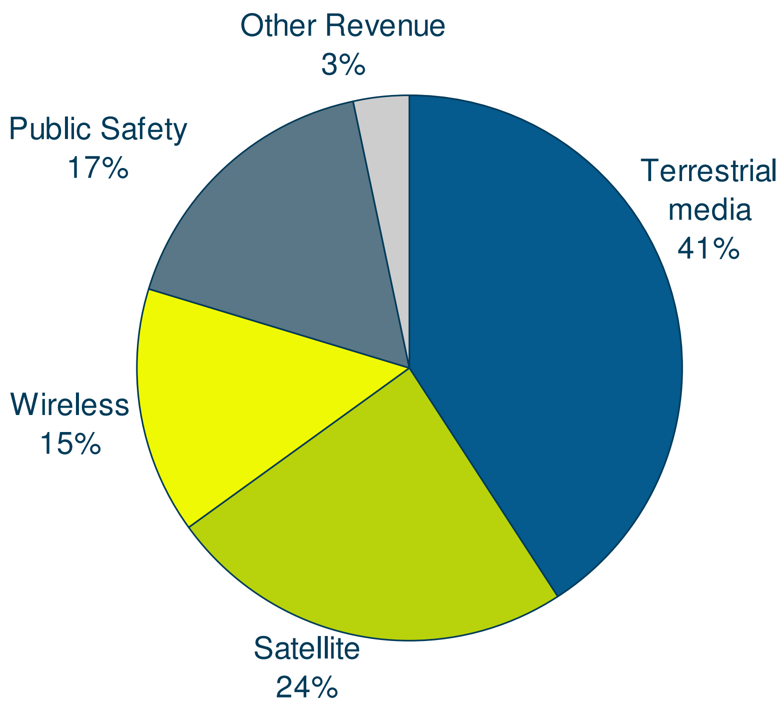
- Successful launch of new electricity connections business
- Only active licensed independent electricity connections provider
- 1st mover advantage in dual connections
- Strong developer response
  - 6 months to 30 June 2006 10,537 electricity connection sales
  - CY06 forecast 20,000
- Growth potential
  - Larger market
  - Opportunity to “bundle”



Arqiva – strong divisional performance

- **Terrestrial Media**:
  - TV: Preferred supplier for BBC and Digital 3 and 4
  - Radio: 91% market share of digital contracts awarded
- **Wireless**: growth in mobile operator's 3G networks
- **Satellite**: Inmedia fully integrated and performing solidly
- **Public Safety**: High levels of contract renewal
- **Mobile Media**: successful trial of mobile TV

Sources of revenue (by division)



Gas Distribution Networks – solid performance

- 96% regulated revenue bases
- Benefits continue from new private ownership structures
  - Operational efficiencies
  - Capital management discipline
- Effectively managed tough operating environment
  - Warmer than average weather softened volumes
    - Regulatory pricing structure recoups this impact
  - Record UK gas prices
    - Impact on gas shrinkage costs
- Ofgem has delayed full price control review until April 2008
  - Interim price control review April 2007

Effective hedging program

	Inflation	Interest rates	Foreign exchange*
Inexus	Direct regulated price adjustment	100% of borrowings hedged to 2030	100% of forecast distributions hedged to August 2010 at £1 = A$2.4637
Arqiva	Contracted price adjustment	Greater than 95% of borrowings hedged to 2009 then 50% for a further 5 years	100% of forecast distributions hedged to July 2010 at £1= A$2.4091
Wales and West Utilities	Regulated WACC	100% of borrowings hedged to 2008 then greater than 85% for a further 5 years	100% of forecast distributions hedged to July 2010 at £1= A$2.4091
Northern Gas Networks	Regulated WACC	100% of borrowings hedged to 2008 then 55% till 2027	100% of forecast distributions hedged to July 2010 at £1= A$2.4091

* *Forex contracts are struck on rolling 5 year basis*

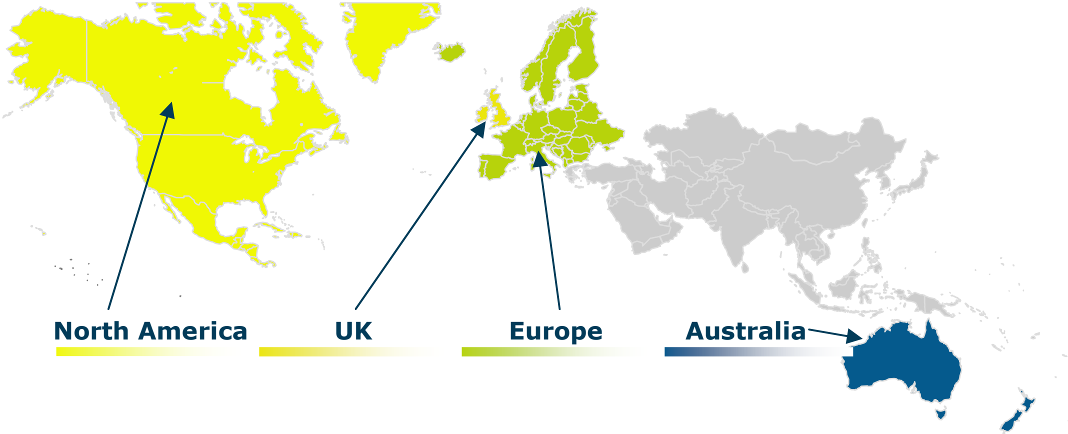
Investment strategy

What is a CIF Opportunity ?

Growth orientated infrastructure and utility assets with:

- Long-term predictable income streams

- Potential for capital growth



Market Position

- Regulated industry or near monopoly market position
- High barriers to entry

Financial Attraction

- Strong cash generation
- Long term predictable cashflows

Growth Potential

- Organic growth
- Consolidation
- Aggregation

Strategic Stakes

- Full ownership
- Majority ownership
- Negative control
- Strategic stakes

Investment strategy

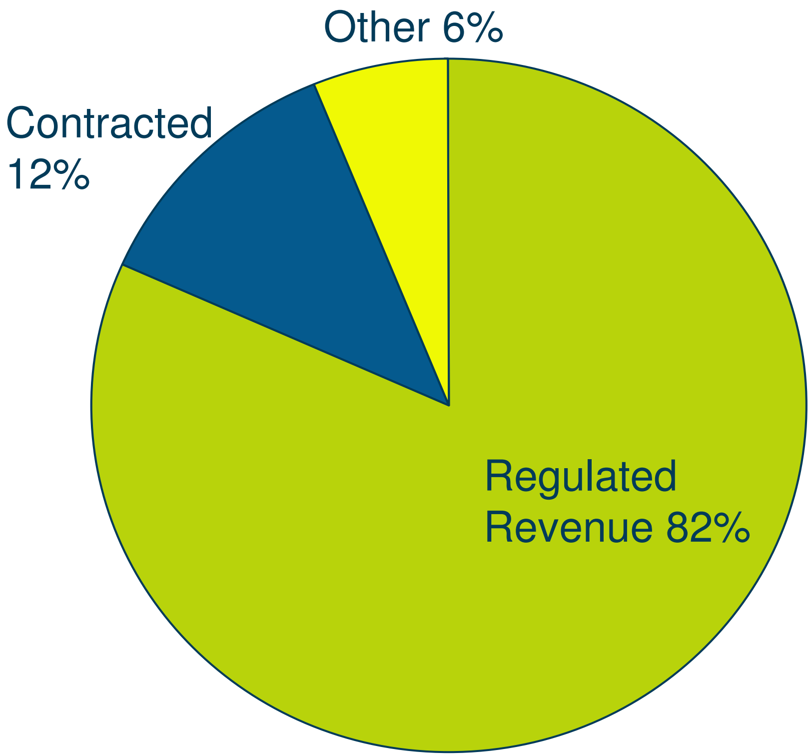
- Opportunities for FY07:
  - Focus on utilities sector assets that deliver a mix of income and growth
  - Focus on OECD countries
  - Pursue strategic co-investments with like-minded investors
  - Use strong balance sheet to fund growth initiatives
  - Maintain disciplined investment approach

Positive outlook

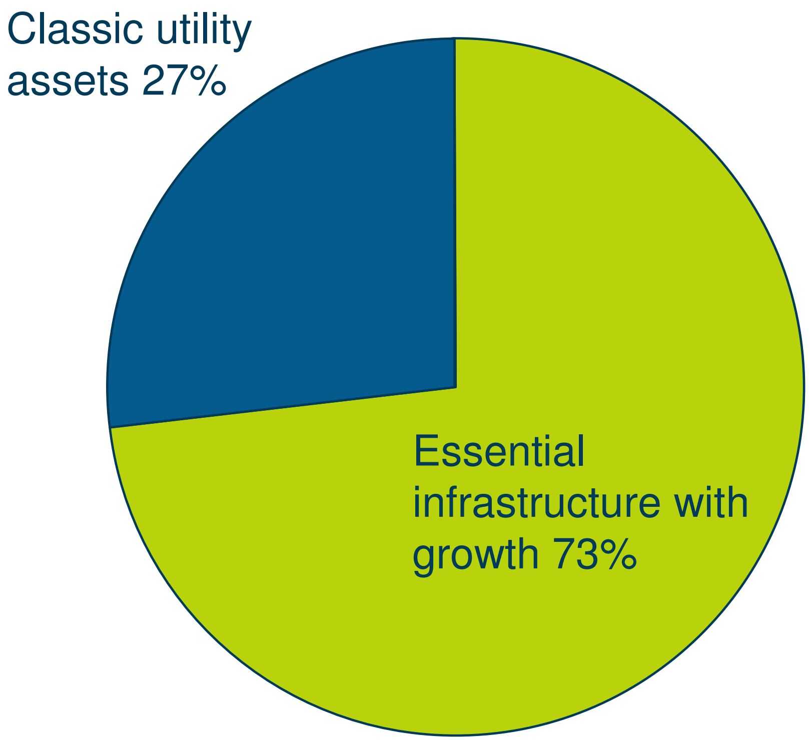
- CIF's current assets:
  - generate highly predictable and stable cash flows
  - delivering organic growth opportunities
- Assets are unlocking value for CIF investors:
  - Inexus – electricity connections
  - Arqiva – DSO, wireless and mobile media divisions
  - Gas Distribution Networks – further efficiencies from shift from public to private ownership

Outlook – certainty with growth

Forecast FY07 revenue sources



Portfolio by growth profile



Summary

- Normalised EBITDA $49.5m – 5.4% ahead of forecast
- Delivered on PDS forecast DPU 14.2 cpu
- Distribution 81.5% tax deferred
- Asset revaluation uplift to NAV of 23 cpu
- Seed assets and Inexus performing well
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Appendix

1. Appendix 1 – Financials
   - EBITDA Reconciliation
   - NPAT Reconciliation
   - Portfolio Performance
   - NAV Reconciliation
2. Appendix 2 – Inexus
   - Business Model
   - Regulator Pricing Regime

Financial – EBITDA Reconciliation

	Allotment to 30 June 2006 Actual $m	Allotment to 30 June 2006 PDS forecast $m	Variance $m	Variance
Investment Revenue - Arqiva - North DN - Wales & the West	 11.7 5.6 7.4	 5.4 1.7 7.8		
Interest Income	2.0	-		
Operating revenue	**26.8**	**14.9**	**11.9**	**79.9%**
Transportation revenue	55.8	56.7		
Total Revenue	**82.6**	**71.6**	**11.0**	**15.4%**
Cost of Sales	(5.7)	(7.2)		
Gross Profit	**76.8**	**64.4**	**12.4**	**19.4%**
Operating Expenses	(21.8)	(17.8)		
Realised gains on foreign currency hedges	1.6	0.3		
EBITDA	**56.7**	**46.9**	**9.8**	**20.9%**
Arqiva cash reclassified as dividend	(5.5)			
Northern Gas Networks cash from acquisition settlement adjustment	(1.7)			
Normalised EBITDA	**49.5**	**46.9**	**2.6**	**5.4%**

Financial – NPAT reconciliation

	Allotment to 30 June 2006 Actual $m	Allotment to 30 June 2006 PDS forecast $m
EBITDA	**56.7**	**46.9**
Depreciation	(9.2)	(9.4)
Unrealised movements on employee share scheme	(1.1)	(1.1)
Unrealised (losses)/gains on hedge contracts	(13.8)	(4.0)
Amortisation of loan issue costs	(3.5)	(2.8)
Interest Expense -Preference shares -Interest bearing liabilities	 (4.6) (50.3)	 (4.6) (53.3)
Profit/(loss) before tax	**(25.9)**	**(28.3)**
Tax Benefit	5.2	(0.1)
Net profit/(loss) after tax	**(20.7)**	**(28.4)**

Portfolio performance in line with expectations

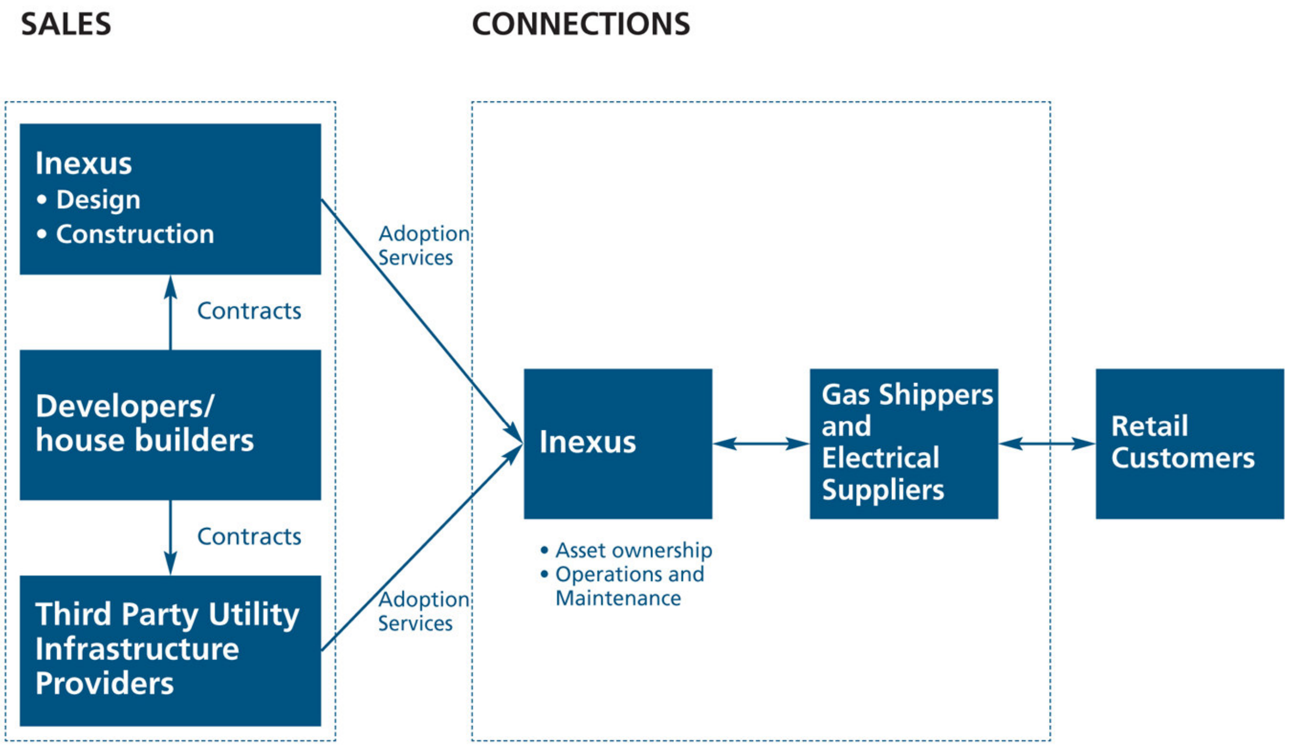
Asset	Distribution Variance to PDS	CIF distribution actual vs forecast
Inexus	$0.1m	- In line
Arqiva	$1.7m	- Due to stronger operating performance
Wales and West Utilities	($1.1m)	- ($0.8m) due to pull forward of 2007 capex - ($0.3m) due to weaker operating performance
Northern Gas Networks	$3.8m	- $1.7m due to one-off cash received via acquisition settlement adjustments - $2.1m timing difference associated with distribution

Financial – NAV reconciliation

Reconciliation of Net Asset Backing per security to Net Asset Value per security

Net Asset Backing per security (per Appendix 4E)	$3.35
Impact of deconsolidation of Inexus	$0.11
Inexus valuation uplift	$0.19
Net Asset Value per security	$3.65

Inexus – Independent Gas Transporter



Inexus - Regulation

- Two basic pricing regimes:
  - Legacy Pricing:
    - Applies to connections before Jan 2004
    - Fixed real price escalates at RPI until 2018
    - After 2018 migrates to RPC regime (below)
  - Relative Price Control (“RPC”) Regime:
    - Applies to connections post Jan 2004
    - Price essentially follows Transco equivalent (RPI-X)
    - Earliest regulatory review 2014
    - Price protected by floor and ceiling (expected to remain in place until 2024)