



Challenger Infrastructure Fund

Fact Book February 2006



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Currency

Unless otherwise stated, all amounts are in Australian dollars.

Rounding

Some amounts in this document may not add up exactly due to rounding.

Date

Information in this Fact Book is current as at 24 February 2006 unless otherwise specified.

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Challenger Infrastructure Fund

Fund snapshot

ASX code:	CIFCA
First listed	19 August 2005
2nd instalment due	21 August 2006
Total funds raised post 2nd instalment	A\$840 million
Number of security holders	Approx 4,200

Fund profile

The Challenger Infrastructure Fund (ASX CIFCA) was established to give investors access to a pipeline of infrastructure assets diversified by geographic region and sector, and to the extensive experience of the Challenger global infrastructure team.

Challenger Infrastructure Fund (CIF) is a publicly listed global and sector diversified infrastructure fund that invests in regulated, monopoly-like assets, in countries with relatively stable political and regulatory environments. The fund takes a disciplined approach to the types of assets in which it invests in order to provide unitholders with a predictable and stable yield with the additional benefit of potential capital growth.

Infrastructure as an asset class

Infrastructure assets can be broadly described as assets that underpin basic services and facilities which are fundamental to the growth and development of a community. Infrastructure as an asset class, is attractive to investors as it represents a source of predictable income with relatively low volatility. This is because while there are risks associated with investing in infrastructure assets, much of the risk is either mitigated by the regulatory framework, encouraging investment in essential services, or can be hedged in a traded market.

Infrastructure assets can be broadly divided into the following four categories:

Infrastructure Type	Examples
Patronage	<ul style="list-style-type: none">• Toll roads• Airports• Communications
Regulated	<ul style="list-style-type: none">• Energy transmission and distribution• Water
Social	<ul style="list-style-type: none">• Schools• Hospitals
Competitive	<ul style="list-style-type: none">• Certain energy production

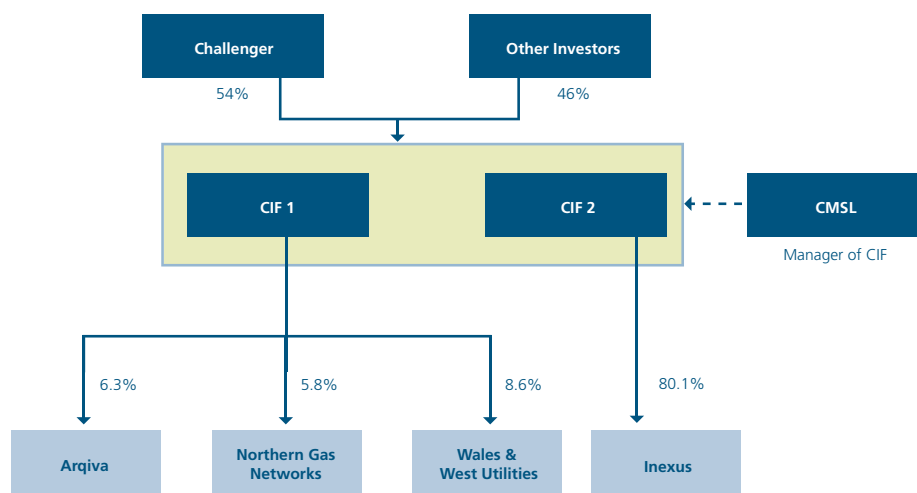


Infrastructure, as an asset class, has relatively low correlation to the market as a whole and to fluctuations in macroeconomic factors such as GDP, inflation and employment. It is generally acknowledged that infrastructure has a lower volatility of revenue and EBITDA than most industrial businesses due to the regulated monopoly-like nature of the business.

CIF fund structure

CIF consists of two managed investment schemes, CIF 1 and CIF 2, which are stapled together, quoted and traded as if they were a single security.

The current securities issued by CIF were issued on a partly paid basis, with \$1.75 per security paid by investors upon initial application and the balance of \$1.75 per security payable on 21 August 2006. After the payment of the second instalment on 21 August 2006, the total funds raised by CIF will be \$840 million.



Strategy

CIF, by way of its arrangement with the manager of CIF (Challenger Management Services Limited (CMSL)), has a dedicated management team that invests in and manages assets that meet CIF's investment criteria. The fund's strategy is to build a portfolio of assets which give unit holders access to long term predictable cashflows. CIF does this by targeting high quality assets. CIF also employs a number of value enhancing strategies to optimise returns for investors. Some commonly used strategies used by the CIF team include actively managing the asset, incentivising management, the use of leverage, tax structuring and financial structuring.

Through its investment process CIF is looking to make investments in assets where it can play an active role in the future success of the investment.

Challenger Infrastructure Fund (continued)

Investment process

Philosophy

CIF employs an active top down and bottom up fundamental research methodology to identify and value high quality infrastructure assets through the development of a robust understanding of assets and the environment (industry, regulatory etc) in which they operate. The two key factors underlying CIF's investment philosophy are:

- Quality – identifying high quality infrastructure assets that can deliver earnings certainty through resilient and predictable cash flows and attractive yields
- Value – using a range of valuation techniques to identify the underlying value of a business in light of its quality, yield and stability of cash flows

CIF has a disciplined investment process which allows it to screen potential opportunities and invest in assets that meet defined hurdle rate targets. In sourcing and investing in infrastructure assets, CIF has targeted a mix of cash yielding assets and growth style assets. This focus on combining yield and growth underpins CIF's overall infrastructure investment process.

Investment approach

CIF's investment policy is fundamental to the success of the fund. CIF has flexibility in terms of the types of assets it invests in as long as the investment meets the fund's strict investment criteria.

CIF targets assets that generally meet the following criteria:

- Regulated industry or near monopoly market position that supports a predictable and stable regulatory environment and transparency of pricing reducing the risk to asset owners and providing a high degree of revenue certainty
- Strong cash generation capability and the ability to generate attractive cash returns
- Long term predictable cashflows that are supported by long term concessions or contract periods
- High barriers to entry that ensures reduced potential competition and increases revenue certainty as there are few viable alternatives to using the asset
- First class management teams that are closely aligned to the objectives of the fund
- Board representation with the ability to determine the strategic direction and success of the investment.



The process for the identification, execution and on going management of the fund is as follows:

Origination	→ Execution	→ Asset Management
<ul style="list-style-type: none"> • Deal origination • Initial screening 	<ul style="list-style-type: none"> • Due diligence • Financial analysis • Structuring and debt • Investment committee • Asset management plan • Board approval • Deal negotiation • Completion and integration 	<ul style="list-style-type: none"> • Active management • Portfolio management and rebalancing • Risk management

Origination

Deal origination is facilitated through CMSL's origination team, whose primary responsibility is to keep abreast of industry developments and source opportunities through business networks. The origination effort is supplemented by the relationships and networks established by Challenger's senior executives.

Deal potential is ranked based on a combination of the following criteria:

- Geographic location
- Viability of project
- Yield
- Internal rate of return
- Potential for capital growth
- Quality of asset
- Regulatory framework
- Post acquisition portfolio
- Potential for board representation
- Due diligence findings
- Competitive environment
- Barriers to entry
- Inelasticity of demand
- Quality of management

Deals proposed by the origination team are reviewed by the chief executive of CIF and the Investment Committee on the basis of yield, internal rate of return, the source of funding and concentration considerations. This phase of origination also seeks to identify any legal, tax and accounting issues that may exist, in addition to briefing advisers to the project (where relevant) as well as potential lenders.

Deals assessed by the Investment Committee as being appropriate investments for CIF are then presented to the Board for formal sign off and approval.

Challenger Infrastructure Fund (continued)

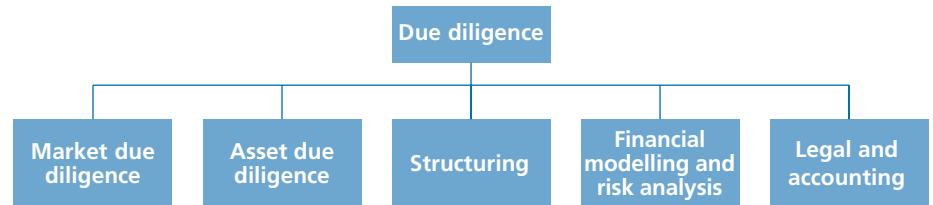
Execution

For each deal approved for the execution phase, a multi-disciplinary deal team is established to guide the deal through the investment process. This involves the appointment of advisers and the establishment of an internal team for due diligence.

CIF has flexibility in its strategy which allows it to either pursue a lead sponsor or lead investor role, or to participate as a minority investor in infrastructure consortia. In cases where CIF participates as a minority investor, a key aspect of the due diligence process is to evaluate the credibility and track record of the deal sponsor and to ensure appropriate alignment of interests.

CIF takes a bottom up approach to due diligence beginning with asset level analysis. As CIF becomes comfortable with the underlying operational business model it then focuses on any macro issues that may affect the asset.

There are five streams to the due diligence process, each with a dedicated resource responsible for evaluating the information. This structure ensures there is accountability and flexibility to changing timelines, as well as ensuring that many of the key points are conducted simultaneously.



Asset management

CIF takes an active management approach to its infrastructure investments. This involves the close monitoring of those physically managing the asset. In monitoring the asset, CIF participates in regular communication and site visits. By attending board meetings and monitoring investment financials, the designated asset manager also provides monthly asset reports, recommendations for asset optimisation and recommendations on disposals, if applicable.

Portfolio snapshot

Asset	Equity ownership of asset	Equity investment	Consortium	Description of business
Inexus	80.1%	\$A363m	Arranged by Challenger, with CIF the lead investor. Other consortium members are two Colonial fund entities (13.2%) and Inexus management (6.7%)	<ul style="list-style-type: none"> • Leading independent gas transporter and independent utility infrastructure provider in the United Kingdom • Involved in the design, construction, ownership, operation and maintenance of discrete gas and electricity networks connecting new premises to gas and electricity systems throughout mainland United Kingdom
Arqiva (formerly ntl Broadcast)	6.3%	\$A125m	Arranged by Macquarie Bank with Macquarie Communications Infrastructure Group (54%) the lead investor	<ul style="list-style-type: none"> • One of the leading national broadcast transmission and site leasing infrastructure operators and the second largest independent wireless site leasing provider in the United Kingdom
Northern Gas Networks	5.8%	\$A87m	Lead by CKI (40%). Asset managed by United Utilities plc (15%)	<ul style="list-style-type: none"> • Regulated gas distribution business located in the North of England that transports gas on behalf of shippers • Responsible for owning, maintaining and extending the network of pipes and associated infrastructure required to distribute gas within its geographic area
Wales and West Utilities	8.6%	\$A91m	Arranged by Macquarie Bank with MEIF (31%) the lead investor. Asset managed by Wales and West Utilities	<ul style="list-style-type: none"> • Regulated gas distribution business located in Wales and the South West of England that transports gas on behalf of shippers • Responsible for owning, maintaining and extending the network of pipes and associated infrastructure required to distribute gas within its geographic area

Asset and Financial Overview

Inexus

Corporate Head Office

Ocean Park House
East Tyndall Street
Cardiff CF24 5GT
United Kingdom

www.connectutilities.co.uk

www.inexus.co.uk

CEO

Philip Gibb

Industry

Independent Gas Transporter

Regulator

The UK Office of Gas and Electricity Network Markets (Ofgem)

Regulator Website

www.ofgem.gov.uk



Inexus is the leading independent gas transporter in the United Kingdom. Its business involves the design, construction, ownership, operation and maintenance of independent gas and electricity networks throughout the mainland in the United Kingdom.

Inexus' revenue is derived primarily from the ownership of the "last mile" of gas pipes and electricity cables that connect the utility distribution networks to the residential (or retail) customers. As revenue is based on an "availability charge", Inexus has no exposure to the volume of gas used by the retail customer and the income is based on a known daily tariff.

With operations throughout the United Kingdom, Inexus is the largest independent gas transporter providing services to approximately 18 gas shippers. Through its design and construct operations Inexus is also the largest utility infrastructure provider to new domestic housing developments in the UK.

The main utility businesses of Inexus were established in 1993 to own certain gas networks and take advantage of the opportunities which were to arise from the introduction of competition into the gas distribution market in the United Kingdom. There is not an equivalent business model in the Australian utility market.

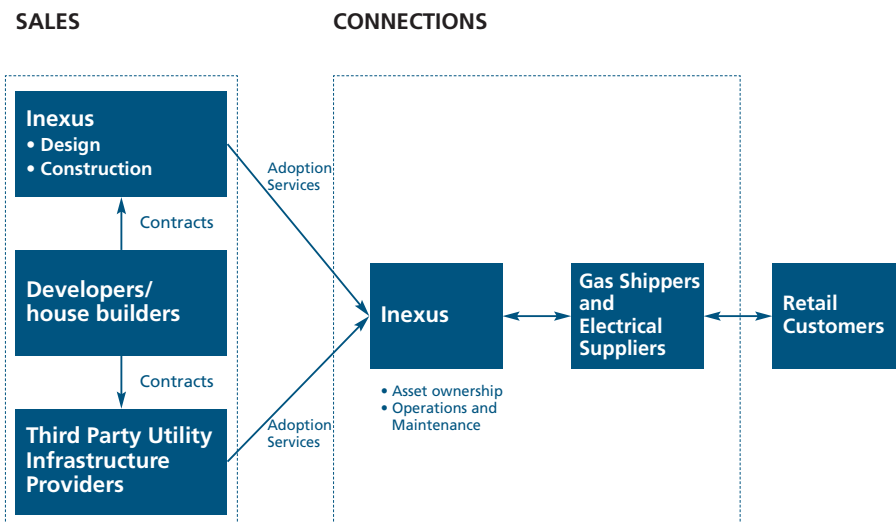
As competition evolved, the gas connections market opened to competition allowing house builders to choose between various providers of utility infrastructure connections. Inexus competes in this market by submitting proposals to the housing developer to obtain the right to construct the gas transportation system. On completion of the gas connection, Inexus' customer becomes the shipper of gas who pays Inexus a daily tariff for the use of the

connection asset while the ultimate end-user (i.e. house owner) pays the gas shipper for the total cost of supplying gas to their property.

In 2004, Inexus became the United Kingdom's first licensed, fully industry-accredited independent distribution network operator in the electricity sector where it is applying a similar business model to designing, constructing, owning and operating electric networks as it uses for gas. This creates construction and operational synergies which enable Inexus to continue to be the leading player in its target market place.

Description of operations

Inexus focuses primarily on providing services to new build domestic housing estates.



Inexus' business consists of two distinct components: the sale and construction of new networks, and the ownership and operation of constructed networks. The sales and construction phase is embodied by the contractual arrangement between Inexus and the residential housing developer whereby Inexus agrees to design and construct the network for the developer. The building of the network will involve laying the main off which the individual houses will be connected and then making the individual connection to each house as the developer builds the houses. As each house is connected and gas or electricity flows, the connection is transferred to a separate Inexus company that is licensed by the regulator to own and operate the network. At this time Inexus can also begin to bill the gas shipper or electricity supplier the daily charge.

Asset and Financial Overview (Inexus continued)

As Inexus' customers are the gas shippers or electrical suppliers, it has no exposure to retail customers (which have a direct relationship with the gas shipper and electrical suppliers) and this means there is a relatively low risk of non payment. Inexus has never had a bad debt in this area of its operation.

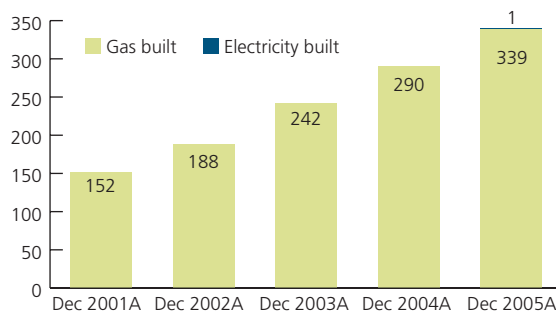
As well as designing and constructing assets directly for house developers, Inexus also acquires ready built networks from other third parties which it then owns and operates. Inexus has a low operating cost per asset as a result of its large existing asset base, consequently, Inexus is able to offer prices to the market that are attractive and which enables it to grow its market share.

Inexus holds the largest grouping of independently owned gas network and metering assets in the United Kingdom. The majority of Inexus' gas distribution networks have been built since 2000. In the four years to 31 December 2005, total built and contracted connections have increased by a compound average growth rate of approximately 17.5 per cent.



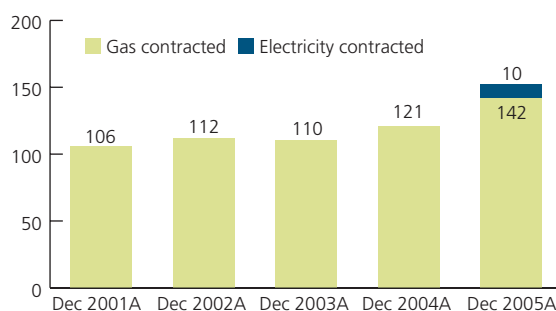
Completed Connections

Growth in connections built ('000s)



Order Book

Growth in contracted sales ('000s)



Inexus' senior management team has more than 65 years experience in the industry and has been responsible for Inexus' leading position in the sector. Inexus' senior management owns approximately 7 per cent of the business which ensures alignment of interests between investors and management.

The key executives of the team are:

Philip Gibb: Chief Executive Officer

Mr Gibb is a leading expert in the development of competition in monopoly utility markets.

With a broad and detailed knowledge of all aspects of utility and related infrastructure markets, Mr Gibb has been instrumental in the continued growth, consolidation and development of Inexus.

David Houghton: Chief Financial Officer

Mr Houghton has an extensive understanding of both national and international energy markets and has significant experience in business refinance transactions, disposals and acquisitions.

Mr Houghton has indicated a desire to return to Australia within the next six months. CIF will take this opportunity to work with Mr Houghton and Inexus to find a suitable replacement.

Graham Jenkins: Development Director

Mr Jenkins has over 25 years utility sector experience and has developed an extensive network of both formal and informal relationships at executive director level with national and regional land developers and house builders, other utility infrastructure providers and network contractors and energy retailers.

Mr Jenkins is responsible for developing complementary sales channels that increase Inexus' asset investment opportunities.

Russell Ward: Legal and Regulatory Affairs Director

Mr Ward is a qualified barrister and is a leading authority on utility law and comparative regulatory models in the United Kingdom, with a specialist interest in network pricing and competition. Mr Ward has advised extensively on price controls and methodologies, network access codes, connection agreements, gas trading arrangements and industrial, commercial and domestic energy supply contracts.

Mike Pearce: Director of Asset Management

Mr Pearce was appointed Director of Asset Management in 2001 with additional responsibility for Group Information and Communication Technology.

Asset and Financial Overview (Inexus continued)

Mr Pearce has specialist knowledge of utility asset investment and financing models and all aspects of utility asset management including network design and maintenance planning, asset adoption, metering, network monitoring, incident control and health and safety management systems.

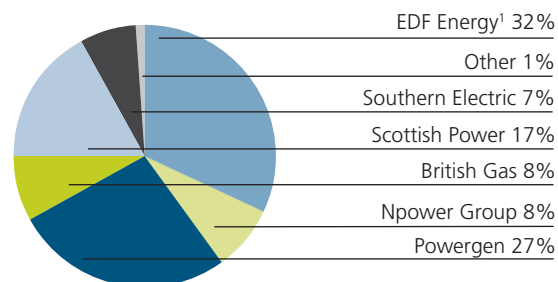
Inexus employs highly skilled and experienced staff that are fully qualified to perform the operations of the business and to support its continued growth.

Clients/customers

As at the end of December 2005, Inexus owned approximately 7,000 gas networks serving approximately 339,000 domestic premises and had agreed contracts for the connection of an additional 142,000 domestic premises. Inexus management expects to build out a majority of these connections over the next three years.

Although Inexus' initial customer is the housing developer or 3rd party infrastructure constructor, upon completion of each connection the customer relationship moves to the gas or electricity shipper/supplier. The major gas shippers in the United Kingdom from which Inexus earns its ongoing transportation income are set out below:

Key Customers (shippers) – based on 2005 revenues



¹ Comprises London Energy and Seeboard Group

Market share

Gas connections

Inexus is the market leader in the provision of new "last mile" gas network residential connections and, in 2005 Inexus secured over 50 per cent of the new sales market which comprises approximately 120,000 property units.

Inexus differentiates itself from its key competitors (British Gas Connections Limited and the Gas Transportation Company) on both price and customer service levels. Its innovative construction model, using direct contract franchise teams, has allowed it to keep costs down by eliminating third party overheads and profit which enables it to offer new connections at very competitive prices.



In addition, Inexus focuses on making the connections on a timely basis when requested as part of its service offering. Inexus owns and operates both the gas network and gas meter.

Electricity connections

Inexus commenced operations in this sector at the beginning of 2005 and was able to secure sales of approximately 10,000 electricity connections which was consistent with its business plan. The total size of the potential market for new electricity connections is bigger than the gas market at approximately 180,000 domestic units per annum although for economic reasons some of this market will not be targeted by Inexus.

Inexus is one of three licensed and accredited independent distribution network operators but is the only one that has any significant presence in the domestic new build market place. It has invested heavily in technology and qualified staff in order to replicate in the electricity connections market, the success it has already achieved in the gas connections sector.

Growth

The market for new housing has been stable since 1990. In each of the last fifteen years the number of new houses built has fluctuated between 160,000 and 180,000. Inexus' growth plans assume a continuation of these house building levels despite a number of initiatives that are being undertaken by the British Government to stimulate further construction in order to satisfy the growing demand for new housing.

Gas connections

While the sale of new gas connections and consequent growth of Inexus are to a large extent linked to the new housing market in the United Kingdom, Inexus has increased its market share to over 50 per cent. At the end of December 2005, Inexus had a contracted order book of 142,000 gas connections which provides significant growth to its existing connections. Each new sale adds to this asset base. Historically over 99 per cent of the contracted order book has converted into a revenue generating connection.

Electricity connections

Inexus management expect considerable growth to be generated from this new line of business as a result of evolving regulation and the opening of the market to competition. The contracted order book was approximately 10,000 at 31 December 2005 and, given the size of the market, there is enormous potential for growth through new sales. The growth potential is enhanced by Inexus being able to offer developers a 'dual fuel' (ie gas and electricity) connection allowing the developers to streamline the process of installing utility

Asset and Financial Overview (Inexus continued)

connections, at attractive pricing. This 'one stop shop' approach is expected to provide Inexus with a competitive advantage in the market

Regulation

The prices charged by independent gas transporters for the use of gas and electricity distribution networks are regulated by The Office for Gas and Electricity Markets (Ofgem).

Gas distribution prices

Inexus management was closely involved in the development of the original regulatory regime and has consistently taken an active role in discussions over regulatory changes with Ofgem. Through its relationship and dialogue with Ofgem, Inexus has consistently managed to establish a favourable regulatory environment that continues to encourage development of new networks.

Unlike most utility sectors in the United Kingdom, independent gas transporters are now subject to two separate regulatory regimes, both of which became effective on 1 January 2004, following a regulatory settlement.

Legacy settlement

Inexus, in common with all independent gas transporters, negotiated its own Legacy Settlement for assets contracted before 1 January 2004 such that revenues from these assets are fixed in real terms and indexed to inflation until 31 December 2018. As at 31 December 2005, Inexus' Legacy Settlement revenues accounted for 96 per cent of its current revenues and an estimated 85 per cent of its revenues on completion of the build out of its contracted order book.

A small proportion of assets contracted before 1 January 2004 (approximately 17 per cent of built connections) will be transferred to a known, lower fixed price between 1 January 2014 and 31 December 2018.

After 31 December 2018 all revenues will be governed by the Relative Price Control regime.

Relative price control

All gas connections contracted after 1 January 2004 will be subject to the Relative Price Control regime.

Revenues for an asset are initially based on the equivalent price that would be charged by National Grid plc (formerly National Grid Transco) for transporting gas over that part of the network. National Grid plc is the previous owner of the gas distribution network in the United Kingdom.

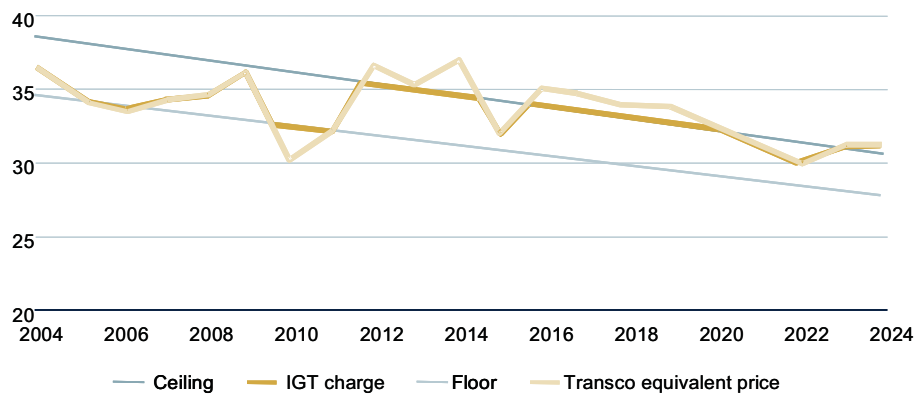
At the same time that the initial charge is calculated, a real price floor and ceiling is put in place at 5 per cent below and above the initial charge. The fixed path of



the floor and ceiling declines over a 20 year period and reflects the expected decline in National Grid plc's equivalent charge. Inexus' charge has to stay within these boundaries during the period.

The floor and ceiling are expected to remain in place for 20 years unless this approach is changed by Ofgem. After 20 years, charges are expected to reflect the then-prevailing National Grid plc equivalent charge (without any floor or ceiling).

Example of floor and ceiling in real terms



¹ National Grid plc was formerly National Grid Transco.

Electricity distribution prices

Ofgem considers competition the key tool for ensuring customers are able to secure utilities at fair prices. As a result, it has recently taken measures to change the regulation to introduce competition in the market for electricity connections. To date, new connections have been undertaken almost exclusively by the incumbent distribution network operator for the area.

As the market for independent electricity connections is a new market, it is currently less competitive than its gas counterpart. Inexus is one of three accredited independent distribution network operators but Inexus is the only one with a significant presence in the new build housing market.

Electricity prices for independent distribution network operators are subject to temporary regulatory arrangements. Ofgem is currently consulting the industry on changes to these arrangements.

Management expects Ofgem to adopt an overall regulatory approach similar to the relative price control regime used by Independent Gas Transporters, which is simpler and more stable than the pricing regime currently in place for incumbent owners of electricity infrastructure. The new regime is expected to be launched in the first half of 2006 and a 10 or 20 year price control period is envisaged.

Asset and Financial Overview (Inexus continued)

Risks

Inexus is a relatively low risk business because of the long term known price path and the certainty of revenue. In addition, the acquisition of Inexus has been structured to mitigate a number of key risks which are summarised below:

Interest Rates	<ul style="list-style-type: none">Both RPI¹ and nominal interest rate hedging has been put in place for twenty five years.
Inflation	<ul style="list-style-type: none">Increases in inflation are beneficial to Inexus as the revenue is based on real rates of return.
Exchange rates	<ul style="list-style-type: none">Foreign exchange risk has been reduced as expected £ sterling distributions from Inexus have been hedged into A\$ for a period of 5 years.
Pricing risk	<ul style="list-style-type: none">Tariffs for 96 per cent of the existing revenues and 85 per cent of contracted revenues are fixed in real terms until 2018, with future connections being protected by a 5 per cent floor/ceiling which gives a relatively high degree of pricing certainty.
Operating cost risk	<ul style="list-style-type: none">Inexus has a well defined cost structure and an EBITDA margin of approximately 70 per cent with significant scope for future economies of scale to mitigate any cost increases.
Regulatory risk	<ul style="list-style-type: none">There is little or no regulatory risk as existing connections are fixed in real terms until 2018. Regulator has stated its intention to review arrangements for new connections no earlier than 2014.



¹The retail price index (RPI) is a key inflation indicator in the United Kingdom.

Credit risk	<ul style="list-style-type: none"> • Inexus contracts with several large gas suppliers in the United Kingdom who in turn receive payment from a very diverse portfolio of retail customers, thereby providing significant credit diversification. In the event that a gas shipper defaults, it would likely be replaced by a new shipper who will pay Inexus for use of the pipes. As a result, there is a relatively low counterparty or payment risk.
Volume Risk	<ul style="list-style-type: none"> • Inexus does not take any volume risk. It receives an availability charge by the shipper for having its pipeline in the ground. • Lower than expected housing growth could have an adverse impact on sales – however the Inexus model assumes only a modest increase in housing growth from the current level. Sensitivity analysis has demonstrated that lower housing growth would not have a significant impact on Inexus distributions.
Refinancing Risk	<ul style="list-style-type: none"> • The current financing package already includes an increasing margin to encourage a refinancing in advance of the required refinancing 5 years after completion. In addition, sensitivity analysis has shown that debt covenants are not breached even under a doubling of margin from current levels.
Construction Cost Risk	<ul style="list-style-type: none"> • Inexus contracts with developers to install connections into properties. The construction programme on any development is an average of three years in duration. Inexus has the ability to increase its contract prices in the event of major adverse cost changes.

Asset and Financial Overview (Inexus continued)

Fundamentals

Revenue and EBITDA

The primary driver of revenue for Inexus is the number of connections that it owns, manages and operates. Most of the gas networks pipelines owned by Inexus are made of polyethylene and are located in low pressure sections of the gas network. They have low maintenance requirements, a low risk profile and a minimum expected life of 50 years. The long term nature of network connection assets means that the number of existing connections each year does not reduce. The volume of new order book contracts for Inexus is increasing and as these are built they will continue to add to Inexus' stable long term revenues.

Inexus has also been acquiring contracts to build electricity networks and the income from these will increasingly form part of its future revenue base.

Inexus pro forma financial summary (£'000)

Year end 31 December	2002	2003	2004	2005
Transportation income	14,163	17,631	21,445	24,728
Other income	1,419	1,539	1,467	1,688
Total revenue	15,582	19,170	22,912	26,416
Cost of sales	(3,016)	(2,628)	(3,113)	(3,049)
Overheads	(2,783)	(3,052)	(3,737)	(5,692)
Other	64	9	(1,143)	(413)
EBITDA ¹	9,847	13,499	14,919	17,262
Operating cash flow	8,700	16,930	19,965	19,258
Capex	(13,400)	(18,300)	(14,900)	(13,844)

¹ EBITDA numbers have been normalised and exclude one-offs and management bonuses.



Inexus connections growth ('000s)

Year end 31 December	2002	2003	2004	2005
Completed connections				
Opening balance	152	188	242	290
Order book build-out	36	54	48	50
Closing balance	188	242	290	340
Order book (contracted sales)				
Opening balance	106	112	110	121
Order book build-out	(36)	(54)	(48)	(50)
New contracts won	42	52	59	81 ¹
Closing balance	112	110	121	152

¹Includes upgrade of order book (5,000 sales).

Debt

For the purposes of financing the acquisition and the business going forward, Inexus obtained bank facilities totalling £525 million, comprising £490 million senior acquisition, capital expenditure ("capex") and working capital facilities (the "Senior Facilities") and a £35 million holding company facility (the "Junior Facility").

Approximately £308 million of the debt has been drawn, comprising £35 million of junior debt and £273 million of senior debt.

Asset and Financial Overview (Inexus continued)

	Amount	Maturity	Margin bps	Commitment fee
Senior Facilities:				
Tranche A <i>Term Loan</i>	£300m	5 years bullet	50 Yr 1-3 60 Yr 4 75 Yr 5	35% of applicable margin
Tranche B <i>Working capital revolving credit facility and LC/performance bond option</i>	£20m	5 years bullet		
Tranche C <i>Capex revolving credit facility</i>	£170m	5 years bullet		
Junior Facility:				
Term Loan	£35m	5 years bullet	200 Yr 1-3 225 Yr 4 250 Yrs 5	35% of applicable margin



Arqiva

Corporate Head Office

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 Winchester
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 United Kingdom

www.arqiva.com

CEO

Tom Bennie

Industry

Broadcast transmission and site leasing

Regulator

The Office of Communications (Ofcom)

Regulator Website

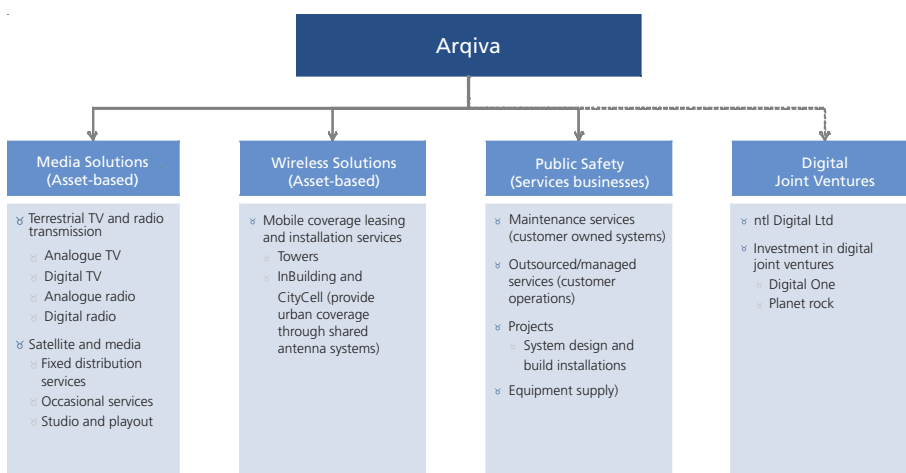
www.ofcom.org.uk

Arqiva is a leading owner and operator of national broadcast transmission and wireless site leasing infrastructure in the UK.

Description of operations

Overview

Arqiva, which has operations throughout the United Kingdom, has three primary divisions including Media Solutions, Wireless Solutions and Public Safety, as well as interests in digital joint ventures facilitating Arqiva's participation in the advancement of digital media in the United Kingdom.



Media Solutions is the largest division by revenue contribution. Digital joint ventures contribute a small amount of revenue with the balance of revenue shared almost equally between Public Safety and Wireless Solutions.

Asset and Financial Overview (Arqiva continued)

Arqiva has a 50 year history in the area of analogue broadcast transmission in the United Kingdom and supplies more than 22 million homes with access to ITV, and Channels 4, S4C and Five via its national network of over 1,100 transmission towers. In 1998, Arqiva launched the first digital television network in the United Kingdom and has recently designed and commissioned full digital broadcast services for SDN and Digital 3 and 4. Arqiva also provides transmission for most independent radio stations, both analogue and digital, in the United Kingdom as well as end-to-end media solutions to the broadcast industry across terrestrial and satellite platforms.



Wireless solutions

Arqiva has been a major provider of wireless infrastructure for more than 20 years. It now operates the second largest independent portfolio of wireless site towers and sites available for lease in the United Kingdom. Arqiva maintains strong relationships with its site leasing customers (including Orange, Vodafone and T-Mobile) and its large portfolio of wireless towers and sites enables it to offer sites in strategic positions.

Revenue in this division comes from the provision of site leasing and project-based installation services as well as the design, planning and installation of customer equipment and antennae on Arqiva's towers.

Public safety

Arqiva is the largest provider of radio communications managed services in the UK public safety sector.

Public safety revenue is generated under two types of contracts – project contracts and recurring revenue contracts. Project revenues consist of installation services for analogue and digital radio equipment for public safety organisations, catalogue sales of third party radio products and transition projects in relation to digital upgrade activities.

Clients/customers

Media solutions

Arqiva broadcasts analogue television programs for ITV, Channel 4 and S4C to over 99.3 per cent of the population in the United Kingdom. Contracts with ITV and Channel 4 are regulated by Ofcom. Arqiva also broadcasts analogue content for an additional national channel, Five, to approximately 80 per cent of the population in the United Kingdom. The contract with Five is unregulated and pricing is determined under a formula linked to inflation.

Media solutions

Arqiva has long-term digital television contracts extending until 2010. Contract pricing is related to signal population coverage. Arqiva also receives revenue from National Grid for the use of its towers and facilities to support their digital transmission.

Arqiva is the leading transmission services provider in the analogue commercial radio market, with a market share of approximately 82 per cent.

In the digital radio market, Arqiva has secured contracts representing 91 per cent of the commercial market.

Wireless solutions

Arqiva’s seven largest customers represent over three quarters of recurring site sharing revenues. Site leasing contracts typically have terms of up to ten years. While most contracts are subject to 12 month termination clauses, customers rarely make use of these clauses except where they are reconfiguring or decommissioning their networks. It is generally uneconomic for customers to move equipment established on one site to another site.

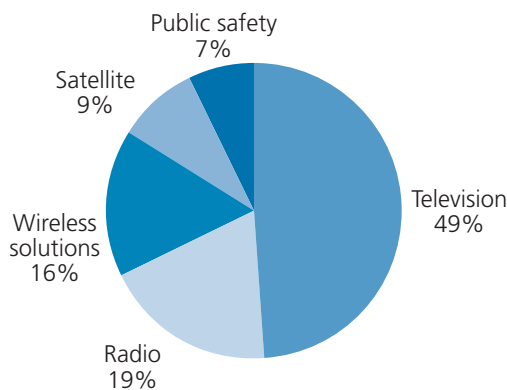
Public safety

Arqiva provides radio services to approximately 400 customers in the United Kingdom, including the police, fire and ambulance services. Arqiva also has a significant share of the public safety market in the Republic of Ireland.

Contract revenue

Arqiva has a forward order book of approximately \$3.3 billion for the 18 month period to 30 June 2006, of which the Media Solutions business comprises nearly 80 per cent.

Arqiva’s forward order book (\$3.3 billion)

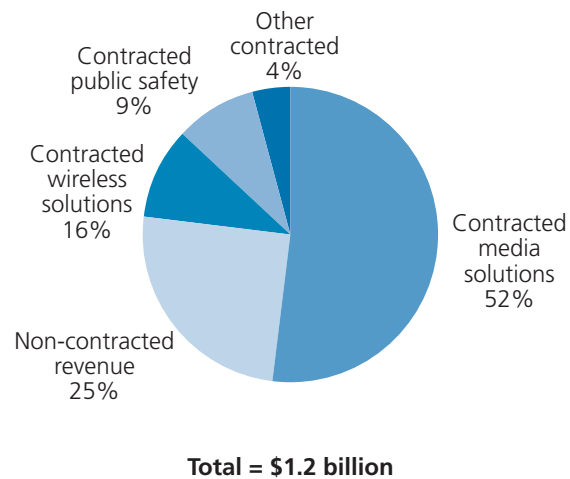


Total = \$3.3 billion

Asset and Financial Overview (Arqiva continued)

Approximately 75 per cent of the revenue forecast over the 18 months to 30 June 2006 represents contracted revenue, with Media Solutions comprising the majority of contracted revenue, supported by long-term TV, radio and satellite customer contracts typically between eight to ten years. Site leasing and maintenance contracts also support a high level of contracted revenue in Wireless Solutions and Public Safety.

Contracted and non-contracted revenue (18 months to 30 June 2006)



Source: Arqiva.

Market share

Television

Arqiva utilises over 1,100 towers located throughout the United Kingdom to provide analogue television transmission services and digital television coverage to 98.5 per cent and approximately 80 per cent of the population respectively.

Radio

Arqiva is the main transmission services provider in the analogue and digital market with a market share of approximately 82 per cent and 91 per cent respectively.

Satellite

Arqiva has a market share of approximately 10 per cent in the available satellite services market in the United Kingdom.

Wireless site leasing

Arqiva is the second largest independent player in the wireless site leasing market with an estimated market share of 5 per cent, as the market is dominated by the mobile operators themselves who own and operate a significant number of sites.

Growth

Television

Given the current proposals for regulatory intervention, Ofcom forecasts digital TV penetration will reach up to 99 per cent of households after the switch off of the analogue signal which is expected to occur at the end of 2012.

Radio

Growth in this sector will be driven by the issue of additional analogue and digital radio licenses. With a strong market share in both markets, Arqiva should be well positioned to take advantage of this growth.

Wireless

The key driver in this segment is the roll out of 3G networks by each of the five mobile network operators.

Regulation

Ofcom is the independent regulator and competition authority for the communications industry in the United Kingdom, with responsibilities across television, radio, telecommunications and wireless communications services.

In April 2005, Ofcom released a Final Statement reaffirming that Arqiva has significant market power in the markets for the provision of access to mast and site networks for the purposes of terrestrial broadcast transmission services on a national, regional and metropolitan basis.

On 30 December 2005, Arqiva published the first version of its Reference Offer for the provision of network services. The reference offer represents the price payable by third parties to access the Arqiva tower sites to provide digital terrestrial transmission services for television.

Risks

Arqiva is a relatively low risk business because a significant portion of its revenue is under contract. In addition, the acquisition of Arqiva has been structured to mitigate a number of key risks which are summarised in the following table:

Asset and Financial Overview (Arqiva continued)

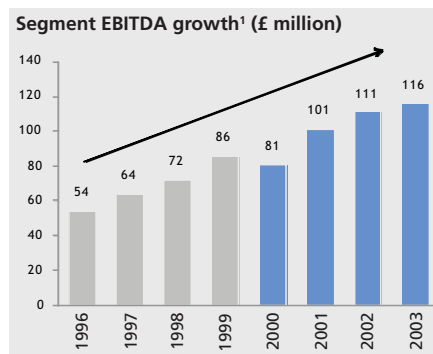
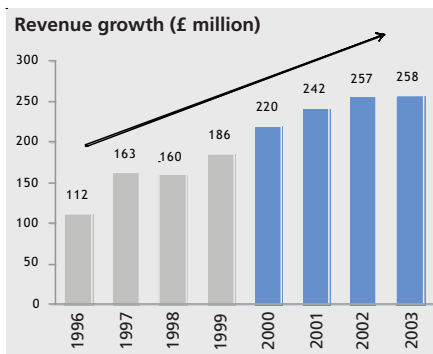


Interest Rates	<ul style="list-style-type: none"> Long term nominal interest rate swaps have been put in place. The key reason for this is to lock in rates so the asset is not exposed to interest rate volatility.
Inflation	<ul style="list-style-type: none"> Generally speaking Arqiva is positively exposed to inflation. As broadcast contracts and also wireless mobile contracts escalate at RPI, revenues also increase by RPI.
Exchange rates	<ul style="list-style-type: none"> Foreign exchange risk has been reduced as expected £ distributions from Arqiva have been hedged into A\$ for a period of 5 years.
Pricing risk	<ul style="list-style-type: none"> Broadcast revenues are priced under a long term contract which will be locked in until around 2010 when DSO comes into place. DSO contracts are currently being negotiated and some pricing risk exists. The only major competitor in the market place is National Grid plc Mobile phone broadcasting is generally priced competitively and further pricing discounting is considered unlikely.
Cost risk	<ul style="list-style-type: none"> Costs are generally well controlled and predictable Technology developments tend to reduce rather than increase costs.
Regulatory risk	<ul style="list-style-type: none"> There is a risk that more of Arqiva's revenues will be regulated. Currently the regulator is satisfied that the market place is competitive and regulation does not appear imminent.
Credit risk	<ul style="list-style-type: none"> Arqiva deals with highly credit worthy companies. Namely, the broadcast television stations and also the mobile phone companies. Historically default rates have been relatively low however there is a risk that one or more of these companies may suffer credit downgrades as they participate in highly competitive market places.
Volume Risk	<ul style="list-style-type: none"> Volume risk is not material in broadcasting as payment is based on usage alone not volume of broadcasts. Likewise in mobile towers payments are based on usage rather than volume. Substantial decreases in either broadcasting or mobile phone volume could negatively effect Arqiva however this is not considered a short term risk.
Refinancing Risk	<ul style="list-style-type: none"> After 5 years Arqiva must refinance and there is a risk that there may be a liquidity squeeze in debt markets. Nominal interest rates are hedged well beyond this time which gives confidence that a margin blowout will not prejudice refinancing.
Consortium Risk	<ul style="list-style-type: none"> Arqiva is held by a consortium with a number of investors. The different investment objectives of the investors may result in disagreements as to the operations, distribution profile and direction of the underlying assets. Whilst CIF has a minority interest in Arqiva, this risk is largely mitigated by a consortium of like minded investors seeking to maximise financial returns on their investment.

Fundamentals

Revenue and EBITDA

Overview of historical performance



¹ Segment EBITDA is equal to EBITDA before allocation of indirect costs.

Since acquisition by the investment consortium, Arqiva has been successfully transitioned to new management and operating standards and is performing in accordance with the forecast. Please refer to the Interim Results Presentation dated Friday 24 February 2006 for further details.

Debt

Acquisition gearing was approximately 57 per cent of enterprise value. Interest on all debt facilities is calculated at a fixed margin over Libor.

Asset and Financial Overview (Gas Distribution Networks continued)

Gas Distribution Networks

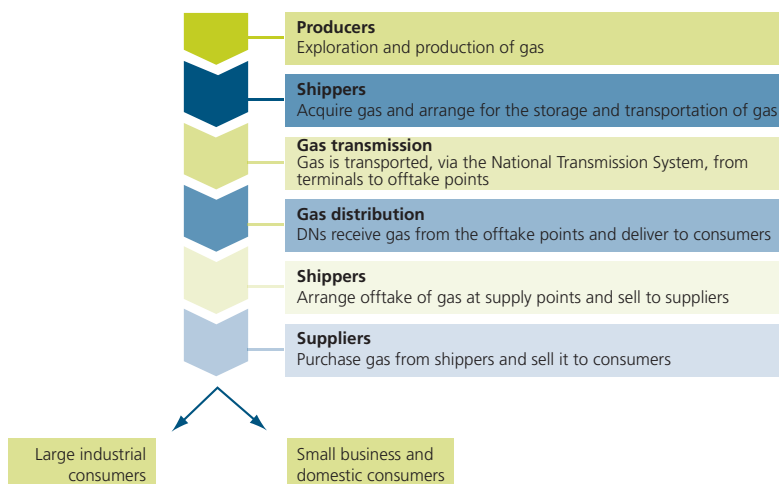
CIF has investments in two of the four gas distribution networks sold in 2004 by the incumbent gas distribution network operator, National Grid plc. The industry structure and dynamics impacting both of these assets are detailed below.

Industry structure

The gas market in Britain is one of the most developed in Europe, comprising a competitive market for the production and supply of gas and a highly developed regulatory framework for the transportation of gas to consumers.

The main participants in the gas supply chain and their roles in delivering gas from the ground to the ultimate consumer are shown below:

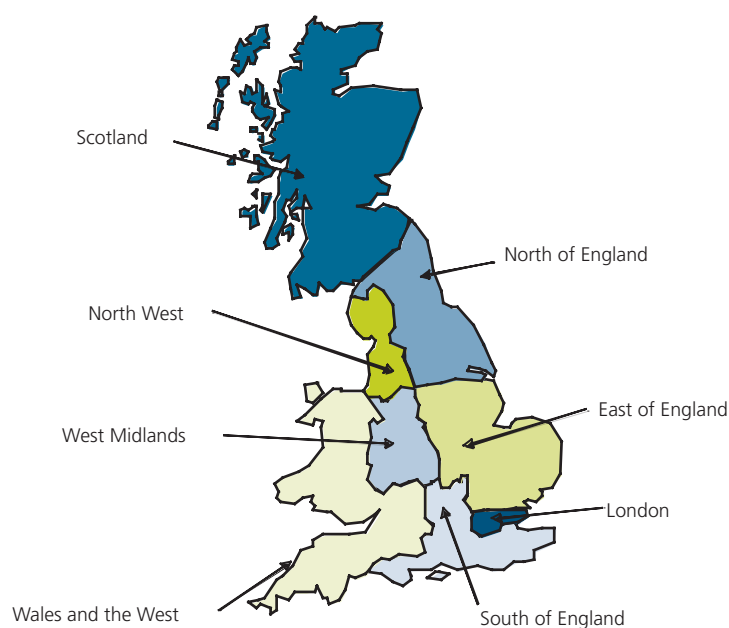
Gas supply chain in Britain



Overview of gas transportation

Until recently, National Grid plc was virtually a monopoly player in the transportation of gas in Britain. Even after the sale of four distribution networks, it remains the dominant player in gas transportation, which comprises:

- the high pressure National Transmission System which is owned by National Grid plc; and
 - the lower pressure distribution system, organised into eight regional distribution networks, of which National Grid plc continues to own four.
- The geographic area serviced by each of the distribution networks is illustrated below:



Each of the eight distribution networks operate as regional monopolies and obtain gas from offtake sites, which are National Transmission System exit points. The gas is then transported to consumers at supply points via an extensive network of pipelines, mains and service pipes.

The distribution networks are generally physically discrete systems connected to the National Transmission System, although there are a small number of connections between the individual distribution networks. Each distribution network has its own management team and workforce who are responsible for running the network in a safe, reliable and efficient manner.

Other gas transporters, such as Inexus, operate small transportation networks (such as independent housing estates), which are connected to the distribution networks.

Regulation

In Britain, gas transportation segments of the supply chain are highly regulated such that a single company is unable to conduct both transportation and supply activities.

All gas distribution networks in Britain are subject to price regulation defined by Ofgem, the industry regulator. Price regulation means that revenues and operating results are relatively predictable over a given price control period

Asset and Financial Overview (Gas Distribution Networks continued)

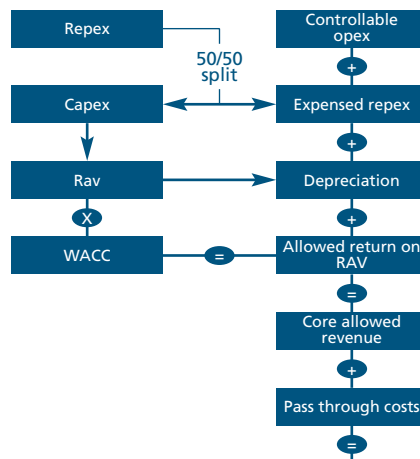
(typically five years). Ofgem have indicated that the current price control period will be extended by one year to 31 March 2008, thereby providing a period of relative stability to the new owners.

Regulation controls prices (increasing annually at inflation less an efficiency target, X) but not profits. The X factor is negotiated between each of the gas distribution networks and Ofgem, but is ultimately set by Ofgem. This pricing methodology is transparent and has remained largely unchanged since the privatization of the gas industry in the United Kingdom in 1986.

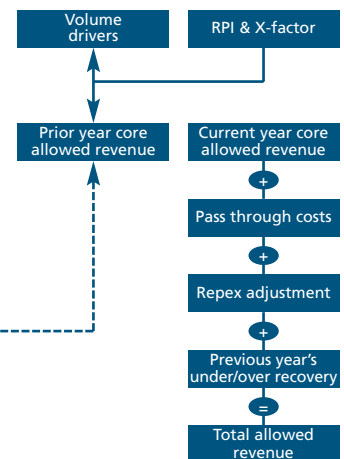
The Ofgem price control regime sets allowed revenues for distribution networks to cover costs and an allowed return on their RAV. The RAV is a regulatory concept upon which Ofgem allows a return. RAV is not restated annually, but rather at each price control review. At present, RAV figures from Ofgem are those set at the 2002 price controls, at 2000 prices.

Income formula elements

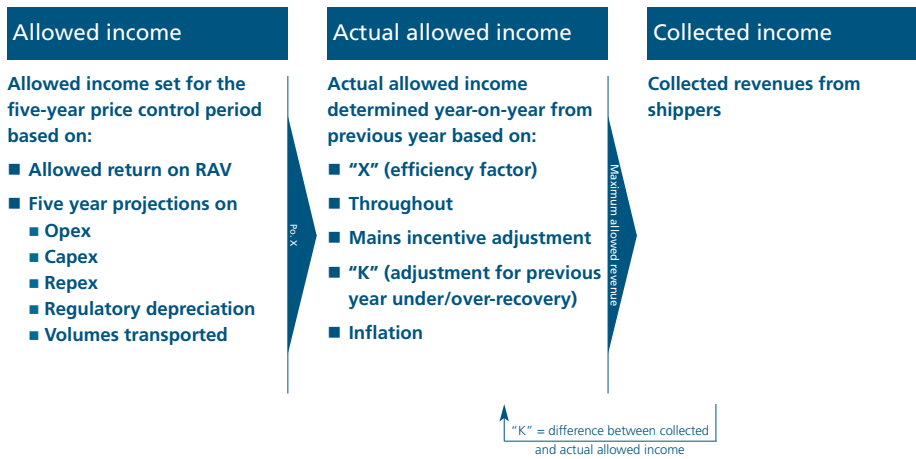
Five year period



Annual calculation



Income calculation mechanism



Each gas distribution network will typically have opportunities to outperform regulatory targets and retain the benefits for a price control period by optimising their capital structures and outperforming operating, replacement and capital expenditure regulatory allowances.

Asset and Financial Overview (Gas Distribution Networks continued)

Risks

The gas distribution networks are relatively low risk businesses because of the regulatory environment in which they operate. In addition, the acquisition of each gas distribution network has been structured to mitigate a number of key risks which are summarised below:

Interest Rates	<ul style="list-style-type: none">• Use of appropriate hedging within the capital structure• A large proportion of the debt facilities are hedged through fixed rate swaps and index linked bonds
Inflation	<ul style="list-style-type: none">• Inflation is generally favourable due to the RPI-X pricing mechanism
Exchange rates	<ul style="list-style-type: none">• Expected £ distributions from the distribution networks have been hedged into A\$ for a period of 5 years.
Pricing risk	<ul style="list-style-type: none">• Revenue is regulated by Ofgem.
Cost risk	<ul style="list-style-type: none">• Generally mitigated via the regulatory process. As prices are reviewed every five years, there is the opportunity and risk for the operator to over-perform or under-perform for a period of up to five years before the price is reset to an 'equilibrium' state. Even in the event of major under-performance, there is only a small impact on projected returns from the investment. This is primarily due to the fact that operating expenditure represents approximately only 30% of allowable revenue.
Regulatory risk	<ul style="list-style-type: none">• DN assets operate within a mature regulatory environment. The guiding principles underlying the UK regulatory regime are that:<ul style="list-style-type: none">• The companies remain financially viable and are able to finance their operations and capital programs• Consumers interest are protected and promoted.
Credit risk	<ul style="list-style-type: none">• Contracts are with the shippers (not the end retail consumer). As shippers need to be licensed entities, there is limited counterparty credit risk.

Volume Risk	<ul style="list-style-type: none"> • Demand – Although highly regulated, the distribution networks to a limited extent have some exposure to volume risk. On the demand side, the risk is primarily mitigated via the availability of detailed long-term forecasting data. Substitution is mitigated via relatively high switching costs and a natural mitigant in that significant volumes of gas are used in electricity generation. • Supply – Availability of gas reserves is essential for the ongoing use of gas pipelines. Supply forecasts in the United Kingdom have historically centred on UK Continental Shelf supplies, supplemented with increasing volumes of imports. Whilst there is some uncertainty regarding future production from the UK Continental Shelf, the main area of supply uncertainty relates to the timing and volume of proposed import projects.
Gearing	<ul style="list-style-type: none"> • Northern Gas Networks and Wales and West Utilities are geared with senior debt at or slightly below 70 per cent and 78 per cent of RAV respectively. The limit under the acquisition financing senior debt covenants for Northern Gas Networks is 75 per cent of RAV. Wales and West Utilities is forecast to increase to at or slightly below 80 per cent of RAV by 2007, the limit under its senior debt covenants Generally it is the intention to retain senior debt levels as a percentage of RAV going forward. This flexibility is permitted under the senior debt facilities. Distributions from Northern Gas Networks and Wales and West Utilities may therefore be partly funded by the draw down of bank debt as the RAVs on the respective assets increase.
Refinancing Risk	<ul style="list-style-type: none"> • Primarily mitigated via a mature and liquid debt market for utility infrastructure companies. In addition, sensitivity and scenario analysis has been undertaken to demonstrate a reasonable buffer before any triggers are reached.
Consortium Risk	<ul style="list-style-type: none"> • Northern Gas Networks and Wales and West Utilities are held by a consortium with a number of investors. The different investment objectives of the investors may result in disagreements as to the operations, distribution profile and direction of the underlying assets. Whilst CIF has minority interests in these assets, this risk is largely mitigated by a consortium of like minded investors seeking to maximise financial returns on their investment.

Asset and Financial Overview (Northern Gas Networks continued)

Northern Gas Networks Limited

Corporate Head Office

1100 Century Way
Colton
Leeds LS15 8TU
United Kingdom
www.northerngasnetworks.co.uk

Industry

Gas Distribution Network

Regulator

The UK Office of Gas and Electricity Network Markets (Ofgem)

CEO

Basil Scarsella

Regulator Website

www.ofgem.gov.uk



Northern Gas Networks represents the third largest of the eight distribution networks in Britain in terms of gas throughput. Its geographical region extends south from the Scottish border to South Yorkshire and has coastlines on both the east and west sides of the region. The network comprises approximately 36,000km of pipelines servicing a population of approximately 6.7 million people.

Description of operations

Northern Gas Networks is responsible for owning and maintaining the current gas distribution network and extending the network of pipes and associated infrastructure required to distribute gas within its geographic area.

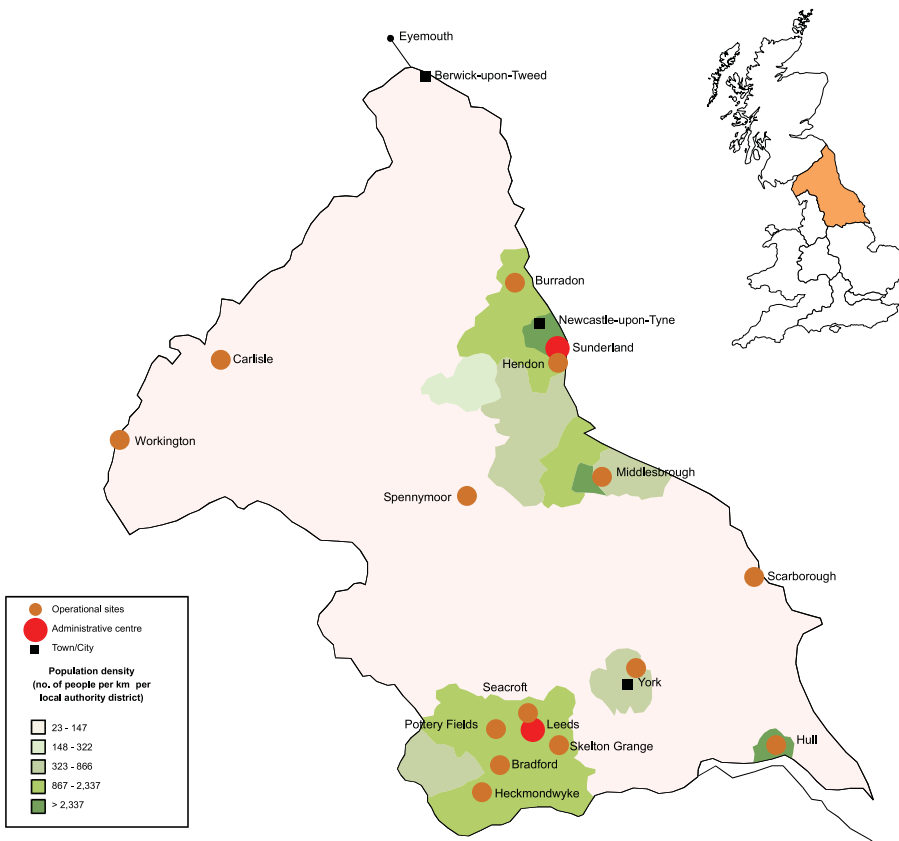
Northern Gas Networks assets include:

- the pipeline infrastructure required to transport the gas from the National Transmission System network to the consumers' premises;
- the property, plant, equipment, operational sites and fleet utilised in the network's operations;
- the contracts, intellectual property rights, policies and procedures and licences necessary to operate the network; and
- the existing network management team, which has extensive experience in the gas transportation industry.

The operator of Northern Gas Networks assets is a subsidiary of United Utilities plc, a member of the FTSE 100 group of listed companies in the United Kingdom.

Location

The location of Northern Gas Networks' regional monopoly is shown below:



Clients/customers

As at 31 December 2004 (based on unaudited numbers), approximately 68 per cent of the gas transported by Northern Gas Networks is ultimately accounted for by small users. The balance of the usage relates to large (28 per cent) and very large (4 per cent) users. It should be noted that Northern Gas Networks transports gas on behalf of a limited number of licensed (and therefore highly creditworthy) shippers and does not bill or have any credit exposure to the end users.

Market share

Northern Gas Networks operates as a regional monopoly.

Asset and Financial Overview (Northern Gas Networks continued)

Growth

Growth in gas demand in the North distribution network between 1992 and 2002 was 34 per cent, 7 per cent more than the growth experienced in Britain as a whole. By 2012 gas demand is forecast to increase by 17 per cent compared to total demand in 2002. This is expected to be driven by growth in the larger non-domestic firm and interruptible sectors, supported by a number of power generation developments.

Regulation

The key regulatory parameters set out by Ofgem in respect of Northern Gas Networks for the current regulatory period are set out below:

Northern Gas Networks: Regulatory pricing determination commencing 1 April 2002

Parameter	Pricing determination
Initial regulated base ²	£1,072m
Real after tax cost of capital	6.25 per cent
Capital Expenditure benchmark ^{1,2}	£65m
Operating Expenditure benchmark ^{1,2}	£134m
X-factor to be applied in RPI-X formula	2002/03: 2.9 per cent Subsequent years: 2.0 per cent

¹ Includes 50 per cent of replacement expenditure.

² Per Final Proposals, 2000 prices.

Source: Ofgem.

Based on capital expenditure, replacement expenditure, inflation and depreciation, National Grid plc estimated that the nominal RAV of the North distribution network as at 31 March 2004 was £1.21 billion.

Financials

Whilst regulated, the revenue for a distribution network is to an extent based on demand forecast assumptions. Actual outcomes may differ from these assumptions for reasons including the level of economic growth, weather variations and energy substitution. To the extent that revenues in any one year are over or under-recovered based on differences in anticipated versus actual volume a proportion of this may be recovered in subsequent periods.

In addition to the core regulated business, there are opportunities for Northern Gas Networks to generate additional revenue, primarily relating to the provision of metering services.

Standalone historical financial information for the gas distribution networks is not available prior to being sold by National Grid plc (effective date 1 June 2005) due to confidentiality arrangements with the vendor and the fact that the assets were embedded into National Grid plc's wider gas business. Limited unaudited historical performance is included below.

Year ending 31 March	2003 (£ million)	2004 (£ million)
Revenue (net of pass through costs)	226	238
Operating costs	89	71
EBITDA before replacement expenditure	137	167
Replacement expenditure	60	52
EBITDA after replacement expenditure	77	115

Since acquisition by the investment consortium, Northern Gas Networks has been successfully transitioned to new management and operating standards and is performing in accordance with the distribution forecasts. Please refer to the Interim Results Presentation dated Friday 24 February 2006 for further details.

Capital structure

Following post completion adjustments and refinancing of parts of the acquisition facilities, the final purchase price was £1.43 billion (excluding transaction costs). This was funded via £572 million of equity and £871 million of debt representing a gearing level of approximately 60 per cent.

Asset and Financial Overview (Wales and West Utilities continued)

Wales and West Utilities

Corporate Head Office

Lambourne House
Cardiff Business Park
Llanishen
Cardiff CF14 5GL
United Kingdom
www.wwutilities.co.uk

Industry

Gas Distribution Network

Regulator

The UK Office of Gas and Electricity
Network Markets (Ofgem)

CEO

Graham Edwards

Regulator Website

www.ofgem.gov.uk



The geographic region of Wales and West Utilities includes the whole of Wales and a large part of the south-west of England including the counties of Devon and Cornwall and the major cities of Cardiff, Bristol and Exeter. The network comprises approximately 34,000km of pipelines servicing a population of approximately 7.4 million people.

Description of operations

Wales and West Utilities is responsible for owning, maintaining and extending the network of pipes and associated infrastructure required to distribute gas within its geographic area.

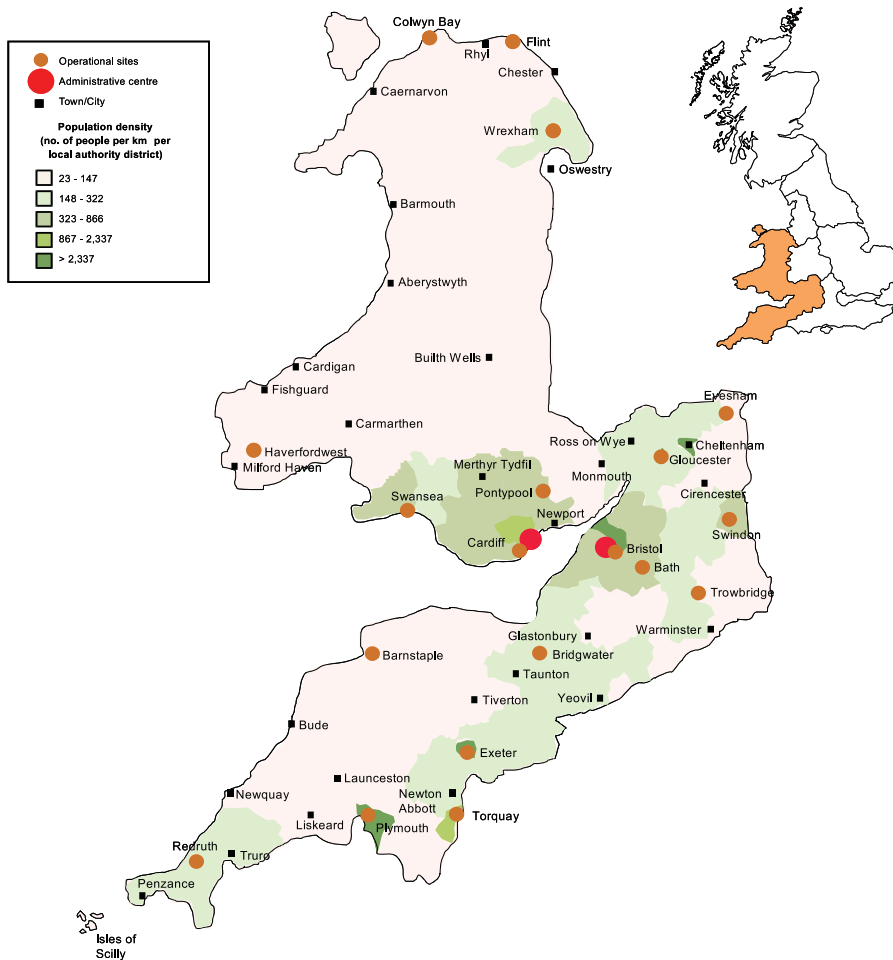
The assets of Wales and West Utilities include:

- the pipeline infrastructure required to transport the gas from the National Transmission System network to consumers' premises;
- the property, plant, equipment, operational sites and fleet utilised in the network's operations;
- the contracts, intellectual property rights, policies and procedures and licences necessary to operate the network; and
- the existing network management team, which has significant knowledge of the gas transportation industry.

The assets are operated by Wales and West Utilities.

Location

The location of Wales and West Utilities's regional monopoly is shown below:



Clients/customers

Wales and West Utilities provides the distribution network to transport gas from gas offtake sites to shippers. Although the customers of Wales and West Utilities are highly creditworthy shippers, the vast majority of Wales and West Utilities end customers by number are defined as domestic users. However, due to higher demand from several large industrial customers, the total volume demand of gas is shared approximately equally between domestic and industrial customers.

Asset and Financial Overview (Wales and West Utilities continued)

Market share

Wales and West Utilities operates as a regional monopoly.

Growth

Growth in gas demand in the region between 1992 and 2002 was 34 per cent, 7 per cent more than the increase in demand experienced in Britain as a whole.

By 2012, gas demand is forecast to increase by 18 per cent compared to total demand in 2002. This is expected to be driven by:

- higher than average rates of growth in the number of supply points, particularly in the south-west, which are expected to drive strong domestic growth;
- power generation demand is forecast to support growth in the larger non-domestic firm sector; and
- interruptible demand growth is expected to remain below the national rate due to large sites switching loads from interruptible contracts to firm contracts as the network is better able to meet demand.

Regulation

The key regulatory parameters set out by Ofgem in respect of Wales and West Utilities for the current regulatory period are set out below:

Wales and West Utilities: Regulatory pricing determination commencing 1 April 2002

Parameter	Pricing determination
Initial regulated base ²	£915m
Real after tax cost of capital	6.25per cent
Capital Expenditure benchmark ^{1,2}	£59m
Operating Expenditure benchmark ^{1,2}	£120m
X-factor to be applied in RPI-X formula	2002/03: 2.9 per cent Subsequent years: 2.0 per cent

¹ Includes 50 per cent of replacement expenditure.

² Per Final Proposals, 2000 prices.

Source: Ofgem.

Based on capital expenditure, replacement expenditure, inflation and depreciation, National Grid plc estimated that the nominal RAV of the Wales and West network as at 31 March 2004 was £1.08 billion.



Financials

Whilst regulated, the revenue for a distribution network is to an extent based on demand forecast assumptions. Actual outcomes may differ from these assumptions for reasons including the level of economic growth, weather variations and energy substitution. To the extent that revenues in any one year are over or under-recovered based on differences in anticipated versus actual volume, a proportion of this may be recovered in subsequent periods.

In addition to the core regulated business, there are opportunities for Wales and West Utilities to generate additional revenue, primarily relating to the provision of metering services.

Standalone historical financial information for the gas distribution networks is not available prior to being sold by National Grid plc (effective date 1 June 2005) due to confidentiality arrangements with the vendor and the fact that the assets were embedded into National Grid plc's wider gas business. Limited unaudited historical performance is included below.

Year ending 31 March	2003 (£ million)	2004 (£ million)
Revenue (net of pass through costs)	204	213
Operating costs (excluding restructuring costs)	90	79
EBITDA before replacement expenditure	114	134
Replacement expenditure	45	40
EBITDA after replacement expenditure	69	94

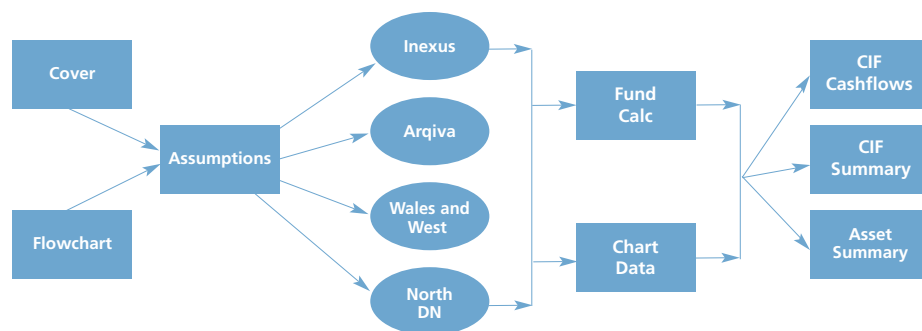
Since acquisition by the investment consortium, Wales and West Utilities has been successfully transitioned to new management and operating standards and is performing in accordance with the distribution forecasts. Please refer to the Interim Results Presentation dated Friday 24 February 2006 for further details.

Capital structure

Following post completion adjustments and refinancing of parts of the acquisition facilities, the final purchase price was £1.25 billion (excluding transaction costs). This was funded via £323 million of equity and £924 million of debt representing a gearing level of approximately 74 per cent.

Analyst Model

The Analyst model has been prepared to assist the user in better understanding the investments and structure of CIF. It has been prepared using Microsoft Excel and currently contains twelve worksheets as outlined in the diagram below.



The Analyst model does not purport to forecast the asset value, income or distribution of CIF or any of its assets. Any assumptions or values in the model are provided as a guide only and are intended to provide the user with the means to come up with their own valuation of the fund. They do not in any way represent forecasts by the responsible entity or manager of the Challenger Infrastructure Fund.

If you would like a copy of the Analyst model and the user manual mailed to you, please send your contact details to CIF_info@challenger.com.au.

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