

Challenger Annuity Fund

ARSN 623 652 595

General Purpose

Annual Financial Report for the
year ended 30 June 2021

Contents to Annual Financial Report

Directors' report	1
Auditor's independence declaration	3
Statement of comprehensive income	4
Statement of financial position	5
Statement of changes in net assets attributable to investors	6
Statement of cash flows	7
Notes to the financial statements	8
1. Basis of preparation and overarching significant accounting policies	8
2. Net assets attributable to investors	11
3. Distributions to investors	11
4. Financial assets at fair value through profit or loss	12
5. Reconciliation of profit to net cash flow from operating activities	12
6. Financial risk management	12
7. Fair value measurement	13
8. Related party transactions	14
9. Remuneration of auditor	15
10. Subsequent events	15
11. Commitments and contingencies	15
Directors' declaration	16
Independent auditor's report	17

Registered office

These financial statements cover Challenger Annuity Fund as an individual entity.

The Responsible Entity of Challenger Annuity Fund is Fidante Partners Services Limited (ABN 44 119 605 373). The Responsible Entity's registered office is as follows.

Level 2
5 Martin Place
Sydney NSW 2000

Directors' report

The Directors of Fidante Partners Services Limited, the Responsible Entity of Challenger Annuity Fund (the Trust), present their report together with the financial statements of the Trust for the year ended 30 June 2021.

Directors

The following persons held office as Directors of Fidante Partners Services Limited from 1 July 2021 and up to the date of this report.

A Bell	Director
A Bofinger	Director
J Coomer	Director
N Hamilton	Director
Y Sodhi	Director

The following persons held office as Directors of Challenger Retirement and Investment Services Limited during the financial year up to 30 June 2021, unless otherwise stated.

D Bennett	Director	
A Bofinger	Director	
C Dube	Director	
J Haggerty	Director	(Appointed: 30 March 2021)
B Koster	Director	
A Tobin	Director	(Resigned: 30 March 2021)

Principal activities and significant changes in the state of affairs

The principal activity of the Trust during the course of the financial year was to invest in annuities provided by Challenger Life Company Limited ('CLC') in accordance with the provisions of the Trust's Constitution. The Trust specifically targets investors who are seeking to apply for a Significant Investor Visa (SIV) with minimum investment amount of \$500,000. For the purposes of managing the Trust's cash flow, the Trust also invests in derivatives provided by CLC.

There have been no significant changes in the state of affairs of the Trust during the year.

Operating and financial review

During the year, the Trust continued to invest in accordance with target asset allocations as set out in the relevant product disclosure statement. The Trust maintained its strategy of investing in annuities provided by CLC.

Results

The performance of the Trust, as represented by the results of its operations, was as follows.

	30 June 2021	30 June 2020
	\$	\$
Net profit before finance costs	443,098	707,041
Distributions paid	504,407	394,374

Significant events after the balance date

On 1 July 2021, Challenger Retirement Investment Services Limited (the former Responsible Entity) (ABN 80 115 534 453) was replaced by Fidante Partners Services Limited (the Responsible Entity) (ABN 44 119 605 373) as the Responsible Entity for the Trust.

Other than the above, at the date of this financial report, no matter or circumstance has arisen that has affected, or may significantly affect the Trust's operations, the results of those operations or the Trust's state of affairs in future financial years, which has not already been reflected in this report.

Likely developments and expected results

The Trust will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Trust and in accordance with the provisions of the Trust's Constitution.

Further information on likely developments in the operations of the Trust 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 the Trust.

Directors' report (continued)

Indemnification and insurance of directors and officers

No insurance premiums are paid for out of the assets of the Trust in regards to insurance cover provided to the officers of the Responsible Entity or former Responsible Entity. Provided the officers of the Responsible Entity act in accordance with the Trust's Constitution and the Corporations Act 2001, the officers remain indemnified out of the assets of the Trust against losses incurred whilst acting on behalf of the Trust. The auditors of the Trust are in no way indemnified out of the assets of the Trust.

Fees paid to and interests held in the Trust by the Responsible Entity or its related entities

There were no fees paid to the Responsible Entity or former Responsible Entity or its related entities out of Trust property during the year.

No fees were paid out of Trust property to the Directors of the Responsible Entity or former Responsible Entity during the year.

No interests in the Trust were held by the Responsible Entity, the former Responsible Entity or its related entities.

Interests in the Trust

The movement in investor interest in the Trust during the year is set out below.

	30 June 2021	30 June 2020
	\$	\$
Opening investor interest in the Trust	20,881,293	10,068,626
Change in net assets attributable to investors	(61,309)	312,667
Investor interest applications	2,500,000	12,000,000
Investor interest redemptions	—	(1,500,000)
Closing investor interest in the Trust	23,319,984	20,881,293

The movement in investor interest in the Trust during the year is further disclosed in Note 2 to the financial statements.

Value of assets

	2021	2020
	\$	\$
Value of Trust assets at 30 June	23,319,984	20,881,293

The value of the Trust's assets and liabilities is disclosed in the statement of financial position and derived using the basis set out in Note 1.2 to the financial statements.

Environmental regulation and performance

The operations of the Trust are not subject to any particular significant environmental regulations under a Commonwealth, State or Territory law.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 3.

Authorisation

Signed in accordance with a resolution of the Directors of the Responsible Entity of Challenger Annuity Fund.



A Bell

Director

Sydney

17 September 2021

Auditor's independence declaration



**Building a better
working world**

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Auditor's Independence Declaration to the Directors of Fidante Partners Services Limited

As lead auditor for the audit of the financial report of Challenger Annuity Fund for the financial year ended 30 June 2021, I declare to the best of my knowledge and belief, there have been:

- a) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) No contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive script.

Ernst & Young

A handwritten signature in black ink that reads 'Rita Da Silva' in a cursive script.

Rita Da Silva
Partner
17 September 2021

Statement of comprehensive income

For the year ended 30 June	Note	2021 \$	2020 \$
Net (losses)/gains on financial instruments at fair value through profit or loss		(61,309)	312,667
Annuities income		504,407	394,374
Total income		443,098	707,041
Net profit before finance costs		443,098	707,041
Finance costs attributable to investors			
Distribution to investors	3	(504,407)	(394,374)
Decrease/(increase) in net assets attributable to investors	2	61,309	(312,667)
Net profit for the year		—	—
Other comprehensive income for the year		—	—
Total comprehensive income for the year attributable to investors		—	—

The statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

As at 30 June	Note	2021 \$	2020 \$
Assets			
Financial assets at fair value through profit or loss	4	23,319,984	20,881,293
Total assets		23,319,984	20,881,293
Net assets attributable to investors	2	23,319,984	20,881,293

The statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in net assets attributable to investors

	Note	2021 \$	2020 \$
At 1 July - opening		20,881,293	10,068,626
Applications		2,500,000	12,000,000
Redemptions		—	(1,500,000)
Change in net assets attributable to investors		(61,309)	312,667
At 30 June - closing	2	23,319,984	20,881,293

The statement of changes in net assets attributable to investors should be read in conjunction with the accompanying notes.

Statement of cash flows

For the year ended 30 June	Note	2021 \$	2020 \$
Operating activities			
Annuity income received		504,407	394,374
Net cash inflows from operating activities	5	504,407	394,374
Investing activities			
Net payments from sales and purchases of investments		(2,500,000)	(10,500,000)
Net cash outflows from investing activities		(2,500,000)	(10,500,000)
Financing activities			
Proceeds from applications by investors		2,500,000	12,000,000
Redemption payments to investors		—	(1,500,000)
Distributions paid		(504,407)	(394,374)
Net cash inflows from financing activities		1,995,593	10,105,626
Net (decrease)/increase in cash and cash equivalents		—	—
Cash and cash equivalents at the beginning of the year		—	—
Cash and cash equivalents at the end of the year		—	—

The statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

1. Basis of preparation and overarching significant accounting policies

The financial report of Challenger Annuity Fund (the Trust) for the year ended 30 June 2021 was authorised for issue in accordance with a resolution of the Directors of Fidante Partners Services Limited (the Responsible Entity) on 17 September 2021.

1.1. Basis of preparation

These financial statements cover the Trust as an individual entity. The Trust is an Australian registered managed investment scheme and was constituted on 22 December 2017. The Trust will terminate on 21 December 2097 unless terminated earlier in accordance with the provisions of the Trust's Constitution.

These general purpose financial statements have been prepared in accordance with the Trust's Constitution, Australian Accounting Standards and the Corporations Act 2001.

The Trust is a for-profit entity for the purposes of preparing financial statements.

The financial statements are presented in Australian dollars and have been prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

Furthermore, the financial statements have been prepared on a going concern basis as the Trust is expected to generate sufficient funds to enable it to pay its debts as and when they fall due.

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current.

All balances are expected to be recovered or settled within twelve months, except for investments in financial instruments and net assets attributable to investors. The amounts expected to be recovered or settled beyond twelve months after the end of each reporting period cannot be reliably determined.

As the Trust did not hold cash and cash equivalents during the year, the statement of cash flows has been prepared to disclose the cash flows from annuities directly to the investors.

Statement of compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

New and revised accounting standards and interpretations

The accounting standards and methods of computation are the same as those adopted in the financial report for the prior comparative year.

Accounting standards and interpretations issued but not yet effective

There are no new accounting standards and interpretations that have been issued, but not yet effective, that are material to the financial statements or have been early adopted for the year ended 30 June 2021.

Changes in accounting policy or disclosure

There were no changes in accounting policy applied during the year.

Comparatives

Where necessary, comparative figures have been reclassified to conform to any changes in presentation made in this financial report.

1. Basis of preparation and overarching significant accounting policies (continued)

1.2. Summary of significant accounting policies

Coronavirus (COVID-19) impact

COVID-19 is a respiratory illness which was declared a pandemic by the World Health Organisation in March 2020. COVID-19, as well as measures to slow the spread of the virus, have since had a significant impact on global and domestic economies. In preparing these financial statements, the Trust has considered the impacts of COVID-19 on the Trust's assets, liabilities and disclosures for the year ended 30 June 2021. As at reporting date, there has been minimal impact on assets and liabilities and on the going concern of the Trust.

The nature of COVID-19 continues to evolve and the financial and economic impacts are still taking shape. This may result in changes to the future estimates and outcomes applied to the measuring of the Trust's assets and liabilities. No major adjustments have been reflected in the financial statements up to the reporting date.

a) Financial instruments

i) Classification

Assets

The Trust classifies its investments based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The Trust's portfolio of financial assets is managed and its performance is evaluated on a fair value basis in accordance with the Trust's documented investment strategy. All investments are measured at fair value through profit or loss.

The Trust holds investments in annuities provided by Challenger Life Company Limited (CLC).

ii) Recognition/derecognition

The Trust recognises fair value of financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments has expired or the Trust has transferred substantially all risks and rewards of ownership.

iii) Measurement

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments at fair value through profit or loss are measured at fair value with changes in the fair value recognised in the statement of comprehensive income.

- Fair value in an active market

The fair value of financial assets and liabilities traded in active markets are based on their quoted market prices at the reporting date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices at the reporting date, while financial liabilities are priced at current offer prices.

- Fair value in an inactive or unquoted market

The fair value of financial assets and liabilities that are not traded in an active market are determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of other substantially similar instruments, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the reporting date applicable for an instrument with similar terms and conditions. For other pricing models, inputs are based on market data at the end of the reporting period.

b) Net assets attributable to investors

Interests are redeemable at the investors' option, subject to the Trust's capital risk management detailed in Note 2, and are classified as financial liabilities. Interests can be redeemed by the investors at any time for cash based on the redemption price. The fair value of redeemable interests is measured at the redemption amount that is payable (based on the redemption interest price) at the reporting date if investors exercised their right to redeem interests in the Trust.

c) Cash and cash equivalents

As the Trust did not hold cash and cash equivalents during the year, the statement of cash flows has been prepared to disclose the cash flows from annuities directly to the unitholders.

1. Basis of preparation and overarching significant accounting policies (continued)

d) Investment income

Annuity income is received from CLC, who is contractually obliged to make regular guaranteed income payments to the Trust. The annuity income is recognised in the statement of comprehensive income on an entitlements basis.

e) Expenses

All expenses, including Responsible Entity's fees, are paid for by CLC.

f) Taxes

Under current income tax legislation, the Trust is not subject to income tax provided all of its taxable income is distributed to the investors each year.

Goods and services tax (GST)

As the Trust does not currently incur any expenses, there are no GST implications for the Trust.

g) Distributions

In accordance with the Trust's Constitution, the Trust distributes income adjusted for amounts determined by the Responsible Entity, to investors by cash. The distributions are recognised in the statement of comprehensive income as finance costs attributable to investors.

h) Changes in net assets attributable to investors

Income not distributed is included in net assets attributable to investors. Movements in net assets attributable to investors are recognised in the statement of comprehensive income as finance costs.

i) Receivables

Receivables may include amounts from annuities. Annuity income is accrued at the end of each reporting period from the time of last payment in accordance with the policy set out in note 1.2(d) above. Amounts are generally received within 30 days of being recorded as receivables.

j) Applications and redemptions

Applications received for interests in the Trust are recorded net of any entry fees payable prior to the issue of interests in the Trust. Redemptions from the Trust are recorded gross of any exit fees payable after the cancellation of interests redeemed.

k) Use of estimates

The Trust's financial instruments, including annuities and derivatives, are fair valued using the prevailing current earnings rate set by CLC that is applicable to the annuity and derivative contracts at the reporting date.

l) Terms and conditions on interests

An investor interest does not confer any interest in any particular asset or investment of the Trust. Investors have various rights under the Constitution and the Corporations Act 2001, including the right to:

- have their interests redeemed;
- receive income distributions;
- attend and vote at meetings of investors; and
- participate in the termination and winding up of the Trust.

The rights, obligations and restrictions attached to each interest are identical in all respects.

1.3. Significant accounting judgements, estimates and assumptions

The carrying values of amounts recognised in the statement of financial position are often based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the recognised amounts within the next annual reporting period are disclosed individually within each of the relevant notes to the financial statements. The impact of COVID-19 has been considered in relation to the disclosures made in these financial statements.

2. Net assets attributable to investors

As stipulated within the Trust's Constitution, each interest represents a right to an individual share in the Trust and does not extend to a right to the underlying assets of the Trust.

Each investor has the same rights, preferences and restrictions attaching to it as all other interests of the Trust, except for their respective terms of issue.

Movements in the number of interests and net assets attributable to investors during the year were as follows.

	30 June 2021	30 June 2020
	\$	\$
Opening balance	20,881,293	10,068,626
Applications	2,500,000	12,000,000
Redemptions	—	(1,500,000)
Change in net assets attributable to investors	(61,309)	312,667
Closing balance	23,319,984	20,881,293

Capital risk management

Applications and redemptions are reviewed relative to the liquidity of the Trust's underlying assets on a daily basis by the Responsible Entity. Under the terms of the Trust's Constitution, the Responsible Entity has the discretion to reject an application for investor interests and to defer or adjust a redemption of investor interests if the exercise of such discretion is in the best interests of investors.

Although the Trust is designed for investors to hold the investments for the full investment term, early redemptions can be made using the early redemption interest price (which includes an early redemption discount) and investors may receive significantly less back than if the investment is held until its maturity date.

3. Distributions to investors

Timing of distributions

The distributions for the year were as follows:

Distributions - Total	30 June 2021	30 June 2020
	\$	\$
Distributions paid - July	40,931	25,964
Distributions paid - August	40,931	25,964
Distributions paid - September	40,931	25,964
Distributions paid - October	40,931	25,964
Distributions paid - November	40,931	30,557
Distributions paid - December	40,931	30,557
Distributions paid - January	40,931	35,880
Distributions paid - February	40,931	35,880
Distributions paid - March	44,240	35,880
Distributions paid - April	44,240	35,880
Distributions paid - May	44,240	40,589
Distributions paid - June	44,239	45,295
	504,407	394,374

4. Financial assets at fair value through profit or loss

	30 June 2021	30 June 2020
	\$	\$
Annuities	23,319,984	20,881,293
Total	23,319,984	20,881,293

An overview of the risk exposures and fair value measurements relating to financial assets at fair value through profit or loss is included in Notes 6 and 7 respectively

5. Reconciliation of profit to net cash flow from operating activities

	30 June 2021	30 June 2020
	\$	\$
Reconciliation of profit to net cash flow from operating activities		
Net profit before finance costs	443,098	707,041
Add/(Deduct): Net losses/(gains) on financial instruments at fair value through profit or loss	61,309	(312,667)
Net cash inflows from operating activities	504,407	394,374

6. Financial risk management

The Trust's activities expose it to a variety of financial risks in the normal course of its business, including but not limited to:

- market risk (including interest rate risk, currency risk and price risk);
- credit risk; and
- liquidity risk.

The Trust's overall risk management program focuses on ensuring compliance with the Trust's Investment Management Deed and seeks to maximise the returns derived for the level of risk to which the Trust is exposed. The Trust may use derivative financial instruments to alter certain risk exposures. The Responsible Entity is responsible for identifying and controlling the risks that arise from these financial instruments.

The Responsible Entity of the Trust is aware of the risks associated with the business of investment management. A financial risk management framework has been established to ensure that procedures and controls adequately manage the risks arising from current business activities. Central controls include (but are not limited to):

- clear policies and procedures covering operations;
- post trade investment compliance monitoring;
- segregation of the dealing and investment management function from the administration and settlement function; and
- a compliance function with a separate reporting line from the investment management function.

As part of the risk management framework, the Responsible Entity is subject to regular reporting and committee meetings regarding risk and compliance issues. The purpose is to facilitate a flow of information between the Trust and the Responsible Entity's Board and Committees. Any material matters identified are promptly investigated and reported.

There are no changes in the strategies used to manage the financial risks from the previous reporting period.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market factors. Market risk includes (amongst others) three types of risk: interest rate risk (due to fluctuations in interest rates), currency risk (due to fluctuations in foreign exchange rates), and price risk (due to fluctuations in market prices). The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Trust is exposed to market risks influencing investment valuations. The Trust may utilise derivatives to manage this risk.

Cash flow and fair value interest rate risk

Movements in official interest rates are taken into account by CLC when determining the earnings rate each week. Where interest rates rise after an application into the Trust has been accepted, no exposure to the potential benefit of the rate rise is available as the returns are fixed at the date of investment. Similarly, where interest rates fall, there is no negative effect by the rate reduction.

The Trust's financial assets and liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

6. Financial risk management (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will cause financial loss to the other party by failing to discharge an obligation.

With respect to credit risk arising from the financial assets of the Trust, other than derivatives, the Trust's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the fair value of these instruments as disclosed in the statement of financial position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values.

The Trust holds no collateral as security or any other credit enhancements. There are no financial assets that are past due or impaired, or would otherwise be past due or impaired except for terms having been renegotiated.

CLC's Statutory Fund No.2 (Statutory Fund) is contractually obliged under the terms of the annuity contracts entered into with the Trust to, amongst other things, make regular income payments to the Trust. These payments are intended to match each distribution and the maturity interest price for each class. The Statutory Fund's ability to meet these obligations is dependent on the assets it holds from time to time, including the capital support in accordance with the capital adequacy standards it is required to meet under APRA prudential standards.

As a result, the Trust's ability to pay the distributions and maturity interest price in respect of a class will depend on CLC meeting its obligations under the applicable annuities.

There is a credit risk that CLC might not meet its obligations under the annuities and that the assets of the Statutory Fund that support the annuities issued by CLC to the Trust are insufficient to meet the Statutory Fund's obligations under the annuities provided to the Trust.

Challenger Limited and its subsidiaries do not provide a guarantee to the Trust investors in respect to the Trust.

CLC has a Standard & Poor's credit rating of A at 30 June 2021 (2020: A).

Liquidity risk

Liquidity risk is the risk that the Trust will encounter difficulty in raising funds to meet cash commitments. This may result from either the inability to sell financial assets at their fair values, a counterparty failing on repayment of a contractual obligation, or the inability to generate cash inflows as anticipated.

Under the terms of its Constitution, the Trust has the ability to manage liquidity risk by suspending or spreading withdrawal requests in extreme circumstances, including where CLC exercises similar rights in relation to the underlying securities. CLC maintains liquidity reserves and does not expect to need to exercise these rights.

Maturity analysis for financial liabilities

Financial liabilities of the Trust comprise distributions payable and net assets attributable to unitholders. Trade and other payables and distributions payable have no contractual maturities but are typically settled within 30 days.

Net assets attributable to unitholders are typically payable on demand.

7. Fair value measurement

Fair value estimation

Financial assets and liabilities at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the statement of comprehensive income.

The Trust values its investments in accordance with the accounting policies set out in Note 1. The Trust relies on information provided by CLC for the valuation of all the Trust's annuity investments.

Fair value hierarchy

The Trust classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

7. Fair value measurement (continued)

The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Responsible Entity. The Responsible Entity considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The tables below set out the Trust's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy.

30 June 2021

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets at fair value through profit or loss				
Annuities	—	23,319,984	—	23,319,984
Total	—	23,319,984	—	23,319,984

30 June 2020

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets at fair value through profit or loss				
Annuities	—	20,881,293	—	20,881,293
Total	—	20,881,293	—	20,881,293

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include annuities, that are valued at the present value of future cashflows with a discount rate which is observable. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non transferability, which are generally based on available market information.

8. Related party transactions

Responsible entity

The Responsible Entity of Challenger Annuity Fund is Fidante Partners Services Limited whose immediate parent company is Challenger Funds Management Holdings Pty Limited and ultimate parent company is Challenger Limited. The Responsible Entity has authority for the strategic direction and management of the Trust.

On 1 July 2021, Challenger Retirement Investment Services Limited (the former Responsible Entity) (ABN 80 115 534 453) was replaced by Fidante Partners Services Limited (the Responsible Entity) (ABN 44 119 605 373) as the Responsible Entity for the Trust.

Key management personnel

Directors

Key management personnel includes persons who were Directors of Fidante Partners Services Limited from 1 July 2021 and up to the date of the report as follows.

A Bell
A Bofinger
J Coomer
N Hamilton
Y Sodhi

8. Related party transactions (continued)

Key management personnel includes persons who were Directors of Challenger Retirement Investment Services Limited during the financial year up to 30 June 2021 as follows, unless otherwise stated.

D W Bennett	
A R Bofinger	
C Dube	
J Haggerty	(Appointed:30 March 2021)
B W Koster	
A L Tobin	(Resigned:30 March 2021)

Key management personnel interests

At 30 June 2021 no key management personnel held interests in the Trust (2020: nil).

Key management personnel compensation

No amount was paid by the Trust directly to the Directors of the Responsible Entity (2020: nil).

Responsible Entity's fees and other transactions

The Trust does not incur any direct management costs.

Under agreements entered into between CLC and the Responsible Entity in respect of the operation of the Trust, CLC agrees to pay the Responsible Entity certain fees and expenses in respect of the Trust's operations.

Investments

The Trust held investments in the following related parties of Fidante Partners Services Limited.

	Fair value of investment		Annuity income received/ receivable	
	2021	2020	2021	2020
	\$	\$	\$	\$
CLC - annuity contracts	23,319,984	20,881,293	504,407	394,374

9. Remuneration of auditor

The cost incurred for auditing the financial report of the Trust is borne by CLC.

10. Subsequent events

On 1 July 2021, Challenger Retirement Investment Services Limited (the former Responsible Entity) (ABN 80 115 534 453) was replaced by Fidante Partners Services Limited (the Responsible Entity) (ABN 44 119 605 373) as the Responsible Entity for the Trust.

Other than the above, at the date of this financial report, no matter or circumstance has arisen that has affected, or may significantly affect the Trust's operations, the results of those operations or the Trust's state of affairs in future financial years, which has not already been reflected in this report.

11. Commitments and contingencies

The Trust does not have any contingent liabilities, contingent assets or credit commitments as at 30 June 2021 (2020: nil).

Directors' declaration

In accordance with the resolution of the Directors of Fidante Partners Services Limited, we state that in the opinion of the Directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 4 to 15 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Trust's financial position as at 30 June 2021 and of its performance for the financial year ended on that date;
- (b) the financial statements and notes comply with International Financial Reporting Standards as disclosed in Note 1.1; and
- (c) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

On behalf of the Board of Fidante Partners Services Limited.



A Bell

Director

17 September 2021



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Independent Auditor's Report to the Unitholders of Challenger Annuity Fund

Opinion

We have audited the financial report of Challenger Annuity Fund (the "Trust"), which comprises the statement of financial position as at 30 June 2021, the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Trust is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Trust's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Trust in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Information Other than the Financial Report and Auditor's Report Thereon

The directors of Fidante Partners Services Limited as the Responsible Entity of the Trust (the "Responsible Entity") are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.



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If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Responsible Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



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- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink that reads 'Rita Da Silva' in a cursive style.

Rita Da Silva
Partner
Sydney
17 September 2021