

Challenger Retirement and Investment Services
Limited

ABN 80 115 534 453

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 equity | 6 |
| Statement of cash flows | 7 |
| Notes to the financial statements | 8 |
| 1. Basis of preparation and overarching significant accounting policies | 8 |
| 2. Revenue | 10 |
| 3. Expenses | 10 |
| 4. Income tax | 10 |
| 5. Cash and cash equivalents | 10 |
| 6. Receivables | 11 |
| 7. Payables | 11 |
| 8. Contributed equity | 11 |
| 9. Reconciliation of profit to operating cash flow | 11 |
| 10. Capital management | 11 |
| 11. Financial risk management | 12 |
| 12. Related party disclosures | 13 |
| 13. Remuneration of auditor | 13 |
| 14. Commitments and contingencies | 13 |
| 15. Subsequent events | 14 |
| Directors' declaration | 15 |
| Independent auditor's report | 16 |

Directors' report

The Directors of Challenger Retirement and Investment Services Limited (the Company) submit their report, together with the general purpose financial report of the Company for the year ended 30 June 2021.

Directors and Company Secretaries

The names and details of the Directors and officers of the Company holding office during the financial year and up to the date of this report, are listed below. Directors and officers were in office for this entire period unless otherwise stated.

| | | |
|------------|------------------------------------|-------------------------------|
| D Bennett | Independent Non-executive Director | |
| A Bofinger | Executive Director | |
| C Dube | Independent Non-executive Director | |
| J Haggerty | Executive Director | (Appointed: 30 March 2021) |
| B Koster | Independent Non-executive Director | |
| A Tobin | Executive Director | (Resigned: 30 March 2021) |
| A Brown | Secretary | (Resigned: 31 December 2020) |
| S Gowland | Secretary | |
| L Matthews | Secretary | (Appointed: 18 December 2020) |

Corporate structure

The Company is a public company limited by shares that is incorporated and domiciled in Australia. The registered office of the Company is located at Level 2, 5 Martin Place, Sydney, NSW 2000.

The parent entity of the Company is Challenger Life Company Holdings Pty Limited and the ultimate parent entity of the Company is Challenger Limited.

Principal activities and significant changes in the state of affairs

The principal activity of the Company during the course of the financial year was to operate as the Responsible Entity for a number of registered managed investment trusts, act as Trustee for a number of unregistered managed investment trusts, and act as the Registered Superannuation Entity (RSE) licensee and Trustee for the Challenger Retirement Fund.

The Company holds an Australian Financial Services Licence (Licence no: 295642) and also has a Registrable Superannuation Entity Licence (Licence no: L0001304).

In accordance with its Operational Risk Financial Requirement strategy, the Company as Trustee holds as capital a minimum of 10 basis points of funds under management of Challenger Retirement Fund in support of its superannuation business.

From 1 July 2021, the Company ceased to be the Responsible Entity or Trustee for all managed investment trusts due to the introduction of the *Financial Sector Reform (Hayne Royal Commission Response) Act 2020* which prohibits a Registrable Superannuation Entity licensee from acting in any other capacity. Fidante Partners Services Limited (ABN 44 119 605 373) is the new Responsible Entity or Trustee for the managed investment trusts effective 1 July 2021.

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

Operating and financial review

The profit after income tax for the year ended 30 June 2021 was \$425,868 (2020 profit: \$222,078).

As at 30 June 2021, the Company held positive net assets with a total value of \$7,878,691 (2020: \$7,452,823).

Dividends

No dividend was declared by the Directors of the Company in 2021 (2020: nil).

Likely developments and expected results

The Company continues to closely monitor the COVID-19 pandemic and its impact on the economy. The expected duration and magnitude of this pandemic and its potential impacts on the economy and financial markets are unclear. It is not known whether the measures being undertaken in Australia and globally will be sufficient to control the spread of the virus or to limit the impact on the economy.

At the time the Directors approved this report, they were not aware of any developments likely to have a significant effect upon the operations or the result of the Company in subsequent financial years, which have not been adequately dealt with in this report or in the financial report.

Further information on likely developments in the operations of the Company and the expected results of those operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Company.

Directors' report (continued)

Significant events after the balance date

From 1 July 2021, the Company ceased to be the Responsible Entity or Trustee for all managed investment trusts due to the introduction of the *Financial Sector Reform (Hayne Royal Commission Response) Act 2020* which prohibits a Registrable Superannuation Entity licensee from acting in any other capacity. Fidante Partners Services Limited (ABN 44 119 605 373) is the new Responsible Entity or Trustee for the managed investment trusts effective 1 July 2021.

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 Company's operations, the results of those operations or the Company's state of affairs in future financial years, which has not already been reflected in this report.

Indemnification and insurance of directors and officers

In accordance with its Constitution, and where permitted under relevant legislation or regulation, the Company indemnifies the Directors and officers of the Company against all liabilities to another person that may arise from their position as Directors or officers of the Company and its subsidiaries, except where the liability arises out of conduct involving lack of good faith, wilful default, fraud, or criminal or dishonest behaviour.

To facilitate the indemnification, in accordance with the provisions of the *Corporations Act 2001*, the Company has insured the Directors and officers against liabilities incurred in their role as Directors and officers of the Company. The terms of the insurance policy, including the premium, are subject to confidentiality clauses and as such the Company is prohibited from disclosing the nature of the liabilities covered and the premium.

Indemnification is provided by the ultimate parent entity, and the premium is paid by a related party, Challenger Group Services Pty Ltd.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement. The primary purpose of the indemnity is to indemnify Ernst & Young for any loss that it may suffer as a result of a false representation given by the Company where a claim is made against Ernst & Young by a third party.

There is a caveat if Ernst & Young's loss results from its own negligence or wrongful or wilful acts or omissions then no indemnification is provided. No payment has been made to indemnify Ernst & Young during or since the financial year.

Environmental regulation and performance

The Directors are satisfied that adequate systems are in place for the management of the Company's environmental responsibilities and compliance with various legislative, regulatory and licence requirements. Further the Directors are not aware of any breaches of these requirements and to the best of their knowledge all activities have been undertaken in compliance with environmental requirements.

Rounding

The monetary amounts contained in this financial report have been rounded to the nearest \$1, unless otherwise stated, under the option available to the Company under Australian Securities and Investments Commission (ASIC) Corporations Instrument 2016/191.

Authorisation

Signed in accordance with a resolution of the Directors of Challenger Retirement and Investment Services Limited.



A Bofinger

Executive Director

23 September 2021



J Haggerty

Executive Director

23 September 2021

Auditor's independence declaration



**Building a better
working world**

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Auditor's Independence Declaration to the Directors of Challenger Retirement and Investment Services Limited

As lead auditor for the audit of the financial report of Challenger Retirement and Investment Services Limited 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'.

Ernst & Young

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

Rita Da Silva
Partner
23 September 2021

Statement of comprehensive income

| For the year ended 30 June | Note | 2021 | 2020 |
|--|-------------|----------------|----------------|
| | | \$ | \$ |
| Revenue | 2 | 1,214,806 | 656,862 |
| Expenses | 3 | (606,423) | (339,608) |
| Profit before income tax | | 608,383 | 317,254 |
| Income tax expense | 4 | (182,515) | (95,176) |
| Profit for the year after income tax | | 425,868 | 222,078 |
| Other comprehensive income for the year | | — | — |
| Total comprehensive income for the year after tax | | 425,868 | 222,078 |

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 | | | |
| Cash and cash equivalents | 5 | 8,198,838 | 8,251,368 |
| Receivables | 6 | 43,246 | 380,103 |
| Total assets | | 8,242,084 | 8,631,471 |
| Liabilities | | | |
| Payables | 7 | 363,393 | 1,178,648 |
| Total liabilities | | 363,393 | 1,178,648 |
| Net assets | | 7,878,691 | 7,452,823 |
| Equity | | | |
| Contributed equity | 8 | 6,250,001 | 6,250,001 |
| Retained profits | | 1,628,690 | 1,202,822 |
| Total equity | | 7,878,691 | 7,452,823 |

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

Statement of changes in equity

| | Note | Attributable to the equity holders of the Company | | |
|--|------|---|------------------|--------------------------|
| | | Contributed equity | Retained profits | Total shareholder equity |
| For the year ended 30 June 2021 | | \$ | \$ | \$ |
| Balance at 1 July 2020 | | 6,250,001 | 1,202,822 | 7,452,823 |
| Profit for the year after income tax | | — | 425,868 | 425,868 |
| Other comprehensive income for the year | | — | — | — |
| Total comprehensive income for the year after tax | | — | 425,868 | 425,868 |
| Balance at 30 June 2021 | 8 | 6,250,001 | 1,628,690 | 7,878,691 |
| For the year ended 30 June 2020 | | | | |
| Balance at 1 July 2019 | | 6,250,001 | 980,744 | 7,230,745 |
| Profit for the year after income tax | | — | 222,078 | 222,078 |
| Other comprehensive income for the year | | — | — | — |
| Total comprehensive income for the year after tax | | — | 222,078 | 222,078 |
| Balance at 30 June 2020 | | 6,250,001 | 1,202,822 | 7,452,823 |

The statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows

| For the year ended 30 June | Note | 2021 \$ | 2020 \$ |
|--|------|------------------|------------------|
| Operating activities | | | |
| Responsible Entity and Trustee fees received | | 932,877 | 567,318 |
| Transaction fee | | 300,000 | — |
| Payments to vendors | | (530,099) | (269,008) |
| Interest received | | 3,829 | 51,285 |
| Net cash inflows from operating activities | 9 | 706,607 | 349,595 |
| Financing activities | | | |
| Net (payments)/receipts to/from related entities | | (759,137) | 183,478 |
| Net cash (outflows)/inflows from financing activities | | (759,137) | 183,478 |
| Net (decrease)/increase in cash and cash equivalents | | (52,530) | 533,073 |
| Cash and cash equivalents at the beginning of the year | | 8,251,368 | 7,718,295 |
| Cash and cash equivalents at the end of the year | 5 | 8,198,838 | 8,251,368 |

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 Retirement and Investment Services Limited (the Company) for the year ended 30 June 2021 was authorised for issue in accordance with a resolution of the Directors on 23 September 2021.

1.1. Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

Unless stated otherwise, the financial report is presented in Australian dollars and has been prepared on a historical cost basis.

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

The Directors confirm that they have considered all currently known impacts of COVID-19 when preparing the financial statements and applying the going concern concept.

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 has been a number of new accounting standards issued but are not yet effective. The Company has not elected to early adopt any of the new standards or amendments in this financial report as these new standards are not relevant to the entity.

Comparatives

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

Rounding of amounts

Unless otherwise stated, monetary amounts contained in this financial report have been rounded to the nearest \$1 under the option available to the Company under Australian Securities and Investments Commission (ASIC) Corporations Instrument 2016/191.

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 Company has considered the impacts of COVID-19 on the Company'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 Company.

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 Company's assets and liabilities. No major adjustments have been reflected in the financial statements up to the reporting date.

1.2. Summary of significant accounting policies

a) Revenue and expenses

Revenue is recognised to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services. Revenues and expenses are recognised on an accrual basis at the fair value of the consideration paid or payable for services rendered.

The following specific policies are applied:

- Responsible Entity and trustee fee revenue is recognised when the services are provided.
- Interest revenue is recognised as it accrues using an effective interest rate method, taking into account the effective yield of the financial asset.
- Transaction fee revenue is recognised when the transaction is executed.

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

1.2. Summary of significant accounting policies (continued)

b) Taxes

Income tax on the statement of comprehensive income for the year comprises of current tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income respectively.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Tax consolidation

The Company is a member of a tax consolidated group for the purposes of income taxation, of which Challenger Limited is the head entity. The Company has entered into a tax sharing and tax funding arrangement with the head entity of the tax consolidated group. The arrangement provides for the allocation of income tax liabilities between the entities of the tax consolidated group should the head entity default on its tax payment obligations. At the statement of financial position date, the possibility of default is remote.

Tax effect accounting by members of the tax consolidation group

In accordance with UIG Interpretation 1052 Tax Consolidation Accounting and the tax funding arrangement, the Company is charged or reimbursed for tax assets or liabilities assumed by Challenger Limited in connection with the Company's activities. The effect of this arrangement is that the Company (as a subsidiary of the tax consolidated group) records an amount as income tax expense equal to the amount of current tax payable together with current losses and foreign tax credits assumed, that would have been calculated had the subsidiary continued to be subject to income tax.

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except when the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

c) Cash and cash equivalents

Cash and cash equivalents are financial assets with fixed or determinable payments and comprise of cash at bank and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Cash and cash equivalents are recognised at fair value. For the purposes of the statement of cash flows, cash and cash equivalents are stated net of any outstanding bank overdrafts.

d) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They include trade and other receivables and are recognised at their amortised cost less any expected credit loss provisions.

e) Payables

Payables represent unsecured non-derivative, non-interest-bearing financial liabilities in respect of goods and services provided to the Company prior to the end of the financial year. They include accruals, trade and other creditors and are recognised at amortised cost.

f) Contributed equity

Ordinary shares are classified as equity. Issued capital in respect of ordinary shares is recognised as the fair value of the consideration received by the Company. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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

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. There are no key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period. The impact of COVID-19 has been considered in relation to the disclosures made in these financial statements.

2. Revenue

| | 30 June 2021 | 30 June 2020 |
|--|------------------|----------------|
| | \$ | \$ |
| Interest revenue | 2,924 | 50,559 |
| Responsible Entity and Trustee fees | 911,882 | 606,303 |
| Transaction fee relating to successor funds transfer to Challenger Retirement Fund | 300,000 | — |
| Total revenue | 1,214,806 | 656,862 |

3. Expenses

| | 30 June 2021 | 30 June 2020 |
|-----------------------|----------------|----------------|
| | \$ | \$ |
| Directors' fees | 226,189 | 197,868 |
| Other expenses | 380,234 | 141,740 |
| Total expenses | 606,423 | 339,608 |

4. Income tax

| | 30 June 2021 | 30 June 2020 |
|---|------------------|-----------------|
| | \$ | \$ |
| Current income tax expense for the year | (182,515) | (95,176) |
| Income tax expense | (182,515) | (95,176) |

| | 30 June 2021 | 30 June 2020 |
|--|------------------|-----------------|
| | \$ | \$ |
| Reconciliation of income tax | | |
| Profit before income tax | 608,383 | 317,254 |
| Prima facie income tax based on Australian company tax rate of 30% (2020: 30%) | (182,515) | (95,176) |
| Income tax expense reported in the statement of comprehensive income | (182,515) | (95,176) |

5. Cash and cash equivalents

| | 30 June 2021 | 30 June 2020 |
|--|------------------|------------------|
| | \$ | \$ |
| Cash at bank and on hand | 8,198,838 | 8,251,368 |
| Total cash and cash equivalents | 8,198,838 | 8,251,368 |

6. Receivables

| | 30 June 2021 | 30 June 2020 |
|---|---------------|----------------|
| | \$ | \$ |
| Amounts recoverable from related entities | 43,246 | 380,062 |
| Accrued interest | — | 41 |
| Total receivables | 43,246 | 380,103 |
| Current | 43,246 | 380,103 |

7. Payables

| | 30 June 2021 | 30 June 2020 |
|------------------------------------|----------------|------------------|
| | \$ | \$ |
| Amounts payable to related parties | 363,393 | 1,178,648 |
| Total payables | 363,393 | 1,178,648 |
| Current | 363,393 | 1,178,648 |

8. Contributed equity

| | 30 June 2021 | | 30 June 2020 | |
|---------------------------------------|------------------|------------------|------------------|------------------|
| | No. of shares | Value \$ | No. of shares | Value \$ |
| Fully paid ordinary shares | | | | |
| Balance at the beginning of the year | 6,250,001 | 6,250,001 | 6,250,001 | 6,250,001 |
| Balance at the end of the year | 6,250,001 | 6,250,001 | 6,250,001 | 6,250,001 |

Ordinary shares - A holder of an ordinary share is entitled to receive dividends as declared, and in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares also entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

9. Reconciliation of profit to operating cash flow

| | 30 June 2021 | 30 June 2020 |
|--|----------------|----------------|
| | \$ | \$ |
| Reconciliation of profit to operating cash flow | | |
| Profit for the year after income tax | 425,868 | 222,078 |
| Change in operating assets and liabilities | | |
| Decrease/(increase) in receivables | 21,901 | (38,260) |
| Increase in payables | 258,838 | 165,777 |
| Net cash flows used in operating activities | 706,607 | 349,595 |

10. Capital management

The primary objective of the Company's capital management is to ensure that it is able to continue as a going concern, meet its licence obligations and maintain adequate capital ratios in order to support its business and maximise shareholder value.

The Company holds an Australian Financial Services Licence (AFSL) and a Registrable Superannuation Entity (RSE) License.

In accordance with ASIC requirement RG166 effective from 1 July 2015, the Company is required to hold at all times minimum Net Tangible Assets (NTA) of the greater of:

- \$150,000;
- 0.5% of the average value of scheme property and Investor Directed Property Services (IDPS) property of the registered scheme(s) and IDPS it operates (if any) up to \$5.0m; or
- 10% of the average Responsible Entity and IDPS revenue (if any).

10. Capital management (continued)

The Company is meeting the above requirement as it holds in excess of \$5.0m of NTA which is greater than 10% of the average Responsible Entity and IDPS revenue (if any).

In accordance with the Company's Operational Risk Financial Requirement (ORFR) strategy, the Company holds as trustee capital 10bps of FUM for its superannuation business (ORFR Minimum Amount). The Board decided to hold an additional 10% of the ORFR Minimum Amount as a buffer (ORFR Target Amount).

The Company currently does not have a target gearing ratio in place as it does not utilise third party debt in its operations.

11. Financial risk management

The Company's activities expose it to a variety of financial risks, such as credit default risk and liquidity risk. The management of these risks is fundamental to the Company's business and to building shareholder value.

The Company's principal financial instruments consist of cash and cash equivalents, receivables and payables. There is no use of derivative financial instruments to hedge exposures to fluctuations in foreign exchange rates, as the Company has no exposure to foreign currency fluctuations.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial instruments, are disclosed in note 1 Basis of preparation and overarching significant accounting policies and included in the relevant notes to the financial statements.

Details of the financial assets of the Company are given below.

| | 30 June 2021 | 30 June 2020 |
|-------------------------------|------------------|------------------|
| Financial Assets | \$ | \$ |
| Cash and cash equivalents | 8,198,838 | 8,251,368 |
| Receivables | 43,246 | 380,103 |
| Total Financial Assets | 8,242,084 | 8,631,471 |

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. The Company aims to ensure that at all times it has appropriate credit risk management policies and practices in place and that the Board and senior management are appropriately informed of the Company's credit risks.

The Company receives Responsible Entity and Trustee fees from Challenger Life Company Limited (CLC) on behalf of the managed schemes for which it is the Responsible Entity or Trustee.

The carrying value of the Company's financial assets excluding cash, that are not past due at the reporting date was \$43,246 (2020: \$380,103). There were no financial assets that were past due at the reporting date (2020: nil).

The Company's cash and cash equivalents are rated S&P AAA (2020: AAA). Receivables are with related parties and are therefore unrated.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet cash commitments. This may result from either a counterparty failing on repayment of a contractual obligation or the inability to generate cash inflows as anticipated.

The Company has a capital management plan in place. The objective of the plan is to ensure that the Company has access to appropriate and sufficient capital to meet expected future needs (allowing for an appropriate level of prudence to cover contingencies).

The Company ensures that there is sufficient liquid capital by having procedures in place for the prompt collection of receivables.

12. Related party disclosures

During the year, transactions with related parties, being wholly owned entities within the Challenger Limited group, were conducted on an arm's length basis under normal commercial terms and conditions.

The Directors and key executives of Challenger Retirement and Investment Services Limited during the financial year were as follows.

Directors

| | | |
|------------|------------------------------------|----------------------------|
| D Bennett | Independent Non-executive Director | |
| A Bofinger | Executive Director | |
| C Dube | Independent Non-executive Director | |
| J Haggerty | Executive Director | (Appointed: 30 March 2021) |
| B Koster | Independent Non-executive Director | |
| A Tobin | Executive Director | (Resigned: 30 March 2021) |

The key management personnel (KMP) of the Company includes the Directors and those executives who have the authority and responsibility for planning, directing and controlling the activities of the Company, either directly or indirectly. No amounts were paid by the Company directly to the KMP of the Company. They are compensated by a subsidiary of Challenger Limited, the ultimate parent company. A reasonable allocation of KMP compensation attributable to their time and contribution to the Company has been included in the table below.

| | 30 June 2021 | 30 June 2020 |
|-------------------------------|----------------|----------------|
| | \$ | \$ |
| Short term employee benefits | 278,534 | 248,462 |
| Post-employment benefits | 21,433 | 18,688 |
| Share based payments | 26,287 | 42,026 |
| Total KMP Compensation | 326,254 | 309,176 |

Transactions with related parties in the wholly owned group:

Transactions with related parties (except otherwise disclosed) are conducted on an arm's length basis under normal commercial terms and conditions.

The Company has charged the Challenger Retirement Fund (CRF) a fee for trustee services of \$863,491 (excluding GST). The Company was charged \$863,491 from Challenger Group Services Pty Limited for costs relating to CRF. These arrangements have been presented on a net basis.

The Company was also charged \$606,423 (2020: \$339,608) from Challenger Group Services Pty Limited for cost allocations.

The Company has receivables from CLC in relation to Responsible Entity and Trustee fees of \$23,074 (2020: \$338,030). The Company also has GST receivable from Challenger Group Services Pty Limited of \$20,172 (2020: \$42,032). There is no interest charged on these receivables.

The Company has payables to Challenger Limited in relation to the current tax payable of \$190,160 (2020: \$374,791).

The Company has payables to Challenger Group Services Pty Limited in relation to GST payable and cost allocations from the group of \$146,924 (2020: \$70,600) and \$26,309 (2020: \$733,257) respectively.

13. Remuneration of auditor

A related company, Challenger Group Services Pty Ltd, paid the remuneration of the auditor for this Company as part of the Challenger Limited consolidated group.

14. Commitments and contingencies

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

15. Subsequent events

From 1 July 2021, the Company ceased to be the Responsible Entity or Trustee for all managed investment trusts due to the introduction of the *Financial Sector Reform (Hayne Royal Commission Response) Act 2020* which prohibits a Registrable Superannuation Entity licensee from acting in any other capacity. Fidante Partners Services Limited (ABN 44 119 605 373) is the new Responsible Entity or Trustee for the managed investment trusts effective 1 July 2021.

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 Company's operations, the results of those operations or the Company's state of affairs in future financial years, which has not already been reflected in this report.

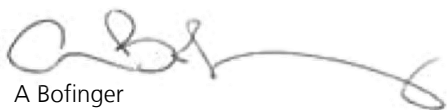
Directors' declaration

In accordance with a resolution of the Directors of Challenger Retirement and Investment Services Limited (the Company), we state that:

In the opinion of the Directors:

- a. the financial statements and notes of the Company are prepared in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Company's financial position as at 30 June 2021 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards to the extent described in note 1.1 to the financial statements and complying with the *Corporations Regulations 2001*; and
- b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



A Bofinger

Executive Director

23 September 2021



J Haggerty

Executive Director

23 September 2021



**Building a better
working world**

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Independent Auditor's Report to the Members of Challenger Retirement and Investment Services Limited

Opinion

We have audited the financial report of Challenger Retirement and Investment Services Limited (the Company), which comprises the statement of financial position as at 30 June 2021, the statement of comprehensive income, statement of changes in equity 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 Company is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Company'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 Company 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 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.

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 Company 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 Company'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 Company 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- 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 Company'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 Company to cease to continue as a going concern.



**Building a better
working world**

- 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
23 September 2021