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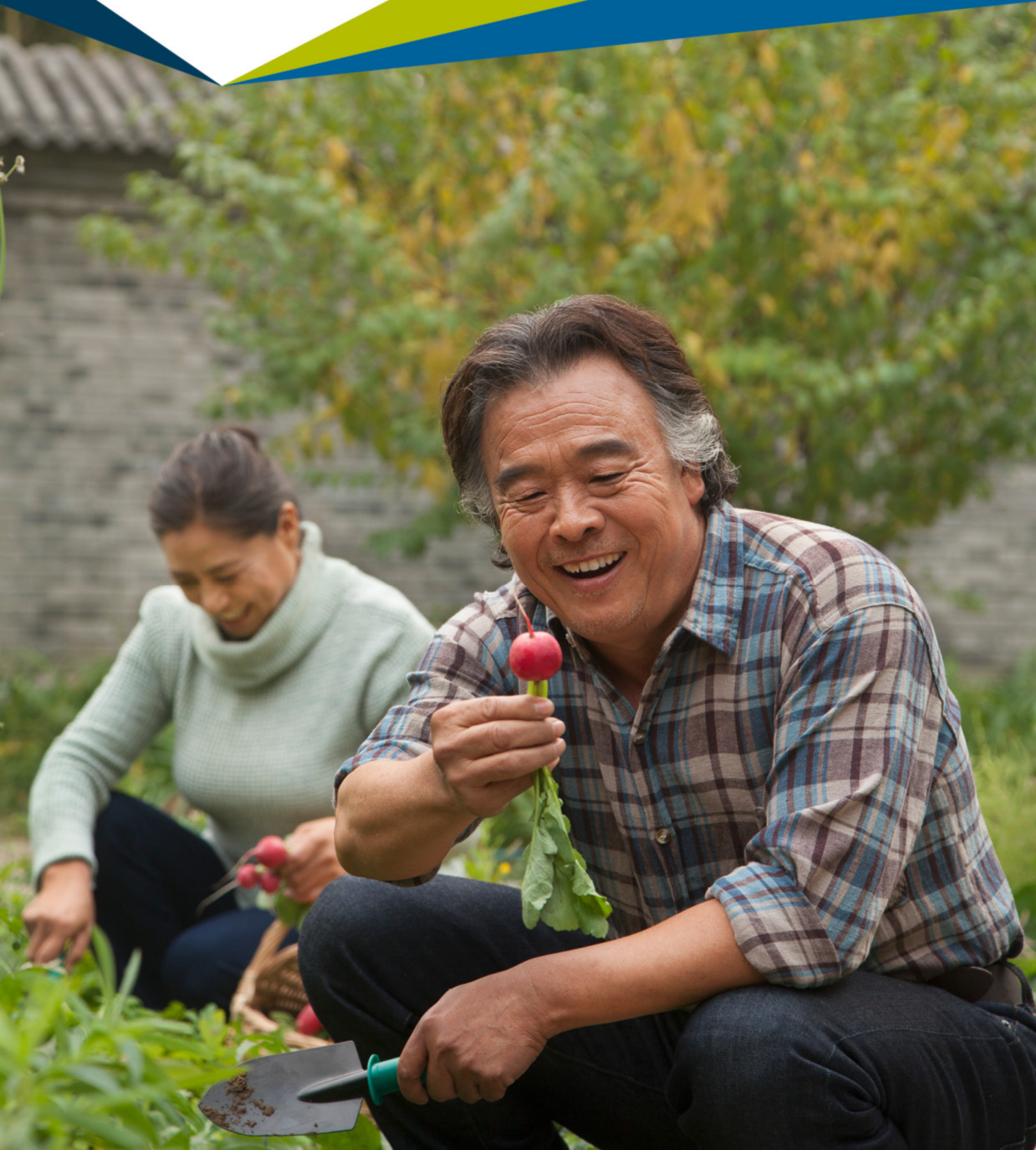
Challenger Life Company Limited
Annual Report 2024



Contents

The Directors of Challenger Life Company Limited (the Company, the parent entity or CLC) present their report, together with the financial report of the consolidated entity consisting of the Company and its controlled entities (the Group), for the year ended 30 June 2024.

1. Directors

The names and details of the Directors of the Company holding office during the financial year ended 30 June 2024 and up to the date of this report are listed below. Directors were in office for the entire period, unless otherwise stated.

Name	Position
Duncan West	Independent Non-Executive Director and Chair
Nicolas Hamilton	Director
Lisa Gray (appointed 9 November 2023)	Independent Non-Executive Director
John M Green	Independent Non-Executive Director
Steven Gregg (resigned 26 October 2023)	Independent Non-Executive Director
Heather Smith	Independent Non-Executive Director
JoAnne Stephenson	Independent Non-Executive Director
Melanie Willis	Independent Non-Executive Director

2. Company Secretary

Linda Matthews, Head of Company Secretariat, is a qualified solicitor with over 20 years' experience and was appointed as Company Secretary on 1 January 2021.

Damien Donlon, Senior Company Secretary, is a qualified company secretary with over 14 years' experience and was also appointed as Company Secretary on 18 February 2022.

3. Principal activities and changes in the state of affairs

The principal activities of the Company during the year were the provision of a range of life insurance, annuity, superannuation and investment products to customers in Australia and overseas, backed by a diverse portfolio of assets.

The Company has continued to progress its strategic relationship with MS&AD Insurance Group Holdings Inc. (MS&AD) to support the Company's strategy for growth in Australia and internationally having entered into a new five year agreement. Under the new agreement, Challenger Life will continue to receive a quota share of reinsurance across Australian dollar, US dollar and Japanese yen denominated annuities issued in Japan by MS Primary, commencing from 1 July 2024.

There were no other significant changes in the state of affairs of the Company that occurred during the financial year.

4. Operating and financial review

The consolidated statutory profit after tax for the year attributable to the equity holders was $198.4 million compared to a $228.5 million profit in the prior year.

5. Capital management

On 26 June 2024, CLC issued additional ordinary shares to its immediate parent entity, Challenger Life Company Holdings Pty Limited, raising $65.0 million of funding. The ordinary shares issuance is Common Equity Tier 1 capital.

6. Dividends

On 9 February 2024, the Directors of the Company determined a dividend on ordinary shares of $60.0 million. The dividend was subsequently paid on 7 March 2024.

On 9 August 2024, the Directors of the Company determined a dividend on ordinary shares of $125.0 million.

7. Likely developments and expected results

The Group intends to continue with its current strategy of providing its customers with financial security for a better retirement. To continue to achieve this vision, the Company is focused on the following core strategic objectives:

1. be recognised as the leader and partner of choice in retirement income solutions with a broad product offering; and
2. increase the Australian retirement savings pool allocation to secure and stable incomes.

8. Significant events after the balance date

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

9. Indemnification and insurance of officers and Directors

In accordance with its Constitution, and where permitted under relevant legislation or regulation, the Company indemnifies the Directors and officers 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 that is fraudulent, dishonest, criminal, malicious or a reckless act, error or omission.

In accordance with the provisions of the ***Corporations Act 2001***, the Company has insured the Directors and officers against liabilities incurred in their roles 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 paid.

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

10. Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditor, 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's management 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. No payment has been made to indemnify Ernst & Young during or since the financial year.

11. Environmental regulation and performance

The Company owns a number of trusts which own assets both in Australia and overseas. Some of these assets are subject to environmental regulations under Commonwealth, state and offshore legislation. 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.

The Company undertakes a comprehensive review of investment opportunities, including environmental, social and governance (ESG) aspects, to support long-term returns. The Company has adopted an integrated investment management approach to deliver responsible investment outcomes and believes there are links between long-term sustainable returns and the quality of our ESG practices. Challenger continues to be a a signatory to the United Nations Principles for Responsible Investment (PRI).

12. Rounding

The amounts contained in this report and the financial report have been rounded off to the nearest $100,000 unless otherwise stated, under the option available to the Group under Australian Securities and Investments Commission (ASIC) Corporations Instrument 2016/191. The Group is an entity to which the class order applies.

Where the summation of amounts rounded to the nearest $100,000 are disclosed, this will be the total of rounded amounts.

13. Corporate Reporting Reform Act – parent entity reporting

On 30 June 2010, a change was made to the ***Corporations Act 2001*** to allow companies preparing consolidated accounts to move to a two column, consolidated-only disclosure in the financial report. After discussions with ASIC it was determined that, as an Australian Financial Services Licence holder, the Company was still required to produce parent entity information. On 29 July 2010, ASIC issued class order 10/654 to ensure that a company still required to produce parent entity accounts could do so without being in breach of the ***Corporations Amendment (Corporate Reporting Reform) Act 2010***.

14. Authorisation

Signed in accordance with a resolution of the Directors of Challenger Life Company Limited:

D West	N Hamilton
Independent Chair	Director
12 August 2024	12 August 2024

15. Auditor's independence declaration

The Directors received the following declaration from the auditor of Challenger Life Company Limited.

Building a better working world

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Auditor's Independence Declaration to the Directors of Challenger Life Company Limited

As lead auditor for the audit of the financial report of Challenger Life Company Limited for the financial year ended 30 June 2024, 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;

b) No contraventions of any applicable code of professional conduct in relation to the audit; and

c) No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Challenger Life Company Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

Graeme McKenzie

Partner

12 August 2024

Contents – Financial report

This financial report covers Challenger Life Company Limited (the Company, the parent entity or CLC) and its controlled entities (the Group).

Statements of comprehensive income

		Consolidated		Parent	
For the year ended 30 June		**2024**	**2023**[1]	**2024**	**2023**[1]
	Note	**$m**	**$m**	**$m**	**$m**
Insurance revenue		635.8	522.7	635.9	522.7
Insurance service expenses		(606.1)	(456.3)	(606.2)	(456.2)
Insurance service result		**29.7**	**66.4**	**29.7**	**66.5**
Net investment income attributable to insurance contracts		430.7	301.8	433.3	299.4
Net insurance finance expenses		(354.3)	(308.3)	(354.3)	(308.5)
Net insurance result	1	**106.1**	**59.9**	**108.7**	**57.4**
Other revenue	2	1,608.6	1,417.8	1,222.9	1,108.7
Other expenses	3	(716.1)	(656.8)	(773.7)	(685.3)
Other finance costs	17	(715.0)	(499.4)	(245.7)	(146.5)
Profit before income tax		**283.6**	**321.5**	**312.2**	**334.3**
Income tax expense	5	(84.4)	(92.0)	(130.3)	(116.5)
Profit for the year after income tax		**199.2**	**229.5**	**181.9**	**217.8**
Profit attributable to shareholders of Challenger Life Company Limited		198.4	228.5	181.9	217.8
Profit attributable to non-controlling interests		0.8	1.0	—	—
Profit for the year after income tax[1]		**199.2**	**229.5**	**181.9**	**217.8**
Other comprehensive loss					
Items that may be reclassified to profit and loss, net of tax					
Translation of foreign entities	16	(29.4)	(6.9)	—	—
Hedge of net investment in foreign entities	16	28.6	(4.3)	—	—
Cash flow hedges – SPV[2]	16	(0.1)	0.1	—	—
Other comprehensive loss for the year		**(0.9)**	**(11.1)**	**—**	**—**
Total comprehensive income for the year after tax[1]		**198.3**	**218.4**	**181.9**	**217.8**
Comprehensive income attributable to shareholders of Challenger Life Company Limited		197.5	217.4	181.9	217.8
Comprehensive income attributable to non-controlling interests		0.8	1.0	—	—
Total comprehensive income for the year after tax		**198.3**	**218.4**	**181.9**	**217.8**

[1] The Group adopted AASB 17 ***Insurance Contracts*** from 1 July 2023 and has restated the comparative period. The impacts of adoption are detailed in Note 1.
[2] SPV = Special Purpose Vehicle.

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

Statements of financial position

		Consolidated			Parent		
	Note	30 June 2024 $m	30 June 2023[1] $m	1 July 2022[1] $m	30 June 2024 $m	30 June 2023[1] $m	1 July 2022[1] $m
Assets							
Cash and cash equivalents	13	413.7	412.4	453.1	138.9	158.1	131.5
Cash and cash equivalents – SPV	8	22.4	52.1	56.1	—	—	—
Receivables		990.2	867.5	810.3	935.3	525.8	579.5
Derivative assets	11	476.1	499.8	482.8	71.8	49.4	—
Investment assets – fair value through profit and loss	6	27,098.6	24,230.0	22,506.3	27,010.9	24,633.8	22,711.9
Investment property – held for sale	7	136.9	—	—	—	—	—
Investment property	7	2,789.4	3,269.2	3,483.3	—	—	—
Mortgage assets – SPV	8	312.6	275.1	438.8	—	—	—
Finance leases		—	10.5	19.7	—	—	—
Deferred tax assets	5	117.2	37.9	91.2	49.6	15.7	71.5
Right-of-use lease assets		—	0.1	0.3	—	—	—
Other assets		28.8	29.7	31.3	—	—	0.1
Other intangibles		—	1.1	1.5	—	—	—
Goodwill	23	69.4	69.4	69.4	46.8	46.8	46.8
Total assets of shareholders of Challenger Life Company Limited and non-controlling interests		**32,455.3**	**29,754.8**	**28,444.1**	**28,253.3**	**25,429.6**	**23,541.3**
Liabilities							
Payables		1,055.2	756.8	654.5	507.7	21.9	—
Payables – SPV		9.5	39.6	27.5	—	—	—
Current tax liability	5	8.7	1.6	0.8	—	—	—
Derivative liabilities	11	403.8	456.7	692.6	—	—	201.1
Interest bearing financial liabilities	15	6,147.9	4,919.7	4,640.5	5,741.3	4,472.7	4,133.5
Interest bearing financial liabilities – SPV	8	205.0	119.5	250.8	—	—	—
External unit holders' liabilities	10	5,356.3	5,268.8	4,386.4	—	—	—
Lease liabilities		—	—	0.3	—	—	—
Provisions		0.7	1.5	3.2	—	—	—
Deferred tax liabilities	5	4.3	7.4	5.3	—	—	—
Life insurance contract liabilities	9	5,384.8	4,436.8	4,141.2	5,385.2	4,437.2	4,141.4
Life investment contract liabilities	9	9,893.7	9,855.5	9,650.7	12,670.2	12,620.9	11,087.5
Total liabilities of shareholders of Challenger Life Company Limited and non-controlling interests		**28,469.9**	**25,863.9**	**24,453.8**	**24,304.4**	**21,552.7**	**19,563.5**
Net assets of shareholders of Challenger Life Company Limited and non-controlling interests		**3,985.4**	**3,890.9**	**3,990.3**	**3,948.9**	**3,876.9**	**3,977.8**
Equity							
Contributed equity	14	2,824.3	2,759.3	2,869.3	2,824.3	2,759.3	2,869.3
Reserves	16	132.1	126.5	137.6	137.8	137.8	137.8
Retained earnings	16	1,014.5	991.0	971.2	986.8	979.8	970.7
Total equity of shareholders of Challenger Life Company Limited		**3,970.9**	**3,876.8**	**3,978.1**	**3,948.9**	**3,876.9**	**3,977.8**
Non-controlling interests		14.5	14.1	12.2	—	—	—
Total equity of shareholders of Challenger Life Company Limited and non-controlling interests		**3,985.4**	**3,890.9**	**3,990.3**	**3,948.9**	**3,876.9**	**3,977.8**

[1] The Group adopted AASB 17 ***Insurance Contracts*** from 1 July 2023 and has restated the comparative period. The impacts of adoption are detailed in Section 1.

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

Statements of changes in equity

Consolidated For the year ended 30 June 2023	Note	Contributed equity $m	Cash flow hedge reserve – SPV $m	Foreign currency translation reserve $m	Adjusted controlling interest reserve $m	Other reserve $m	Retained earnings $m	Total share-holder equity $m	Non-controlling interests $m	Total equity $m
		Attributable to shareholders of Challenger Life Company Limited								
Balance at 1 July 2022		**2,869.3**	**—**	**(0.4)**	**5.7**	**132.3**	**1,108.8**	**4,115.7**	**12.2**	**4,127.9**
Impact of initial application of AASB 17		—	—	—	—	—	(137.6)	(137.6)	—	(137.6)
Restated balance at 1 July 2022		**2,869.3**	**—**	**(0.4)**	**5.7**	**132.3**	**971.2**	**3,978.1**	**12.2**	**3,990.3**
Restated profit for the year	16	—	—	—	—	—	228.5	228.5	1.0	229.5
Other comprehensive (loss)/income for the year		—	0.1	(11.2)	—	—	—	(11.1)	—	(11.1)
Restated total comprehensive income/(loss) for the year		**—**	**0.1**	**(11.2)**	**—**	**—**	**228.5**	**217.4**	**1.0**	**218.4**
Other equity movements										
Equity hybrid notes	14	(110.0)	—	—	—	—	—	(110.0)	—	(110.0)
Dividends paid	18	—	—	—	—	—	(208.7)	(208.7)	—	(208.7)
Non-controlling interests movements		—	—	—	—	—	—	—	0.9	0.9
Restated balance at 30 June 2023 and 1 July 2023		**2,759.3**	**0.1**	**(11.6)**	**5.7**	**132.3**	**991.0**	**3,876.8**	**14.1**	**3,890.9**
For the year ended 30 June 2024										
Profit for the year	16	—	—	—	—	—	198.4	198.4	0.8	199.2
Other comprehensive loss for the year		—	(0.1)	(0.8)	—	—	—	(0.9)	—	(0.9)
Total comprehensive income/(loss) for the year		**—**	**(0.1)**	**(0.8)**	**—**	**—**	**198.4**	**197.5**	**0.8**	**198.3**
Other equity movements										
Issued capital	14	65.0	—	—	—	—	—	65.0	—	65.0
Changes in controlling interest reserve	16	—	—	—	6.5	—	—	6.5	—	6.5
Dividends paid	18	—	—	—	—	—	(174.9)	(174.9)	—	(174.9)
Non-controlling interests movements		—	—	—	—	—	—	—	(0.4)	(0.4)
Balance at 30 June 2024		**2,824.3**	**—**	**(12.4)**	**12.2**	**132.3**	**1,014.5**	**3,970.9**	**14.5**	**3,985.4**

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

Statements of changes in equity (continued)

Parent		Attributable to shareholders of Challenger Life Company Limited								
For the year ended 30 June 2023	Note	Contributed equity $m	Cash flow hedge reserve – SPV $m	Foreign currency translation reserve $m	Adjusted controlling interest reserve $m	Other reserve $m	Retained earnings $m	Total share-holder equity $m	Non-controlling interests $m	Total equity $m
Balance at 1 July 2022		**2,869.3**	**—**	**—**	**—**	**137.8**	**1,108.3**	**4,115.4**	**—**	**4,115.4**
Impact of initial application of AASB 17		—	—	—	—	—	(137.6)	(137.6)	—	(137.6)
Restated balance at 1 July 2022		**2,869.3**	**—**	**—**	**—**	**137.8**	**970.7**	**3,977.8**	**—**	**3,977.8**
Restated profit for the year	16	—	—	—	—	—	217.8	217.8	—	217.8
Restated total comprehensive income for the year		**—**	**—**	**—**	**—**	**—**	**217.8**	**217.8**	**—**	**217.8**
Other equity movements										
Equity hybrid notes	14	(110.0)	—	—	—	—	—	(110.0)	—	(110.0)
Dividends paid	18	—	—	—	—	—	(208.7)	(208.7)	—	(208.7)
Restated balance at 30 June 2023 and 1 July 2023		**2,759.3**	**—**	**—**	**—**	**137.8**	**979.8**	**3,876.9**	**—**	**3,876.9**
For the year ended 30 June 2024										
Profit for the year	16	—	—	—	—	—	181.9	181.9	—	181.9
Total comprehensive income for the year		**—**	**—**	**—**	**—**	**—**	**181.9**	**181.9**	**—**	**181.9**
Other equity movements										
Issued capital	14	65.0	—	—	—	—	—	65.0	—	65.0
Dividends paid	18	—	—	—	—	—	(174.9)	(174.9)	—	(174.9)
Balance at 30 June 2024		**2,824.3**	**—**	**—**	**—**	**137.8**	**986.8**	**3,948.9**	**—**	**3,948.9**

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

Statements of cash flows

		Consolidated		Parent	
For the year ended 30 June		**2024**	**2023**	**2024**	**2023**
	Note	**$m**	**$m**	**$m**	**$m**
Operating activities					
Annuity and premium receipts	9	5,629.1	5,864.7	9,018.4	8,073.4
Annuity and claim payments	9	(5,334.5)	(5,848.1)	(8,839.7)	(6,791.8)
Receipts from external unit holders		3,949.2	4,229.3	—	—
Payments to external unit holders		(4,317.0)	(3,687.4)	—	—
Payments to vendors		(365.9)	(292.3)	(240.2)	(218.4)
Dividends received		86.7	43.4	276.5	199.4
Interest received		1,221.2	901.4	1,160.2	882.2
Interest paid		(255.8)	(142.1)	(241.4)	(131.5)
Other income received		327.8	425.9	53.0	65.4
Income tax paid		(66.7)	(134.3)	(94.1)	(62.5)
Net cash inflows from operating activities	13	**874.1**	**1,360.5**	**1,092.7**	**2,016.2**
Investing activities					
Payments on net purchases of investments		(1,967.0)	(1,530.9)	(2,057.8)	(1,965.8)
Net mortgage loan repayments		74.4	163.7	—	—
Receipts on net sale of investment properties		—	67.8	—	—
Net cash outflows from investing activities		**(1,892.6)**	**(1,299.4)**	**(2,057.8)**	**(1,965.8)**
Financing activities					
Net proceeds from borrowings – interest bearing liabilities	15	1,215.5	150.0	1,253.6	331.8
Proceeds from issue of ordinary shares		65.0	—	65.0	—
Repayment of hybrid notes		—	(110.0)	—	(110.0)
Dividends paid	18	(174.9)	(208.7)	(174.9)	(208.7)
Net (repayments)/proceeds from loans with related parties		(115.5)	62.9	(197.8)	(36.9)
Net cash inflows/(outflows) from financing activities		**990.1**	**(105.8)**	**945.9**	**(23.8)**
Total cash flows		**(28.4)**	**(44.7)**	**(19.2)**	**26.6**
Net (decrease)/increase in cash and cash equivalents		**(28.4)**	**(44.7)**	**(19.2)**	**26.6**
Cash and cash equivalents at the beginning of the year		464.5	509.2	158.1	131.5
Cash and cash equivalents at the end of the year		**436.1**	**464.5**	**138.9**	**158.1**

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

Section 1: Basis of preparation and overarching material accounting policies

Challenger Life Company Limited (the Company, the parent entity or CLC) is a company limited by shares, incorporated and domiciled in Australia.

The parent entity financial report and the financial report for the Company and its controlled entities (the Group) for the year ended 30 June 2024 were authorised for issue in accordance with a resolution of the Directors of the Company on 12 August 2024.

(i) Basis of preparation and statement of compliance

This is a general purpose financial report that has been prepared in accordance and complies with the requirements of the ***Corporations Act 2001***, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. Challenger Life Company Limited is a for-profit entity for the purposes of preparing financial statements.

The Group has prepared the financial statements on the basis that it will continue to operate as a going concern. The Directors consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

Unless otherwise stated, amounts in this financial report are presented in Australian dollars and have been prepared on a fair value basis in respect of assets backing life insurance contract liabilities. The assets and liabilities disclosed in the Statement of financial position are grouped by nature and listed in an order that reflects their relative liquidity. In the disclosure, the current/non-current split is between items expected to be settled within 12 months (current) and those expected to be settled in greater than 12 months (non-current).

(ii) Significant accounting judgements, estimates and assumptions

The carrying values of amounts recognised on 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.

(iii) New standards, interpretations and amendments adopted by the Group

Except for the matters referred to below, the accounting policies and methods of computation are the same as those adopted in the annual report for the prior comparative period.

New accounting standards and amendments that are effective in the current financial year

The following new accounting standards have been applied from 1 July 2023.

AASB 17 *Insurance Contracts*

AASB 17 ***Insurance Contracts*** replaces AASB 4 ***Insurance Contracts***, AASB 1038 ***Life Insurance Contracts*** and AASB 1023 ***General Insurance Contracts***. The standard establishes principles for the recognition, measurement, presentation and disclosure of life insurance contracts issued. Life investment contracts are currently measured under AASB 9 ***Financial Instruments*** and will continue to be measured in the same way.

The Group has applied AASB 17 from 1 July 2023 and the 1 July 2022 and 30 June 2023 comparative figures as presented have been restated.

AASB 17 was adopted in accordance with its transition provisions which stipulate that, unless it is impractical to do so, retrospective application and restatement of comparative information as if the standard had always been in effect is required. Where it is impractical, the standard allows the choice of applying either a modified retrospective approach or a fair value approach for each group of insurance contracts.

Based on valuations as at transition date, the Group applied the full retrospective approach to over 99% of the total insurance contracts liabilities. For the remaining groups of contracts where it was impractical to apply the full retrospective approach, the Group elected to apply the fair value approach. These were groups of retail insurance contracts written prior to 2003 with limited data availability. The total valuation under the fair value approach at transition was $35.2 million (<1% of total insurance liabilities).

(iii) New standards, interpretations and amendments adopted by the Group (continued)

Impacts of adoption of AASB 17

Restated assets, liabilities and equity items in the consolidated statements of financial position are as follows.

	30 Jun 22 (previously reported) $m	AASB 17 remeasurement $m	1 Jul 22 Restated $m
Liabilities			
Payables[1]	713.4	(58.9)	654.5
Life insurance contract liabilities	3,944.7	196.5	4,141.2
Life investment contract liabilities	9,650.7	—	9,650.7
Total liabilities	**14,308.8**	**137.6**	**14,446.4**
Equity			
Retained earnings	1,108.8	(137.6)	971.2
Total equity	**1,108.8**	**(137.6)**	**971.2**

	30 Jun 23 (previously reported) $m	AASB 17 remeasurement $m	30 June 23 Restated $m
Assets			
Receivables[1]	809.7	57.8	867.5
Total assets	**809.7**	**57.8**	**867.5**
Liabilities			
Payables[1]	807.8	(51.0)	756.8
Life insurance contract liabilities	4,074.5	362.3	4,436.8
Life investment contract liabilities	9,855.5	—	9,855.5
Total liabilities	**14,737.8**	**311.3**	**15,049.1**
Equity			
Retained earnings	1,244.5	(253.5)	991.0
Total equity	**1,244.5**	**(253.5)**	**991.0**

[1] Represents the receivable from (or reduction in payable to) Challenger Limited as head of the tax consolidated group in relation to the tax deduction from the remeasurement of life contract liabilities under AASB 17.

The drivers of remeasurements in the restated opening statements of financial position include the following.

	30 Jun 2023 $m	30 Jun 2022 $m
Derecognition of present value of future profit margins under AASB 1038	(679.2)	(797.9)
Contractual service margin	963.4	869.3
Risk adjustment for non-financial risk	133.9	183.3
Difference in valuation of future cash flows	(55.8)	(58.2)
Total change in life contract liabilities	**362.3**	**196.5**

(iii) New standards, interpretations and amendments adopted by the Group (continued)

Amendments to existing accounting standards

The following new accounting amendments have been applied from 1 July 2023:

- AASB 2023-2 ***Amendments to Australian Accounting Standards – International Tax Reform – Pillar Two Model Rules***

The amendments to AASB 112 Income Taxes have been introduced in response to the Organisation for Economic Co-operation and Development (OECD) Base Erosion and Profit Shifting (BEPS) Pillar Two rules. They include a mandatory exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules and disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception - the use of which is required to be disclosed - applies immediately. The remaining disclosure requirements apply for the annual period commencing 1 July 2023, but not before any interim periods ending on or before 31 December 2023.

Accounting standards and interpretations issued but not yet effective

The AASB released an Exposure Draft ED SR1 Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information on 23 October 2023.

The proposed sustainability standards have been issued for exposure and comment while proposed legislation has been tabled in Parliament under the Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024 (Cth).

ED SR1 includes three draft Australian Sustainability Reporting Standards (ASRSs):

- ASRS 1 General Requirements for Disclosure of Climate-related Financial Information;
- ASRS 2 Climate-related Financial Disclosures; and
- ASRS 101 References in Australian Sustainability Reporting Standards.

ASRS 1 uses the equivalent IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information issued by the International Sustainability Standards Board (ISSB) as a baseline, but its scope is limited to climate-related financial disclosure.
ASRS 2 uses the equivalent IFRS S2 Climate-related Disclosures as a baseline. ASRS 101 is a service standard that lists the relevant versions of any non-legislative versions of non-legislative documents published in Australia, as well as any foreign documents referenced in ASRSs. This will be updated periodically.

The effective date of these ASRSs depends on the Australian Government's final timeline for making climate-related financial disclosures mandatory in Australia. If the Government's proposed roadmap is legislated, the effective date for the Group, as a Group 1 entity, is the year beginning 1 July 2025.

Meeting the obligations of the standards and broader proposed climate-related financial disclosures regime forms a core part of the Group's ESG work program which focuses on climate risk.

(iv) Comparatives

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

(v) Rounding of amounts

Unless otherwise stated, amounts contained in this report and the financial report have been rounded to the nearest $100,000 under the option available to the Group under Australian Securities and Investments Commission (ASIC) Corporations Instrument 2016/191.

Where the summation of amounts rounded to the nearest $100,000 are disclosed, this will be the total of rounded amounts.

(vi) Foreign currency

Both the presentation currency and the functional currency of the Company and its controlled Australian entities are Australian dollars. A number of foreign controlled entities have a functional currency other than Australian dollars.

Transactions in foreign currency are translated into the Company's functional currency, at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into Australian dollars at the foreign exchange rate ruling at the Statement of financial position date.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the transaction. Non-monetary items measured at fair value in a foreign currency are translated to the functional currency using the exchange rates ruling at the date when the fair value was determined.

Foreign controlled entities

On consolidation, the assets and liabilities of foreign subsidiaries whose functional currency differs from the presentation currency are translated into Australian dollars at the rate of exchange ruling at the Statement of financial position date. Exchange differences arising on the retranslation are taken directly to the foreign currency translation reserve in equity. The change in fair value of derivative financial instruments designated as a hedge of the net investment in a foreign controlled entity is also recognised in the foreign currency translation reserve.

On disposal of a foreign controlled entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the Statement of comprehensive income.

(vii) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the applicable amount of GST, except where the amount of the GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated with the applicable amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as an asset or liability in the Statement of financial position.

Cash flows are included in the Statement of cash flows on a gross (GST-inclusive) basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(viii) Receivables

Receivables are recognised at amortised cost using the effective interest method, less any allowance for expected credit losses. The entity has applied a simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, receivables have been grouped based on days overdue. The modelling methodology applied in estimating expected credit losses in these financial statements is consistent with that applied in the financial statements for the year ended 30 June 2023.

(ix) Payables

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

(x) Impairment of assets

At each reporting date, the Group assesses whether there is any indication that an asset not carried at fair value may be impaired. If any such indication exists, the Group makes a formal estimation of the asset's recoverable amount.

An asset's recoverable amount is the greater of the fair value, less costs to sell, and its value in use. It is determined for an individual asset, unless the asset's recoverable amount cannot be estimated as it does not generate cash flows independent of those from other assets or groups of assets. In such cases, the asset is tested for impairment as part of the cash-generating unit (CGU) to which it belongs. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the Statement of comprehensive income, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal of that previous revaluation with any excess recognised through the Statement of comprehensive income as impairment losses.

Impairment losses recognised in respect of a CGU are allocated first to reduce the carrying amount of any goodwill allocated to that CGU, then to reduce the carrying amount of the other assets in the CGU on a pro rata basis.

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A reversal of the impairment loss may only increase the asset's value up to its carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of comprehensive income unless the asset is carried at the revalued amount, in which case it is treated as a revaluation increase. Impairment losses recognised for goodwill are not subsequently reversed.

Section 2: Key numbers

This section presents the results and performance for the year and provides additional information about those line items on the Statement of comprehensive income that the Directors consider most relevant in the context of understanding the financial components of both the Group's and the Company's operations.

Note 1 Net insurance result

	Consolidated		Parent	
	30 June 2024 $m	30 June 2023 $m	30 June 2024 $m	30 June 2023 $m
Insurance revenue				
Expected insurance claims released	538.7	435.7	538.8	435.7
Expected insurance maintenance expenses released	20.3	19.6	20.3	19.6
Change in the risk adjustment for non-financial risk	3.1	5.4	3.1	5.4
Amount of contractual service margin recognised in profit or loss	87.8	62.1	87.8	62.1
Allocation of premiums for the recovery of insurance acquisition cash flows	3.5	3.2	3.5	3.2
Difference between expected and actual premiums	(17.4)	(7.5)	(17.4)	(7.5)
Other amounts	(0.2)	4.2	(0.2)	4.2
Total insurance revenue	**635.8**	**522.7**	**635.9**	**522.7**
Insurance service expenses				
Incurred claims	(516.8)	(424.6)	(516.8)	(424.6)
Incurred maintenance expenses	(18.6)	(16.8)	(18.6)	(16.8)
Changes that relate to past service - adjustments to the liabilities for incurred claims	1.0	0.6	1.0	0.6
Losses on onerous contracts and reversal of those losses	(68.2)	(12.3)	(68.3)	(12.2)
Insurance acquisition cash flows amortisation	(3.5)	(3.2)	(3.5)	(3.2)
Total insurance service expenses	**(606.1)**	**(456.3)**	**(606.2)**	**(456.2)**
Insurance service result	**29.7**	**66.4**	**29.7**	**66.5**
Insurance finance expenses				
Interest accreted to insurance contracts using current financial assumptions	(182.5)	(122.3)	(182.5)	(122.3)
Interest accreted to insurance contracts using locked-in rate	(23.4)	(22.1)	(23.4)	(22.1)
Changes in domestic interest rates and CPI	35.6	38.2	35.6	38.2
Changes in foreign interest rates and CPI	(31.6)	(152.9)	(31.6)	(152.9)
Changes in other assumptions[2]	(157.5)	(22.8)	(157.5)	(23.0)
Net foreign exchange income/(expenses)	5.1	(26.4)	5.1	(26.4)
Total insurance finance expenses	**(354.3)**	**(308.3)**	**(354.3)**	**(308.5)**
Net investment income attributable to insurance contracts[1]	**430.7**	**301.8**	**433.3**	**299.4**
Net insurance result	**106.1**	**59.9**	**108.7**	**57.4**

1 Represents the net of $472.0 million investment income reported in Note 2 Other revenue and $41.3 million investment related expenses reported in Note 3 Other expenses.

2 Changes in other assumptions result for the period ended 30 June 2024 was primarily driven by changes to mortality assumptions. In the period ended 30 June 2024, a review into United Kingdom mortality assumptions was conducted that showed a decline in mortality improvements, with a consequent increase in expected future inflows to the wholesale longevity reinsurance business. Under AASB 17, this increase in expected future inflows is offset by changes in the CSM flows. However, because the future inflows are valued at current interest rates, and the CSM is valued at locked in rates that are on average materially lower, the assumption change results in a material loss, which is the main driver of the $157.5 million recognised in 2024.

Note 1 Net insurance result (continued)

Accounting policy

Insurance revenue

Insurance revenue is derived from the changes in the liability for remaining coverage each period that relate to services the Group expects to provide and includes the release of Risk Adjustment (RA) and Contractual Service Margin (CSM). The RA reflects the compensation the Group requires for bearing the uncertainty in relation to the amount and timing of cash flows that arise from non-financial risk and is released as the uncertainty associated with the amount and timing of claims is resolved. The CSM represents the unearned profits of insurance contracts and is released to insurance revenue based on a pattern of coverage units, which reflects the provision of insurance services over the expected coverage period. For groups of contracts that are onerous (loss-making), the loss expected at the time of acquisition is immediately recognised in profit or loss.

Insurance service expenses

Insurance service expenses arising from groups of insurance contracts issued are recognised in profit and loss and include actual claims, maintenance expenses incurred in the period and losses and reversals of losses on onerous contracts.

Maintenance expenses incurred comprise expenses which are directly attributable or associated with a portfolio of insurance contracts. These include direct expenses such as distribution costs and an allocation of indirect expenses such as salary costs or system expenses that relate to acquisition or policy administration and maintenance.

Insurance finance income/(expenses)

Insurance finance income/(expenses) comprises changes in the carrying amounts of groups of insurance contracts arising from the effects of foreign exchange rate translation, the time value of money and financial risk unless any such changes are allocated to a loss component and included in insurance service expenses.

Foreign exchange rate effects arise due to life contract liability balances and cash flows being translated at spot rates and life contract liability movements being translated at year to date average rates.

Net investment income attributable to insurance contracts

Net investment income attributable to insurance contracts is determined by allocating items of Other revenue and Other expenses (excluding maintenance expenses) attributed to policyholders' funds between life insurance and life investment contracts based on the ratio of assets under management by policy liability product.

Refer to Note 9 Life insurance and investment contract liabilities for more detail on the accounting policy for life insurance contract liabilities.

Note 2 Other revenue

	Consolidated		Parent	
	30 June 2024 $m	**30 June 2023 $m**	**30 June 2024 $m**	**30 June 2023 $m**
Investment revenue				
Fixed income securities and cash				
Net interest revenue	1,256.6	978.2	1,181.9	921.8
Net realised and unrealised gains on fixed income securities	285.1	31.5	91.5	(119.2)
Investment property and property securities				
Property rental revenue	235.0	238.1	—	—
Dividend revenue	5.7	2.2	43.8	86.3
Net realised and unrealised losses on property investments and property securities	(305.2)	(165.7)	(328.4)	(184.1)
Equity and infrastructure investments				
Dividend revenue	82.4	40.2	132.7	99.0
Net realised and unrealised gains on equity securities	199.0	51.7	171.4	45.3
Net realised and unrealised losses on infrastructure investments	(10.6)	(8.7)	(3.0)	(20.1)
Other investments				
Net realised and unrealised (losses)/gains on foreign exchange translation and hedges	(51.7)	72.7	(8.8)	139.8
Net realised and unrealised losses on interest rate derivatives	(50.7)	(5.6)	(47.3)	183.0
Net realised and unrealised gains on equity swap derivatives	297.1	275.5	294.4	(2.7)
Net realised and unrealised gains on credit default swap derivatives	34.2	63.1	34.2	63.1
Net realised and unrealised gains/(losses) on hedged commodities	107.5	(1.4)	107.5	(1.4)
Net realised and unrealised (losses)/gains on commodities derivatives	(73.2)	27.6	(73.2)	27.6
Fee revenue	19.4	14.6	18.1	10.5
Change in life investment contract liabilities	50.0	142.9	48.5	169.8
Investment income attributable to insurance contracts[1]	(472.0)	(339.1)	(440.4)	(310.0)
Total other revenue	**1,608.6**	**1,417.8**	**1,222.9**	**1,108.7**

1. Represents the portion of investment and fee revenue attributable to life insurance contracts under AASB 17 ***Insurance Contracts,*** differs to $430.7 million (30 June 2023: $339.1 million) reported as net investment income attributable to insurance contracts in Note 1 Net insurance result due to inclusion of $41.3 million (30 June 2023: $37.3 million) of investment related expenses from Note 3 Other expenses.

Revenue is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing services to a customer. Revenues and expenses are generally recognised on an accrual basis. The following specific policies are applied.

- Interest revenue is recognised as it accrues using an effective interest rate method, taking into account the effective yield of the investment asset. The effective interest rate is the rate that discounts estimated future cash flows through the expected life of a financial instrument, or where appropriate, a shorter period. Interest revenue on finance leases is recognised on a basis that reflects a constant periodic return on the net investment in the finance lease.
- Gains or losses arising from changes in the fair value of financial instruments and hedged commodities classified as fair value through profit and loss are recognised as revenue in the Statement of comprehensive income when the change in value is recognised in the Statement of financial position.
- Rental revenue is recognised on a straight-line basis over the lease term for leases with fixed rent review clauses. Lease incentives granted are recognised as an integral part of the total rental income.
- Dividend revenue from listed equity shares and listed property securities is recognised as income on the date the share is quoted ex-dividend. Dividend revenue from unlisted equity shares and unlisted property securities is recognised when the dividend is declared.
- Fee revenue earned on transactions is recognised when the transaction is executed.
- Changes in life investment contract liabilities arising from discount rates, inflation rates and other assumptions are recognised as revenue, with other movements being included in Note 3 Other expenses. Refer to Note 9 Life insurance and investment contract liabilities for more detail on the accounting policy for life investment contract liabilities.

Note 3 Other expenses

	Consolidated		Parent	
	30 June 2024 $m	30 June 2023 $m	30 June 2024 $m	30 June 2023 $m
Cost of life investment contract liabilities	442.4	408.7	567.9	499.3
Investment property-related expenses	70.5	69.2	—	—
Management fee expense	55.7	55.3	31.6	44.1
Distribution expenses	67.8	61.9	67.9	61.6
Expense SPV	4.8	3.0	—	—
Other expenses	141.6	119.9	139.1	115.0
Expenses attributable to life insurance contracts[1]	(66.7)	(61.2)	(32.8)	(34.5)
Total other expenses	**716.1**	**656.8**	**773.7**	**685.5**

[1] Includes acquisition expense of $6.8 million (30 June 2023: $7.3 million) and maintenance expense of $18.6 million (30 June 2023: $16.8 million), and investment related expenses of $41.3 million (30 June 2023: $37.3 million) (includes Investment property-related expenses, Management fee expense and Expense SPV.

Accounting policy

Expenses are recognised on an accrual basis. The following specific policies are applied.

- Cost of life investment contract liabilities recognised as an expense consists of the interest expense on the liability and any loss on the initial recognition of new business less the release of liability in respect of expenses incurred in the current period. The interest expense on the liability represents the unwind of the discount rate on the opening liability over the period, whereas the impacts of changes in the discount rate applied for the current valuation are included in the change in life investment contract liabilities disclosed in Note 2 Other revenue.
- Investment property expenditure, including rates, taxes, insurance and other costs associated with the upkeep of a building, are brought to account on an accrual basis. Repair costs are expensed when incurred. Rental expenses incurred under an investment property operating lease are recognised on a straight-line basis over the term of the lease. Other amounts that improve the condition of the investment are capitalised into the carrying value of the asset.
- Refer to Note 9 Life insurance and investment contract liabilities for more detail on the accounting policy of life contract liabilities.

Note 4 Segment information

The reporting segment[1] of the Group has been identified as follows.

	CLC Segment	
	2024 $m	**2023 $m**
For the year ended 30 June		
Net income	**798.0**	**703.7**
Operating expenses	(113.2)	(108.1)
Normalised EBIT	**684.8**	**595.6**
Interest and borrowing costs	—	—
Normalised net profit before tax	**684.8**	**595.6**
Tax on normalised profit	(204.1)	(179.3)
Normalised net profit after tax	**480.7**	**416.3**
Investment experience	(382.6)	(271.7)
Tax on investment experience	113.4	86.3
Significant items[2]	(13.1)	(2.4)
Profit attributable to shareholders of Challenger Life Company Limited	**198.4**	**228.5**
Other statutory segment information		
Revenue from external customers	458.3	499.5
Interest revenue	1,256.6	978.2
Interest expense	(715.0)	(499.4)
Management view of Statement of financial position		
As at 30 June		
Segment assets[3]	25,536.1	24,332.9
Segment liabilities[3]	(21,565.2)	(20,456.1)
Net assets attributable to shareholders of Challenger Life Company Limited	**3,970.9**	**3,876.8**
Non-controlling interests	14.5	14.1
Total equity	**3,985.4**	**3,890.9**

1 Refer below for definitions of the terms used in the management view of segments.
2 Significant items of $13.1 million (after tax) represents primarily the costs related to the Customer Technology and Data Technology Modernisation Program (30 June 2023: $2.4 million of costs related to the implementation of AASB 17).
3 Differs to Statement of financial position primarily due to netting of interest bearing liabilities with segment assets.

Definitions

Operating segments

The following segment is identified on the basis of internal reporting to Key Management Personnel, including the Chief Executive Officer (the chief operating decision maker) of the Group, and comprise component parts of the Group that are regularly reviewed by senior management in order to allocate resources and assess performance.

CLC segment

The Group as a regulated life company operates solely in the CLC segment with a consolidated view of all the income and expenses attached to the life company.

Normalised vs. statutory results

Net income and operating expenses differ from revenue and expenses as disclosed in the Statement of comprehensive income as certain direct costs (including distribution expenses, property expenses and management fees) included in expenses are netted off against revenues in deriving the management view of net income above. Net income consists of the Normalised Cash Operating Earnings (CLC segment).

In addition, the revenues, expenses and finance costs from Special Purpose Vehicles (SPVs) are separately disclosed in the statutory view but are netted off in the management view of net income. Revenue also includes investment gains and losses, but these are excluded from the management view as they form part of investment experience (refer below).

Normalised cash operating earnings

This is calculated as cash earnings plus normalised capital growth (refer below). Cash earnings represents the sum of investment yield (being the management view of revenue from investment assets, such as net rental income, dividends and interest), interest expense, distribution expense and fees.

Normalised EBIT

Normalised earnings before interest and tax (EBIT) comprises net income less operating expenses, as defined above. It excludes investment experience and tax.

Interest and borrowing costs differ from finance costs as disclosed in the Statement of comprehensive income for similar reasons to revenue and expenses, with the difference arising from the netting of finance costs against revenue in net income in the management view.

Tax on normalised profit

This represents the consolidated statutory tax expense or benefit for the period, less tax attributable to non-controlling interests, investment experience and significant items.

Investment experience after tax

The Group values applicable assets supporting the life business at fair value where a fair value approach is available. This can give rise to fluctuating valuation movements being recognised in the Statement of comprehensive income, particularly during periods of market volatility. As the Group is generally a long-term holder of assets, due to assets being held to match the term of life contract liabilities, the Group takes a long-term view of the expected capital growth of the portfolio rather

Note 4 Segment information (continued)

Normalised vs. statutory results (continued)

Investment experience after tax (continued)

than focusing on short-term volatility. Investment experience is a mechanism employed to remove the volatility arising from asset and liability valuations from the results so as to more accurately reflect the underlying performance of the Group.

Investment experience is calculated as the difference between the actual investment gains/losses (both realised and unrealised) and the normalised capital growth (refer below) plus life contract valuation changes and new business loss. Investment experience after tax is investment experience net of tax at the prevailing income tax rate.

Normalised capital growth

This is determined by multiplying the normalised capital growth rate for each asset class by the average investment assets for the period. The normalised growth rates represent the Group's medium to long-term capital growth expectations for each asset class over the investment cycle.

The normalised growth rates for the period are +4.0% for equity and infrastructure (30 June 2023: +4.0%), 0% for alternative investments (30 June 2023: 0%), +2.0% for property (30 June 2023: +2.0%) and -0.35% for cash and fixed income (30 June 2023: -0.35%). The rates are set with reference to medium to long-term market growth rates and are reviewed to ensure consistency with prevailing market conditions.

Life contract valuation experience

Life contract valuation experience represents the impact of changes in macroeconomic variables, including bond yields and inflation factors, expense assumptions and other factors applied in the valuation of life contract liabilities. It also includes the attribution of the corresponding interest rate, foreign exchange and inflation derivatives used for hedging.

Major customers

No individual customer amounted to greater than 10% of the Group's segment revenue as defined above.

Geographical areas

The Group operates predominantly in Australia, hence no geographical split is provided to the chief operating decision maker. Reinsurance of annuities issued by Mitsui Sumitomo Primary Life Insurance Company Limited (MS Primary) accounted for $708.8 million of the Group's annuity and premium receipts in the 2024 financial year out of the total annuity and premium receipts of $5,629.1 million (2023: $740.9 million out of total of $5,864.7 million) and comprised 16.7% of total policy liabilities outstanding as at 30 June 2024 (2023: 17.1%); while the underlying annuitant reside in Japan, the reinsurance service provided by CLC is considered to be Australian business and is therefore not recognised as a geographically separate segment.

	30 June 2024 $m	30 June 2023 $m
Reconciliation of management to statutory view of after-tax profit		
Normalised net profit before tax (management view of pre-tax profit)	**684.8**	**595.6**
Tax on normalised profit	(204.1)	(179.3)
Normalised net profit after tax	**480.7**	**416.3**
Investment experience after tax	(269.2)	(185.4)
Profit attributable to non-controlling interests excluded from management view	0.8	1.0
Significant items after tax	(13.1)	(2.4)
Statutory view of profit after tax	**199.2**	**229.5**
Reconciliation of management view of revenue to statutory revenue		
Net income (management view of revenue)	**798.0**	**703.7**
Post-tax impact of transition to AASB 17[2]	—	(115.9)
Expenses and finance costs offset against revenue		
SPV expenses and finance costs offset against SPV income	15.4	11.2
Distribution expenses offset against related income	67.8	61.9
Cost of life investment contract liabilities recognised in expenses	442.4	408.7
Expenses attributable to life insurance contracts	(66.7)	(61.4)
Property related expenses offset against property income	70.5	69.2
Interest and loan amortisation costs	704.4	491.2
Management fees	55.7	55.3
Adjustment for non-controlling interests and other items	22.0	(14.0)
Difference between management view of investment experience and statutory recognition		
Actual capital growth[1]	(109.4)	(139.4)
Normalised capital growth	(12.2)	(26.1)
Annuity valuation experience	(273.2)	33.3
Net insurance result and other revenue	**1,714.7**	**1,477.7**

[1] Actual capital growth represents net realised and unrealised capital gains or losses and includes the attribution of interest rate, inflation and foreign exchange derivatives that are used to hedge exposures.

[2] The Group adopted AASB 17 ***Insurance Contracts*** from 1 July 2023 and has restated the prior comparative period. The impacts of adoption are detailed in Note 1.

Note 5 Income tax

Analysis of income tax expense	Consolidated 30 June 2024 $m	Consolidated 30 June 2023 $m	Parent 30 June 2024 $m	Parent 30 June 2023 $m
Current income tax expense	(171.2)	(15.0)	(167.5)	(41.8)
Current income tax benefit/(expense) prior year adjustment	4.6	(19.5)	3.2	(18.9)
Deferred income tax benefit/(expense)	86.5	(72.2)	37.0	(70.2)
Deferred income tax (expense)/benefit prior year adjustment	(4.3)	14.7	(3.0)	14.4
Income tax expense	**(84.4)**	**(92.0)**	**(130.3)**	**(116.5)**
Income tax benefit on translation of foreign entities	12.6	0.5	—	—
Income tax (expense)/benefit on hedge of net investment in foreign entities	(12.3)	1.8	—	—
Income tax benefit from other comprehensive income	**0.3**	**2.3**	**—**	**—**
Reconciliation of income tax expense				
Profit before income tax	283.6	321.5	312.2	334.2
Prima facie income tax based on the Australian company tax rate of 30%	(85.1)	(96.5)	(93.7)	(100.3)
Tax effect of amounts not assessable/deductible in calculating taxable income:				
- non-assessable and non-deductible items	(2.1)	(1.3)	(36.1)	(20.0)
- rate differential on offshore income	2.6	10.5	(0.3)	8.2
- tax adjustment in respect of non-controlling interest	0.2	0.3	—	—
- other items	—	(5.0)	(0.2)	(4.4)
Income tax expense	**(84.4)**	**(92.0)**	**(130.3)**	**(116.5)**
Underlying effective tax rate[1]	**29.8%**	**28.6%**	**41.7%**	**34.9%**

[1] The calculation of the underlying effective tax rate excludes the non-controlling interests' profit of $0.8 million (30 June 2023: $1.0 million profit).

Consolidated Analysis of deferred tax	Statement of financial position 30 June 2024 $m	Statement of financial position 30 June 2023 $m	Statement of comprehensive income 30 June 2024 $m	Statement of comprehensive income 30 June 2023 $m
Deferred tax assets				
Accruals and provisions	2.8	3.3	(0.5)	(0.2)
Unrealised net losses on investments	111.1	65.7	45.2	(19.5)
Other	5.2	2.6	2.6	0.7
Set off of deferred tax assets	(1.9)	(33.7)	—	—
Net deferred tax assets recognised in Statement of financial position	**117.2**	**37.9**	**47.3**	**(19.0)**
Deferred tax liabilities				
Unrealised foreign exchange gains	(1.9)	(31.6)	29.7	(29.0)
Unrealised net gains on investments	(4.3)	(9.5)	5.2	(9.5)
Set off of deferred tax liabilities	1.9	33.7	—	—
Net deferred tax liabilities recognised in Statement of financial position	**(4.3)**	**(7.4)**	**34.9**	**(38.5)**
Deferred income tax benefit/(expense) (Statement of comprehensive income)			**82.2**	**(57.5)**

[1] Deferred tax assets of $3.4 million (30 June 2023: $3.4 million) have not been recognised in respect of non-tax consolidated group entities' revenue losses.

Note 5 Income tax (continued)

Australian and overseas tax expense	30 June 2024 $m	30 June 2023 $m	Change $m
Australian operations	(77.1)	(85.3)	8.2
Overseas operations	(7.3)	(6.7)	(0.6)
Income tax expense	**(84.4)**	**(92.0)**	**7.6**

Parent	Statement of financial position		Statement of comprehensive income	
Analysis of deferred tax	**30 June 2024 $m**	**30 June 2023 $m**	**30 June 2024 $m**	**30 June 2023 $m**
Deferred tax assets				
Accruals and provisions	2.8	3.3	(0.5)	(0.2)
Unrealised net losses on investments	48.7	44.0	4.8	(26.8)
Set off of deferred tax assets	(1.9)	(31.6)	—	—
Net deferred tax assets recognised in Statement of financial position	**49.6**	**15.7**	**4.3**	**(27.0)**
Deferred tax liabilities				
Unrealised foreign exchange movements	(1.9)	(31.6)	29.7	(28.9)
Unrealised net gains on investments	—	—	—	—
Set off of deferred tax liabilities	1.9	31.6	—	—
Total deferred tax liabilities	**—**	**—**	**29.7**	**(28.9)**
Net deferred tax assets (Statement of financial position)	**49.6**	**15.7**	**—**	**—**
Deferred income tax benefit/(expense) (Statement of comprehensive income)			**34.0**	**(55.9)**

Accounting policy

Income tax expense

Income tax expense for the year comprises current and deferred tax. Income tax is recognised in the Statement of comprehensive income except to the extent that it relates to items recognised directly in equity.

Current tax assets and liabilities

Current tax assets and liabilities for the current and prior period are measured at the amounts expected to be recovered from or paid to the taxation authorities based on the respective period's taxable income. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted as at the Statement of financial position date.

Deferred income tax

Deferred income tax is provided on all temporary differences at the Statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets and liabilities

Deferred income tax assets and liabilities are recognised for deductible or taxable temporary differences and are measured at the tax rates that are expected to apply to the year the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantially enacted as at the Statement of financial position date. Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to set off.

Tax consolidation

Challenger Limited and its eligible 100% owned Australian tax resident subsidiaries have formed a tax consolidated group with effect from 1 July 2002 and are therefore taxed as a single entity from that date. Challenger Limited is the head entity of the tax consolidated group.

Tax effect accounting by members of the tax group

Members of the tax consolidated group have applied tax funding principles under which Challenger Limited and each of the members of the tax consolidated group agree to pay or receive tax equivalent amounts to or from the head entity, based on the current tax liability or current tax asset of the member. Such amounts are reflected in the amounts receivable from or payable to each member and the head entity. The group allocation approach is applied in determining the appropriate amount of current tax liability or current tax asset to allocate to members of the tax consolidated group.

Note 5 Income tax (continued)

Tax arrangements with other related parties

On 30 June 2005, the Company entered into a Tax Indemnity Agreement (the Agreement) with Challenger Life Company Holdings Pty Limited (CLCH) and Challenger Limited (Challenger). Under the terms of the Agreement, CLCH agreed to take responsibility for the majority of the Company's current and future tax-related liabilities, and the Company assigned to CLCH all the current and future rights and benefits conferred on the Company by Challenger under the Tax Funding Agreements in respect of the Company's Statutory Fund No. 2 (SF2) and Shareholder Fund (SHF).

Additionally, CLCH was responsible for, and indemnified the Group for, actual, contingent and tax-related liabilities of SF2 and SHF. Amounts receivable by the Company from CLCH under the Agreement total $157.0 million (30 June 2023: $157.0 million). In December 2014, the Agreement was amended such that tax obligations and benefits of CLC arising after 31 December 2014 are no longer indemnified or transferred under the Agreement.

Amendments to IAS 12 – International Tax Reform – Pillar Two Model Rules

On 20 December 2021, the OECD/ Group of 20 (G20) Inclusive Framework on BEPS published the Pillar Two model rules. These are aimed at ensuring that large corporate groups are subject to a minimum taxation at a 15% in each jurisdiction where they operate. The Group is in the scope of the Pillar Two Model Rules and has adopted the amendments to AASB 112.

Challenger has subsidiaries in both the UK and Japan. Pillar Two was substantially enacted in the UK on 20 June 2023 and in Japan on 28 March 2023. Challenger has carried out an assessment of its potential exposure to Pillar Two taxes using the transitional safe harbour rules. The analysis of Pillar Two for the UK and Japan based on the 2023 financial year Country by Country Report concluded that there is no material impact.

It is unclear if the Pillar Two model rules create additional temporary differences, whether to remeasure deferred taxes for the Pillar Two model rules and which tax rate to use to measure deferred taxes. In response to this uncertainty, on 27 June 2023, the AASB issued amendments to AASB 112 Income taxes introducing a mandatory temporary exception to the requirements of IAS 12 under which a company does not recognise or disclose information about deferred tax assets and liabilities related to the proposed OECD/ G20 BEPS Pillar Two model rules. The Group applied the temporary exception at 30 June 2024.

Key estimates and assumptions

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Section 3: Operating assets and liabilities

This section discloses information relating to the assets and liabilities underlying the Group's and the Company's financial performance and the key sources of funding for those assets. It further presents the derivative financial instruments employed to hedge the financial risk exposures, and consolidated information relating to the cash flows and holdings of cash and cash equivalents of both the Group and the Company.

Note 6 Investment assets – fair value through profit and loss

	Consolidated		Parent	
	30 June 2024 $m	30 June 2023 $m	30 June 2024 $m	30 June 2023 $m
Fixed income securities				
Domestic sovereign bonds and semi-government bonds	5,502.8	4,632.7	5,502.7	4,543.6
Floating rate notes and corporate bonds	7,068.2	6,283.2	5,050.3	4,272.9
Residential mortgage and asset-backed securities	9,727.2	9,229.4	7,381.5	7,519.4
Non-SPV mortgage assets	190.3	272.1	—	—
Controlled entities	—	—	3,719.5	3,379.7
	22,488.5	**20,417.4**	**21,654.0**	**19,715.6**
Equity securities				
Controlled entities	—	—	210.8	272.1
Shares in listed and unlisted corporations	39.4	20.4	38.2	21.2
Unit trusts, managed funds and other	3,655.3	2,590.9	3,509.5	2,482.4
	3,694.7	**2,611.3**	**3,758.5**	**2,775.7**
Infrastructure investments				
Units in unlisted infrastructure trusts	46.7	51.9	16.2	19.0
Other infrastructure investments	217.5	232.2	—	—
	264.2	**284.1**	**16.2**	**19.0**
Property securities				
Indirect property investments in unlisted trusts	91.5	89.3	—	—
Real estate funds	8.8	—	—	—
	100.3	**89.3**	**—**	**—**
Controlled trusts				
Infrastructure	—	—	68.9	129.9
Property	—	—	458.8	776.0
Fixed income	—	—	475.1	359.2
Other	—	—	28.5	30.5
	—	**—**	**1,031.3**	**1,295.6**
Other investment assets				
Hedged commodities[1]	550.9	827.9	550.9	827.9
	550.9	**827.9**	**550.9**	**827.9**
Total investment assets – fair value through profit and loss	**27,098.6**	**24,230.0**	**27,010.9**	**24,633.8**
Current	17,258.3	15,894.3	17,451.1	16,744.9
Non-current	9,840.4	8,335.7	9,560.0	7,888.8
	27,098.6	**24,230.0**	**27,011.1**	**24,633.7**

[1] The precious metals commodities strategy provides Challenger an opportunity to earn a spread between the price of physical commodities and the price of short futures contracts, resulting in an immaterial exposure to the underlying commodities price.

Note 6 Investment assets – fair value through profit and loss (continued)

Accounting policy

The Group categorises its investment assets as investment assets – fair value through profit and loss (being initially designated as such). Assets designated as fair value through profit and loss consist of fixed income, equity, infrastructure, property securities and hedged commodities. They are carried at fair value, with unrealised gains and losses being recognised through the Statement of comprehensive income.

Purchases and sales of investment assets are recognised on the date on which the Group commits to purchase or sell the asset and when all risks and rewards of ownership have been substantially transferred. Investment assets are then derecognised when the right to receive cash flows from the asset has expired.

The fair value of investment assets that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the Statement of financial position date.

Assets backing life contract liabilities of the statutory funds are designated as fair value through profit and loss in accordance with AASB 9 ***Financial Instruments***.

Key estimates and assumptions

Unlisted investment valuations

Investments held at fair value through profit and loss for which there is no active market or external valuation available are valued making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum, either by:

- reference to the current market value of another instrument that is substantially the same;
- using recent arm's length market transactions;
- discounted cash flow analysis; or
- other methods consistent with market best practice.

Refer to Note 19 Financial risk management for further disclosure.

Note 7 Investment property

Consolidated	30 June 2024 $m	30 June 2023 $m
Investment property held for sale[1,2]	136.9	—
Investment property in use	2,789.4	3,269.2
Total investment property	**2,926.3**	**3,269.2**

1. Investment property held for sale: Channel Court, TAS $81.3 million, Karratha, WA $45.4 million and Aulnay Sous Bois, France $10.2 million (30 June 2023: Nil).
2. Investment property held for sale is considered current. All other investment property is considered non-current.

Consolidated	Investment property held for sale		Investment property in use		Total	
Reconciliation of carrying amounts	30 June 2024 $m	30 June 2023 $m	30 June 2024 $m	30 June 2023 $m	30 June 2024 $m	30 June 2023 $m
Balance at the beginning of the year	—	—	3,269.2	3,483.3	3,269.2	3,483.3
Movements for the year:						
– acquisitions[1]	—	—	—	10.4	—	10.4
– disposals[2]	—	(78.2)	—	—	—	(78.2)
– net transfers to/(from) investment property held for sale	146.0	79.1	(146.0)	(79.1)	—	—
– capital expenditure	1.3	0.1	20.7	33.8	22.0	33.9
– net revaluation loss	(10.1)	(1.0)	(286.3)	(160.7)	(296.4)	(161.7)
– foreign exchange loss	(0.3)	—	(68.2)	(18.5)	(68.5)	(18.5)
Balance at the end of the year	**136.9**	**—**	**2,789.4**	**3,269.2**	**2,926.3**	**3,269.2**

1. No Investment property acquisitions during the year (30 June 2023: Helicon Drive, SA $10.4 million).
2. No Investment property disposals during the year (30 June 2023: Bunbury Forum, WA $78.2 million).

Note 7 Investment property (continued)

Accounting policy

Investment property is initially recognised at cost, including transaction costs. Subsequent to initial recognition, investment property is recognised at fair value. Investment property is classified as held for sale if its carrying value will be recovered principally through a sale transaction rather than through continuing use. This condition is met only when management is committed to the sale, and the sale is highly probable to occur in the next 12 months. Investment property held for sale is carried at fair value, being the latest valuation available, or agreed sale price.

Gains or losses arising from changes in the fair values of investment properties are included in the Statement of comprehensive income in the period in which they arise.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment or development property is recognised in the Statement of comprehensive income in the year of retirement or disposal.

Where properties are debt financed, that finance is provided either by secured mortgages or by funding that contains a number of negative undertakings (including undertakings not to create or allow encumbrances, and undertakings not to incur financial indebtedness which ranks in priority to existing debt).

Key estimates and assumptions

Independent valuations for all investment properties are conducted at least annually by suitably qualified valuers, and the Directors make reference to these independent valuations when determining fair value. At 30 June 2024, 73% of investment properties in use by value (62% by count) were independently valued by external valuers.

Each independent valuer is appointed in line with the valuation policy, which requires that valuers are authorised to practise under the law of the relevant jurisdiction where the valuation takes place and have at least five years of continuous experience in the valuation of property of a similar type to the property being valued, and on the basis that they are engaged for no longer than two consecutive years on an individual property.

The valuer must have no pecuniary interest that could conflict with the valuation of the property, must be suitably indemnified and must comply with the Australian Property Institute (API) Code of Ethics and Rules of Conduct (or foreign equivalent).

Fair value for the purposes of the valuation is market value as defined by the International Assets Valuation Standards Committee. In determining market value, valuers examine available market evidence and apply this analysis to both the traditional market capitalisation approach and the discounted cash flow approach (using market-determined risk-adjusted discount rates).

Valuers are required to provide valuation methodology and calculations for fair value including reference to annual net market income, comparable capitalisation rates and property-specific adjustments. The values of investment property do not reflect anticipated enhancement from future capital expenditure.

Note 7 Investment property (continued)

Property valuations

Analysis of investment property as at 30 June	Acquisition date[1]	Total cost[2] $m	Carrying value 2024 $m	Cap rate 2024[3] %	Last external valuation date	Carrying value 2023 $m	Cap rate 2023[3] %
Investment property in use and held for sale							
Australia							
6 Chan Street (formerly DIBP Building), ACT	01-Dec-01	128.8	224.0	6.50	30-Jun-24	265.0	4.88
14 Childers Street, ACT	01-Dec-17	104.8	72.5	8.00	30-Jun-24	81.5	6.50
21 O'Sullivan Circuit, NT	27-Jan-16	48.0	25.5	8.00	31-Dec-23	28.9	7.25
31 O'Sullivan Circuit, NT	27-Jan-16	34.2	33.0	7.75	31-Dec-23	35.2	7.00
35 Clarence Street, NSW	15-Jan-15	163.2	192.0	6.75	30-Jun-24	229.0	5.50
45 Benjamin Way (formerly ABS Building), ACT	01-Jan-00	152.8	201.0	6.88	30-Jun-24	247.0	5.25
82 Northbourne Avenue, ACT	01-Jun-17	63.2	28.5	7.25	30-Jun-24	45.5	6.13
215 Adelaide Street, QLD	31-Jul-15	274.0	197.0	7.75	30-Jun-24	209.5	6.88
565 Bourke Street, VIC	28-Jan-15	114.4	124.5	6.25	30-Jun-24	134.2	5.75
839 Collins Street, VIC	22-Dec-16	212.1	192.5	6.25	30-Jun-24	232.0	5.13
Channel Court, TAS[4]	21-Aug-15	89.6	81.3	—	30-Jun-23	86.5	7.00
Cosgrove Industrial Park, Enfield, NSW	31-Dec-08	93.8	175.4	5.13	30-Jun-24	185.9	4.25
Discovery House, ACT	28-Apr-98	106.1	138.0	6.63	30-Jun-24	166.0	5.00
Executive Building, TAS	30-Mar-01	36.4	40.5	7.25	30-Jun-24	47.2	6.25
Gateway, NT	01-Jul-15	124.2	108.0	7.00	30-Jun-24	108.7	6.61
Golden Grove, SA	31-Jul-14	163.0	154.0	6.50	31-Dec-23	153.0	6.25
Helicon Drive, SA	05-Oct-22	10.8	9.2	6.00	30-Jun-24	10.0	5.75
Karratha, WA[4]	28-Jun-13	59.4	45.4	—	30-Jun-23	49.5	7.50
Kings Langley, NSW	29-Jul-01	16.8	27.0	5.75	31-Dec-23	28.0	5.50
Lennox, NSW	27-Jul-13	70.6	77.0	6.25	30-Jun-24	75.0	6.25
North Rocks, NSW	18-Sep-15	191.9	180.0	6.00	31-Dec-23	187.0	5.75
Total Australia		**2,258.1**	**2,326.3**			**2,604.6**	

1 Acquisition date represents the date of initial acquisition or consolidation of the investment vehicle holding the asset.
2 Total cost represents the original acquisition cost plus additions less full and partial disposals since acquisition date.
3 The capitalisation rate is the rate at which net market income is capitalised to determine the value of the property. The rate is determined with regard to market evidence.
4 Classified as 'held for sale'.

Note 7 Investment property (continued)

Analysis of investment property as at 30 June (continued)	Acquisition date[1]	Total cost[2] $m	Carrying value 2024 $m	Cap rate 2024[3] %	Last external valuation date	Carrying value 2023 $m	Cap rate 2023[3] %
Europe							
Avenue de Savigny, Aulnay sous Bois[5]	31-Dec-08	20.3	10.2	8.00	31-Dec-23	10.0	7.75
Japan							
Aeon Kushiro	31-Jan-10	30.5	27.3	5.40	31-Dec-23	30.5	5.40
Aeon Matsusaka XD	26-Sep-19	14.8	11.0	5.10	30-Jun-24	12.2	5.20
Carino Chitosedai	31-Jan-10	119.2	98.6	4.40	31-Dec-23	110.1	4.40
Carino Tokiwadai	31-Jan-10	78.1	60.8	4.50	30-Jun-24	68.1	4.50
DeoDeo Kure	31-Jan-10	32.2	25.0	5.40	30-Jun-24	27.0	5.50
Fitta Natalie Hatsukaichi	28-Aug-15	12.1	10.6	5.80	31-Dec-23	11.8	5.80
Izumiya Hakubaicho	31-Jan-10	70.1	54.9	4.90	31-Dec-23	61.7	4.80
Kansai Super Saigo	31-Jan-10	13.3	10.5	5.10	31-Dec-23	11.6	5.40
Kojima Nishiarai	31-Jan-10	12.2	11.8	4.20	30-Jun-24	13.0	4.30
Kotesashi Towers	28-Nov-19	25.2	16.9	5.00	31-Dec-23	18.7	5.00
Life Asakusa	31-Jan-10	28.4	27.9	4.00	30-Jun-24	30.5	4.10
Life Higashi Nakano	31-Jan-10	33.3	28.9	4.10	30-Jun-24	32.0	4.20
Life Nagata	31-Jan-10	25.2	23.1	4.20	30-Jun-24	24.2	4.20
MaxValu Tarumi	28-Aug-15	17.1	14.5	5.50	31-Dec-23	15.9	5.70
Seiyu Miyagino	31-Jan-10	9.8	8.2	5.00	30-Jun-24	9.1	5.10
TR Mall Ryugasaki	30-Mar-18	86.7	71.7	5.30	31-Dec-23	79.7	5.40
Valor Takinomizu	31-Jan-10	28.0	18.6	5.40	31-Dec-23	21.0	5.70
Valor Toda	31-Jan-10	42.9	32.7	5.00	30-Jun-24	36.3	5.20
Yaoko Sakado Chiyoda	31-Jan-10	19.9	16.5	4.70	31-Dec-23	18.5	4.60
Yorktown Toride	05-Mar-20	32.2	20.3	5.20	30-Jun-24	22.7	5.20
Total international		**751.5**	**600.0**			**664.6**	
Total investment property in use and held for sale[4]		**3,009.6**	**2,926.3**			**3,269.2**	

1 Acquisition date represents the date of initial acquisition or consolidation of the investment vehicle holding the asset.
2 Total cost represents the original acquisition cost plus additions less full and partial disposals since acquisition date.
3 The capitalisation rate is the rate at which net market income is capitalised to determine the value of the property. The rate is determined with regard to market evidence.
4 At 30 June 2024, the investment property portfolio occupancy rate for Australia was 90.1% (30 June 2023: 91.8%) with a weighted average lease expiry of 5.3 years (30 June 2023: 5.7 years); Europe 100.0% (30 June 2023: 100.0%) with a weighted average lease expiry of 4.3 years (30 June 2023: 5.3 years); and Japan 99.5% (30 June 2023: 99.5%) with a weighted average lease expiry of 7.1 years (30 June 2023: 7.7 years).
5 Classified as 'held for sale'.

Note 8 Special Purpose Vehicles

Consolidated	30 June 2024 $m	30 June 2023 $m
Cash and cash equivalents	22.4	52.1
Mortgage assets[1]	312.6	275.1
Derivative assets	—	0.1
Other assets	0.3	—
Total assets	**335.3**	**327.3**
Payables[2]	12.2	33.3
Derivative liabilities	—	0.1
Interest bearing financial liabilities[1,2]	317.6	282.2
Total liabilities	**329.8**	**315.6**
Net assets	**5.5**	**11.7**
Cash flow hedge reserve	—	0.1
Total equity attributable to residual income unit (RIU) holders	**5.5**	**11.8**

1 $62.2 million (30 June 2023: $250.4 million) of the mortgage assets balance is considered current, and $63.2 million (30 June 2023: $254.4 million) of the Interest bearing financial liabilities balance is considered current.
2 Differs to the Statement of financial position - Interest bearing liabilities – SPV and Payables – SPV due to the value of cumulative eliminations between the SPV and other members of the Group of $112.6 million (30 June 2023: $162.7 million) and ($2.7) million (30 June 2023: $6.3 million) respectively.

Accounting policy

The Group manages and services Special Purpose Vehicle (SPV) trusts that hold residential mortgage assets and issue securitised financial liabilities. The trusts are entities that fund pools of residential mortgage-backed loans via the issuance of residential mortgage-backed securities (RMBS). All borrowings of these SPVs are limited in recourse to the assets of the SPV.

As the Group retains the beneficial interest to the residual income of these trusts, it is deemed to control them and, as a result, they are consolidated. However, the significant risks and rewards (most notably credit risk) lie with the RMBS holders.

The assets and liabilities of the SPVs have been separately disclosed in the financial report as this presentation is considered to provide a more transparent view of the Group's financial position. Transactions between the SPVs and other entities within the Group are eliminated on consolidation.

SPV cash and cash equivalents are investment assets and comprise cash at bank plus 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 changes in value. Cash and cash equivalents are recognised at fair value.

SPV mortgage assets are financial loan assets with fixed or determinable payments that are not quoted in an active market. They are recognised at their fair value.

SPV payables represent unsecured non-interest bearing financial liabilities in respect of services provided to the trusts prior to the end of the financial year. They include accruals and other creditors and are recognised at amortised cost.

SPV interest bearing financial liabilities are initially recognised at fair value calculated net of directly attributable transaction costs, and subsequently measured at fair value. Any difference is recognised in the Statement of comprehensive income.

Key estimates and assumptions

The SPVs are valued making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum by using discounted cash flow analysis or other methods consistent with market best practice.

Note 9 Life insurance and investment contract liabilities

	Consolidated		Parent	
	30 Jun 2024 $m	30 Jun 2023 $m	30 Jun 2024 $m	30 Jun 2023 $m
Life investment contract liabilities	9,893.7	9,855.5	12,670.2	12,620.9
Life insurance contract liabilities	5,384.8	4,436.8	5,385.2	4,437.2
Total life contract liabilities	**15,278.5**	**14,292.3**	**18,055.4**	**17,058.1**

Consolidated	Life investment contract liabilities		Life insurance contract liabilities		Total life contract liabilities	
Movement in life contract liabilities	30 Jun 2024 $m	30 Jun 2023 $m	30 Jun 2024 $m	30 Jun 2023 $m	30 Jun 2024 $m	30 Jun 2023 $m
Balance at the beginning of the year	9,855.5	9,650.7	4,436.8	4,141.2	14,292.3	13,791.9
Deposits and premium receipts	4,162.0	5,119.9	1,467.1	744.8	5,629.1	5,864.7
Payments and withdrawals	(4,516.2)	(5,180.9)	(818.3)	(667.2)	(5,334.5)	(5,848.1)
Payments for attributable expenses under AASB 17	—	—	(25.4)	(23.9)	(25.4)	(23.9)
Insurance revenue per Note 1	—	—	(635.8)	(522.7)	(635.8)	(522.7)
Insurance service expenses per Note 1	—	—	606.1	456.3	606.1	456.3
Insurance finance expenses per Note 1	—	—	354.3	308.3	354.3	308.3
Other revenue per Note 2	(50.0)	(142.9)	—	—	(50.0)	(142.9)
Other expenses per Note 3	442.4	408.7	—	—	442.4	408.7
Balance at the end of the year	**9,893.7**	**9,855.5**	**5,384.8**	**4,436.8**	**15,278.5**	**14,292.3**

Parent	Life investment contract liabilities		Life insurance contract liabilities		Total life contract liabilities	
Movement in life contract liabilities	30 Jun 2024 $m	30 Jun 2023 $m	30 Jun 2024 $m	30 Jun 2023 $m	30 Jun 2024 $m	30 Jun 2023 $m
Balance at the beginning of the year	12,620.9	11,087.5	4,437.2	4,141.4	17,058.1	15,228.9
Deposits and premium receipts	7,551.3	7,328.5	1,467.1	744.9	9,018.4	8,073.4
Payments and withdrawals	(8,021.4)	(6,124.6)	(818.3)	(667.2)	(8,839.7)	(6,791.8)
Payments for attributable expenses under AASB 17	—	—	(25.4)	(23.9)	(25.4)	(23.9)
Insurance revenue per Note 1	—	—	(635.9)	(522.7)	(635.9)	(522.7)
Insurance service expenses per Note 1	—	—	606.2	456.2	606.2	456.2
Insurance finance expenses per Note 1	—	—	354.3	308.5	354.3	308.5
Other revenue per Note 2	(48.5)	(169.8)	—	—	(48.5)	(169.8)
Other expenses per Note 3	567.9	499.3	—	—	567.9	499.3
Balance at the end of the year	**12,670.2**	**12,620.9**	**5,385.2**	**4,437.2**	**18,055.4**	**17,058.1**

Note 9 Life insurance and investment contract liabilities (continued)

The tables below show the reconciliation of the insurance contracts issued by measurement component.

Consolidated[1] 30 June 2024	Estimates of the present value of future cash flows $m	Risk adjustment $m	Contractual service margin $m	Total $m
Opening insurance contract liabilities as at 1 July 2023	3,339.7	133.7	963.4	4,436.8
Changes that relate to current services				
Contractual service margin recognised for services provided	—	—	(87.8)	(87.8)
Change in risk adjustment for non-financial risk	—	(3.1)	—	(3.1)
Experience adjustments	(6.1)	—	—	(6.1)
Changes that relate to future services				
Contracts recognised in the year	56.4	17.9	4.0	78.3
Changes in estimates that adjust the contractual service margin	(345.2)	(10.6)	355.8	—
Changes in estimates that result in loss or change on onerous contracts	(9.3)	(0.7)	—	(10.0)
Changes that relate to past services				
Adjustment to liabilities for incurred claims	(1.0)	—	—	(1.0)
Insurance service result	**(305.2)**	**3.5**	**272.0**	**(29.7)**
Net insurance finance expenses	335.7	—	23.7	359.4
Effect of movements in exchange rates	7.8	(0.6)	(12.3)	(5.1)
Total changes in the statement of profit or loss	**38.3**	**2.9**	**283.4**	**324.6**
Cash flows				
Premiums received	1,467.1	—	—	1,467.1
Claims paid	(818.3)	—	—	(818.3)
Other insurance service expenses paid	(18.6)	—	—	(18.6)
Insurance acquisition cash flows	(6.8)	—	—	(6.8)
Total cash flows	**623.4**	**—**	**—**	**623.4**
Closing insurance contract liabilities at 30 June 2024	**4,001.4**	**136.6**	**1,246.8**	**5,384.8**

1. Differs to parent Life insurance contract liabilities by $0.4 million due to the elimination of contracts held within the consolidated group.

Note 9 Life insurance and investment contract liabilities (continued)

Consolidated[1]	Estimates of the present value of future cash flows	Risk adjustment	Contractual service margin	Total
30 June 2023				
Opening insurance contract liabilities as at 1 July 2022	3,088.6	183.3	869.3	4,141.2
Changes that relate to current services				
Contractual service margin recognised for services provided	—	—	(62.1)	(62.1)
Change in risk adjustment for non-financial risk	—	(5.4)	—	(5.4)
Experience adjustments	(6.8)	—	—	(6.8)
Changes that relate to future services				
Contracts recognised in the year	17.4	10.1	6.2	33.7
Changes in estimates that adjust the contractual service margin	(6.6)	(55.0)	61.6	—
Changes in estimates that result in loss or change on onerous contracts	(18.5)	(6.7)	—	(25.2)
Changes that relate to past services				
Adjustment to liabilities for incurred claims	(0.6)	—	—	(0.6)
Insurance service result	**(15.1)**	**(57.0)**	**5.7**	**(66.4)**
Net insurance finance expenses	259.8	—	22.1	281.9
Effect of movements in exchange rates	(47.3)	7.4	66.3	26.4
Total changes in the statement of profit or loss	**197.4**	**(49.6)**	**94.1**	**241.9**
Cash flows				
Premiums received	744.8	—	—	744.8
Claims paid	(667.2)	—	—	(667.2)
Other insurance service expenses paid	(16.8)	—	—	(16.8)
Insurance acquisition cash flows	(7.1)	—	—	(7.1)
Total cash flows	**53.7**	**—**	**—**	**53.7**
Closing insurance contract liabilities at 30 June 2023	**3,339.7**	**133.7**	**963.4**	**4,436.8**

1. Differs to parent Life insurance contract liabilities by $0.4 million due to the elimination of contracts held within the consolidated group.

Note 9 Life insurance and investment contract liabilities (continued)

The tables below shows the reconciliation of the net liabilities for remaining coverage and liabilities for incurred claims for insurance contracts issued.

Consolidated[1]	Liabilities for remaining coverage		Liabilities for incurred claims	Total
	Excluding loss component	Loss component[4]		
30 June 2024	$m	$m	$m	$m
Opening insurance contract liabilities as at 1 July 2023	4,047.4	381.4	8.0	4,436.8
Insurance revenue				
Contracts under fair value approach	(4.3)	—	—	(4.3)
Other contracts	(631.5)	—	—	(631.5)
Total insurance revenue	**(635.8)**	**—**	**—**	**(635.8)**
Insurance service expenses				
Incurred claims and other directly attributable expenses[2]	—	—	535.4	535.4
Losses on onerous contracts and reversal of those losses	—	68.2	—	68.2
Changes that relate to past service - adjustments to LIC	—	—	(1.0)	(1.0)
Timing difference between incurred and settled amounts	11.9	—	(11.9)	—
Insurance acquisition cash flows amortisation	3.5	—	—	3.5
Investment components[3]	(314.9)	—	314.9	—
Total insurance service expenses	**(299.5)**	**68.2**	**837.4**	**606.1**
Insurance service result	**(935.3)**	**68.2**	**837.4**	**(29.7)**
Net insurance finance expenses				
Net insurance finance expenses	409.3	(49.9)	—	359.4
Effect of movements in exchange rates	(5.1)	—	—	(5.1)
Total insurance finance expenses	**404.2**	**(49.9)**	**—**	**354.3**
Cash flows				
Premiums received	1,467.1	—	—	1,467.1
Claims paid	—	—	(818.3)	(818.3)
Other insurance service expenses paid	—	—	(18.6)	(18.6)
Insurance acquisition cash flows	(6.8)	—	—	(6.8)
Total cash flows	**1,460.3**	**—**	**(836.9)**	**623.4**
Closing insurance contract liabilities at 30 June 2024	**4,976.6**	**399.7**	**8.5**	**5,384.8**

1. Differs to parent Life insurance contract liabilities by $0.4 million due to the elimination of contracts held within the consolidated group.
2 Comprises incurred claims $516.8 million and incurred maintenance expenses $18.6 million as reported in Note 1 Net insurance result.
3 Investment components are payments that are made to policyholders in all circumstances, regardless of whether an insured event occurs. $314.9 million is primarily due to Liquid Lifetime policies where the majority of annuities are within the guaranteed withdrawal period.
4 Loss component is run down in line with annuity payments.

Note 9 Life insurance and investment contract liabilities (continued)

	Liabilities for remaining coverage		Liabilities for incurred claims	Total
	Excluding loss component	Loss component		
30 June 2023	**$m**	**$m**	**$m**	**$m**
Opening insurance contract liabilities as at 1 July 2022	3,732.5	404.1	4.6	4,141.2
Insurance revenue				
Contracts under fair value approach	(4.3)	—	—	(4.3)
Other contracts	(518.4)	—	—	(518.4)
Total insurance revenue	**(522.7)**	**—**	**—**	**(522.7)**
Insurance service expenses				
Incurred claims and other directly attributable expenses	—	—	441.4	441.4
Losses on onerous contracts and reversal of those losses	—	12.3	—	12.3
Changes that relate to past service - adjustments to LIC	—	—	(0.6)	(0.6)
Timing difference between incurred and settled amounts	49.4	—	(49.4)	—
Insurance acquisition cash flows amortisation	3.2	—	—	3.2
Investment components	(296.5)	—	296.5	—
Total insurance service expenses	**(243.9)**	**12.3**	**687.9**	**456.3**
Insurance service result	**(766.6)**	**12.3**	**687.9**	**(66.4)**
Net insurance finance expenses				
Net insurance finance expenses	316.9	(35.0)	—	281.9
Effect of movements in exchange rates	26.9	—	(0.5)	26.4
Total insurance finance expenses	**343.8**	**(35.0)**	**(0.5)**	**308.3**
Cash flows				
Premiums received	744.8	—	—	744.8
Claims paid	—	—	(667.2)	(667.2)
Other insurance service expenses paid	—	—	(16.8)	(16.8)
Insurance acquisition cash flows	(7.1)	—	—	(7.1)
Total cash flows	**737.7**	**—**	**(684.0)**	**53.7**
Closing insurance contract liabilities at 30 June 2023	**4,047.4**	**381.4**	**8.0**	**4,436.8**

Accounting policy

The operations of the Group include the selling and administration of life contracts through CLC. These contracts are governed under the ***Life Insurance Act 1995*** (the Life Act) and are classified as either life insurance contracts or life investment contracts. Life insurance and life investment contract liabilities are collectively referred to as life contract liabilities or policy liabilities.

Life investment contract liabilities

Life investment contracts are contracts regulated under the Life Act but which do not meet the definition of life insurance contracts under AASB 17 *Insurance Contracts*.

For fixed term policies, the liability is based on the fair value of the income payments to annuitants and associated expenses, being the net present value of the payments and expenses using an appropriate discount rate curve as determined by the Appointed Actuary. For cash business, the liability is determined using an accumulation approach.

Life insurance contract liabilities

Life insurance contracts are contracts regulated under the Life Act that involve the acceptance of significant insurance risk. Insurance risk is defined as significant if, and only if, an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction).

Under AASB 17, the methodology used to determine the value of life insurance contract liabilities is referred to as the General Measurement Model (GMM). Under the GMM, groups of insurance contracts are measured as the total of the fulfilment cash flows and Contractual Service Margin (CSM). The CSM represents the unearned profit the Group will recognise as it provides insurance contract services under the insurance contracts in the group. .

Note 9 Life insurance and investment contract liabilities (continued)

Life insurance contract liabilities (continued)

For groups of contracts that are onerous (loss-making), the total expected loss is recognised in the Statement of comprehensive income immediately. The CSM is measured at the interest rates on the date the business was written (locked-in rates). Fulfilment cash flows comprise of unbiased and probability-weighted estimates of future cash flows, discounted at current rates to present value to reflect the time value of money and financial risks, and a risk adjustment (RA), which reflects the compensation that the Group requires for bearing the uncertainty in relation to the amount and timing of cash flows that arise from non-financial risk.

When estimating future cash flows, the Group includes all cash flows that are within the contract boundary, including premiums, benefit payments and expenses that are directly attributable to fulfilling insurance contracts.

The Group maintains life insurance contracts, including individual lifetime annuities, wholesale mortality, wholesale morbidity, longevity reinsurance and wholesale lifetime annuities.

The key areas of judgement in the determination of the liabilities are actuarial assumptions for risk adjustment, coverage units, mortality, surrenders, acquisition and maintenance expenses, and economic assumptions for discount rates and inflation rates.

Valuation

Key assumptions applied in the valuation of life contract liabilities

Risk adjustment (RA)

The Group has applied a cost of capital (CoC) approach to determine the RA. The RA using the CoC approach is the compensation required by the Group for bearing the uncertainty in the timing and amount of insurance cash flows, which in turn reflects the Group's risk appetite. The components in the determination of the RA include the following.

- **Capital measure:** Capital is projected to determine the level of non-financial risk for the duration of the contracts. This is equal to the undiversified statutory longevity stress, as determined in the calculation of the Prescribed Capital Amount, plus an allowance for diversification between asset and insurance risk where applicable.
- **CoC rate:** The CoC rate reflects the compensation over the risk-free rate sought on insurance risk when pricing insurance contracts.
- **Discount rate:** This is used to determine the present value of the projected capital costs. The discount rate is equal to the CoC rate plus the RBA cash rate.

The $136.6 million RA resulting from the above technique corresponds to a 72% confidence level. Changes in the RA are not disaggregated between the insurance service result and insurance finance income and expenses.

Coverage units

Coverage units determine how the CSM is released into profit and loss in each reporting period. The Group defines coverage units for the current period as the actual incurred benefit payments for the current period, and coverage units for future periods are defined as the expected benefit payments for those periods. AASB 17 allows an accounting policy choice on whether to discount future coverage units and the discount rate to apply. The Group has elected to apply discounting to coverage units at current discount rates.

Discount rate

Under APRA Prudential Standards and AASB 17, life insurance contract liabilities are calculated by discounting expected future cash flows at a risk-free rate, set at the Commonwealth Government Bond curve plus an illiquidity premium where applicable; or for foreign-denominated liabilities, a curve derived from the yields of highly liquid sovereign risk securities in the currency of the policy liabilities plus an illiquidity premium where applicable.

The illiquidity premium is determined by reference to observable market rates, including Australian sovereign debt, corporate, securitised and collateralised debt publicly placed in the domestic market, and market swap rates.

The impact of unwinding the discount and changes in discount rates is recognised in profit and loss and classified as insurance finance income/(expenses).

AASB 17 requires that current discount rates are used to measure fulfilment cash flows, and discount rates at initial recognition (locked-in discount rates) are used to measure changes in the CSM.

Life investment contract liabilities are calculated in accordance with the fair value through profit and loss principles of AASB 9 *Financial Instruments*. The discount rates are determined based on the current observable, objective rates that relate to the nature, structure and term of the future liability cash flows.

Discount rates applied for Australian liabilities were between 4.7% - 5.4% per annum (30 June 2023:4.7% - 5.1%).

Expenses

Forecasted expenses for the next year are allocated between acquisition, maintenance and investment based on the nature of the expense. Forecasted maintenance expenses are then converted to a per-contract unit cost or percentage of account balance, depending on the nature of the expense.

For life insurance contracts, only expenses that are directly attributable to those contracts are included for forecasted expenses. Directly attributable expenses are cash flows that directly relate to the fulfilment of insurance contracts.

Inflation

Inflation estimates are based on long-term expectations and reviewed at least annually for changes in the market environment based on a comparison of real and nominal yields of instruments of equivalent term and credit risk. The current assumption for Australia is 2.3% per annum for short-term inflation and 2.9% per annum for long-term inflation (30 June 2023: 2.7% short-term, 2.8% long-term).

For life insurance contracts, AASB 17 requires that current inflation expectations are used to measure fulfilment cash flows, and inflation expectations at initial recognition (locked-in inflation rates) are used to measure changes in the CSM.

Note 9 Life insurance and investment contract liabilities (continued)

Valuation (continued)

Surrenders

For life investment contracts, no surrenders or voluntary discontinuances are assumed. For Australian life insurance contracts where a surrender value is payable on withdrawal, a rate of surrenders is assumed in line with Challenger's own experience on these products, currently between 0.0% - 2.1% per annum (30 June 2023: 0.0% - 2.1%).

Where policyholders have the option to commute a life insurance contract, the value of this option is included within the life contract liabilities. We also assume surrender rates based on past experience for this business which vary by product types and duration in-force for the contract.

Mortality

Base mortality rates for individual lifetime annuities are determined as a multiple of annuitant experience based on LML08 and LFL08 tables, adjusted for Challenger's own recent experience. LML08 and LFL08 are mortality tables developed by the Continuous Mortality Investigation (CMI) based on United Kingdom annuitant lives experience from 2007–2010.

The tables refer to male and female lives respectively. Rates are adjusted for expected future mortality improvements based on observed and expected improvements. For the age ranges and cash flow projection periods that contribute the majority of CLC's exposure, rates of future mortality improvement applied are between +0.4% to +2.5% per annum (30 June 2023: +0.4% to +2.6%).

Base mortality rates for wholesale mortality and longevity reinsurance are determined as a multiple of pensioner mortality rates (based on the self-administered pension schemes or SAPS3 tables mortality investigation developed by the Institute and Faculty of Actuaries (UK) using United Kingdom data collected between 2009–2016). Rates are adjusted for expected future mortality improvements based on observed and expected improvements. For the age ranges and cash flow projection periods that contribute the majority of CLC's exposure, rates of future mortality improvement applied are between -0.3% to +2.2% per annum (30 June 2023: +0.2% to +2.3%).

Base mortality rates for the inwards reinsurance of Japanese business are determined as a multiple of Japanese population mortality rates.

Restriction on assets

Investment assets held in the Group can only be used within the restrictions imposed under the Life Act. The main restrictions are that the assets in a statutory fund can only be used to meet the liabilities and expenses of that statutory fund, to acquire investments to further the business of the statutory fund, or as distributions when capital adequacy requirements are met.

Statutory fund information

The life contract operations of CLC are conducted within four separate statutory funds. Both the shareholders' and policyholders' interests in these statutory funds are reported in aggregate in the financial report of the Group. Fund 1 is a non-investment-linked fund and Fund 3 is investment-linked. Both of these are closed to new business. Funds 2 and 4 are the principal operating funds of the Group. Fund 2 contains non-investment-linked contracts, including the Group's term annuity business, lifetime annuity policies and the related outwards reinsurance, plus the wholesale mortality, wholesale morbidity and longevity inwards reinsurance. Fund 4 is a non-investment-linked fund and contains inwards reinsurance of annuity business written in Japan.

Life contract liabilities for Statutory Funds 1, 2, 3 and 4 are set out below.

Life contract liabilities	30 Jun 2024 $m	30 Jun 2023 $m
Statutory Fund 1	0.9	0.9
Statutory Fund 2	12,728.6	11,850.9
Statutory Fund 3	3.0	2.8
Statutory Fund 4	2,546.0	2,437.7
Total life contract liabilities	**15,278.5**	**14,292.3**

Current/non-current split for total life contracts

There is a fixed settlement date for the majority of life contract liabilities. Approximately $3,202.2 million on a discounted basis (30 June 2023: $3,149.6 million) of life contract liabilities have a contractual maturity within 12 months of the reporting date. Based on assumptions applied for the 30 June 2024 valuation of life contract liabilities, $4,241.9 million of principal payments on fixed term and lifetime business are expected in the year to 30 June 2025 (expected in the year to 30 June 2024 $4,167.7 million).

Life insurance risk

The Group is exposed to longevity risk on its individual and wholesale lifetime annuities (both direct and reinsured) and wholesale longevity reinsurance. Longevity risk is the risk that policyholders may live longer than expectations. The Group is exposed to mortality risk on the wholesale mortality reinsurance. This is the risk that death rates in the reference portfolios exceed expectations. The Group is also exposed to morbidity risk on the wholesale morbidity reinsurance. This is the risk that morbidity rates in the reference portfolios exceed expectations.

The Group manages the longevity risk by regular reviews of the portfolio to confirm continued survivorship of policyholders receiving income plus regular reviews of longevity experience to ensure that longevity assumptions remain appropriate.

In addition, the Group maintains a reinsurance arrangement to manage longevity risk in respect of part of the closed book of individual lifetime annuities.

The Group manages the mortality and morbidity risk by regular reviews of the portfolio to ensure that mortality and morbidity assumptions remain appropriate. The Company's insurance risk policy is approved by the Board and sets out the relevant risk limits for insurance exposures to ensure the insurance risk portfolio is appropriately diversified and contains no significant concentrations of insurance risk.

Note 9 Life insurance and investment contract liabilities (continued)

Insurance risk sensitivity analysis

The table below discloses the sensitivity of life insurance contract liabilities, profit after income tax and equity to changes in the key assumptions relating to insurance risk both gross and net of reinsurance. For direct and reinsured individual lifetime annuities, increased mortality improvements result in an increase in policy liabilities and a loss in the Statement of comprehensive income. For wholesale longevity reinsurance contracts, higher mortality improvements also increase the policy-related cash outflows, resulting in an increase in the present value of future cash flows (PVFCF) component of the policy liability.

This increase in policy-related cash outflows is offset by a reduction in the wholesale longevity reinsurance contracts' CSM flows; however, as PVFCF is required under AASB17 *Insurance Contracts* to be measured at current discount rates and CSM is measured at the historical rate on the date the business was written (locked-in rates), the accounting impact is dependent on the relativity of current to locked-in rates. As at 30 June 2024, current interest rates in the United Kingdom were, on average, higher than locked-in rates.

	Increase/(Decrease) in life insurance contract liabilities				Loss/(Profit) after tax and equity impact			
	Gross		Net		Gross		Net	
Insurance risk sensitivity analysis As at 30 June	**2024 $m**	**2023 $m**	**2024 $m**	**2023 $m**	**2024 $m**	**2023 $m**	**2024 $m**	**2023 $m**
50% increase in the rate of mortality improvement - wholesale longevity reinsurance	(105.0)	(137.3)	(105.0)	(137.3)	(73.4)	(96.1)	(73.4)	(96.1)
50% increase in the rate of mortality improvement - other life insurance contracts	52.3	36.5	52.1	36.2	36.6	25.5	36.4	25.3
1% increase in interest rates - wholesale longevity reinsurance[1,2]	120.6	90.9	120.6	90.9	84.4	63.6	84.4	63.6
10% increase in British pound against Australian dollar - wholesale longevity reinsurance[1]	50.4	38.3	50.4	38.3	35.3	26.8	35.3	26.8
10% increase in maintenance expenses	12.9	11.2	12.9	11.2	9.0	7.8	9.0	7.8

[1] Wholesale longevity reinsurance is sensitive to changes in the UK yield curve and changes in the value of the British pound against the Australian dollar.
[2] Other life insurance contracts are sensitive to changes in interest rates; however, the exposure is mitigated through hedging activities.

Liquidity risk for insurance contracts

The following table summarises the undiscounted maturity profile of the Group's life insurance contract liabilities. The analysis is based on undiscounted estimated cash outflows, including interest and principal payments. The undiscounted maturity profile of life investment contracts is disclosed in Note 19 Financial risk management.

Undiscounted life insurance contract liabilities	**1 year or less $m**	**1-3 years $m**	**3-5 years $m**	**>5 years $m**	**Total $m**
2024	**395.0**	**793.6**	**995.1**	**4,990.5**	**7,174.2**
2023	338.0	663.5	711.9	3,957.2	5,670.6

A life insurance contract can be terminated before its contracted maturity date at the election of the policyholder. The total value considered payable on demand as at 30 June 2024 is $3,191.4 million (2023: $3,011.1 million), being the cash value on surrender of the policies calculated in line with the terms of the contracts.

Expected timing of CSM release

The following table sets out when the Group expects to recognise the remaining CSM in the Statement of comprehensive income.

Expected timing of CSM release	**1 year or less $m**	**1-3 years $m**	**3-5 years $m**	**>5 years $m**	**Total $m**
2024	**53.0**	**104.4**	**99.8**	**989.6**	**1,246.8**
2023	39.6	77.2	74.5	772.1	963.4

Note 9 Life insurance and investment contract liabilities (continued)

Components of new business during the year

The following table sets out components of new business for contracts issued during the year. There were no contracts acquired during the years.

	30 June 2024			30 June 2023		
	Non-onerous	Onerous	Total	Non-onerous	Onerous	Total
For the year ended	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Estimate of present value of future cash outflows, excluding insurance acquisition cash flows	—	1,079.0	**1,079.0**	—	414.4	**414.4**
Insurance acquisition cash flows	—	6.8	**6.8**	—	7.1	**7.1**
Estimate of present value of future cash outflows	—	1,085.8	**1,085.8**	—	421.5	**421.5**
Estimates of present value of cash inflows	(4.5)	(1,024.9)	**(1,029.4)**	(6.9)	(397.2)	**(404.1)**
Risk adjustment	0.5	17.4	**17.9**	0.7	9.4	**10.1**
CSM	4.0	—	**4.0**	6.2	—	**6.2**
Amounts included in insurance contract liabilities for the year	—	78.3	**78.3**	—	33.7	**33.7**

Actuarial information

Mr M Considine FIAA, as the Appointed Actuary of CLC, is satisfied as to the accuracy of the data used in the valuations of life contract liabilities in the financial report.

The life contract liabilities have been determined at the reporting date in accordance with the Life Act, APRA Prudential Standards, AASB 17 Insurance Contracts and AASB 9 Financial Instruments.

Note 10 External unit holders' liabilities

Consolidated	30 June 2024 $m	30 June 2023 $m
Current	3,832.6	4,100.9
Non-current	1,523.7	1,167.9
Total liabilities to external unit holders	**5,356.3**	**5,268.8**

Accounting policy

The Group controls a number of guaranteed index return trusts that contain contributed funds in respect of fixed-term and daily liquid wholesale mandates. The fixed-term and guaranteed nature of the mandates effectively places the balance of the risks related to the performance of the trusts with the Group. As a result, the Group is deemed to control these trusts.

The contributed funds for these trusts are classed as external unit holders' liabilities on the Statement of financial position and represent the funds owing to third parties on these mandates. These funds are managed independently to CLC, with a separate Responsible Entity or Trustee and independent Board members. The liability is recognised at fair value.

Note 11 Derivative financial instruments

Consolidated	30 June 2024			30 June 2023		
Analysis of derivative financial instruments	Notional value $m	Net fair value assets $m	Net fair value liabilities $m	Notional value $m	Net fair value assets $m	Net fair value liabilities $m
Non-SPV						
Interest rate swaps						
Less than one year	30,107.9	4.7	(17.5)	46,454.2	1.1	(12.2)
One to three years	12,299.0	34.3	(11.7)	21,001.4	23.5	(28.4)
Three to five years	7,375.3	18.0	(56.2)	15,216.3	49.0	(22.6)
Greater than five years	22,522.5	206.4	(213.1)	35,140.5	215.4	(281.9)
Total interest rate swaps	**72,304.7**	**263.4**	**(298.5)**	**117,812.4**	**289.0**	**(345.1)**
Collateral securities[1]	**—**	**—**	**84.5**	**—**	**—**	**119.5**
Inflation-linked swaps						
Less than one year	128.0	1.4	(2.7)	—	—	—
One to three years	735.0	—	(81.6)	493.0	1.3	(33.3)
Three to five years	241.0	1.1	(17.9)	611.0	1.0	(62.7)
Greater than five years	481.0	19.9	(4.2)	481.0	17.7	(2.7)
Total inflation linked swaps	**1,585.0**	**22.4**	**(106.4)**	**1,585.0**	**20.0**	**(98.7)**
Futures contracts						
Less than one year	11,866.7	—	(1.5)	14,930.1	—	(2.0)
One to three years	133.5	—	—	38.5	—	—
Total futures contracts	**12,000.2**	**—**	**(1.5)**	**14,968.6**	**—**	**(2.0)**
Commodities futures contracts						
Less than one year	777.5	—	—	1,627.6	—	—
Total commodities future contracts	**777.5**	**—**	**—**	**1,627.6**	**—**	**—**
Forward currency contracts						
Less than one year	5,122.8	38.3	(13.4)	5,857.6	46.9	(37.3)
Total forward currency contracts	**5,122.8**	**38.3**	**(13.4)**	**5,857.6**	**46.9**	**(37.3)**
Cross-currency swaps						
Less than one year	2,963.4	12.5	(30.4)	2,823.7	18.8	(13.5)
One to three years	4,791.4	57.6	(18.3)	4,455.6	34.4	(37.5)
Three to five years	4,306.4	44.9	(14.1)	4,703.5	19.8	(40.8)
Greater than five years	299.2	1.9	(4.5)	104.7	0.1	(0.6)
Total cross currency swaps	**12,360.4**	**116.9**	**(67.3)**	**12,087.5**	**73.1**	**(92.4)**
Equity swaps						
Less than one year	1,562.3	35.1	(1.2)	1,694.9	42.7	(0.6)
Total equity swaps	**1,562.3**	**35.1**	**(1.2)**	**1,694.9**	**42.7**	**(0.6)**

Consolidated Analysis of derivative financial instruments	30 June 2024 Notional value $m	Net fair value assets $m	Net fair value liabilities $m	30 June 2023 Notional value $m	Net fair value assets $m	Net fair value liabilities $m
Credit default swaps						
Three to five years	—	—	—	1,014.0	27.9	—
Total credit default swaps	**—**	**—**	**—**	**1,014.0**	**27.9**	**—**
Total - Non-SPV	**105,712.9**	**476.1**	**(403.8)**	**156,647.6**	**499.6**	**(456.6)**
SPV						
Interest rate swaps - SPVs						
Less than one year	—	—	—	0.1	—	—
One to three years	—	—	—	0.6	—	—
Total interest rate swaps - SPV	**—**	**—**	**—**	**0.7**	**—**	**—**
Cross-currency swaps - SPVs						
Greater than five years	—	—	—	130.0	0.2	(0.1)
Total cross currency swaps - SPV	**—**	**—**	**—**	**130.0**	**0.2**	**(0.1)**
Total SPV	**—**	**—**	**—**	**130.7**	**0.2**	**(0.1)**
Total derivative financial instruments[2,3]	**105,712.9**	**476.1**	**(403.8)**	**156,778.3**	**499.8**	**(456.7)**

1 Collateral securities relates to centrally cleared interest rate swaps.

2 The Group's derivative financial instruments are subject to enforceable netting arrangements under International Swaps and Derivatives Association (ISDA) Master Agreements with derivative counterparties, allowing for net settlement as a single arrangement of multiple instruments with a counterparty in the event of default or other specified circumstances. If applied to the derivative portfolio, the derivative assets would decrease by $248.8 million (30 June 2023: $287.0 million) and the derivative liabilities would decrease by $248.8 million (30 June 2023: $287.0 million).

3 The Group actively manages its bond holdings for hedging purposes which requires the rebalancing of duration risk using interest rate swaps, increasing the reported gross notional value. Compression trades are implemented periodically to net down offsetting pay and receive positions to reduce gross notional amounts.

Note 11 Derivative financial instruments (continued)

Accounting policy

The Group uses derivative financial instruments predominantly to hedge its risks associated with interest rate, inflation and foreign currency fluctuations and to gain exposure to different markets. All derivative financial instruments are stated at fair value. Gains or losses arising from fair value changes on derivatives that do not qualify for hedge accounting are recognised in the Statement of comprehensive income.

For the purpose of hedge accounting, hedges are classified as:

- cash flow hedges when they hedge the exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a forecast transaction; or
- hedges of net investments in foreign operations when they hedge the exposure to changes in the value of the assets and liabilities of a foreign controlled entity when they are translated from their functional currency to the presentation currency.

At the inception of a hedge relationship to which the Group wishes to apply hedge accounting, the Group formally designates and documents the hedge relationship and the risk management objectives and strategies for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of the instrument in offsetting the exposure to changes in the hedged item.

Such hedges are expected to be highly effective in achieving offsetting changes in cash flows or foreign exchange differences and are assessed on an ongoing basis to determine that they actually have been highly effective over the period that they were designated.

Cash flow hedges

Cash flow hedges are hedges of the Group's exposure to variability in cash flows attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction, and that could affect the Statement of comprehensive income. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in the Statement of comprehensive income.

Amounts recognised in equity are transferred to the Statement of comprehensive income when the hedged transaction affects profit or loss, such as when hedged income or expenses are recognised or when a forecast sale or purchase occurs. When the hedged item is the cost of a non-investment asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-investment asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the Statement of comprehensive income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs.

Hedges of net investments in foreign operations

The gain or loss on the effective portion of the hedging instrument is recognised directly in equity and the gain or loss on the ineffective portion is recognised immediately in the Statement of comprehensive income. The cumulative gain or loss previously recognised in equity is recognised in the Statement of comprehensive income on disposal or partial disposal of the foreign operation.

Derivatives designated as hedges of net investment in foreign currency operations

The Group hedges its exposure to accounting gains and losses arising from translation of foreign controlled entities from their functional currency into the Group's presentation currency on consolidation. At 30 June 2024, a post-tax gain of $28.6 million (30 June 2023: post-tax loss $4.3 million) was recognised in equity for the hedging of exposure to the net investment in foreign currency operations.

Derivatives designated as cash flow hedges

The Group applies hedge accounting when it can demonstrate that all, or a portion of, the value movements of a derivative financial instrument effectively hedges the variability in cash flows attributable to a specific risk associated with a recognised asset or liability or probable future transaction. As described in Note 19 Financial risk management, SPVs enter into interest rate swap agreements to hedge the interest rate risk between variable rate loans, which generally reprice with changes in official interest rates, and issued RMBS that reprice with changes in the 30-day and 90-day bank bill swap rates. Cross-currency swaps were also entered into to hedge currency movements on foreign-denominated RMBS throughout the year ended 30 June 2024. The SPVs apply hedge accounting to both types of transaction, with the fair value change on the effective portion of the derivative being recognised in equity.

For the year ended 30 June 2024, a post-tax loss of $0.1 million (30 June 2023: post-tax gain $0.1 million) was recognised in equity for cash flow hedges with no Statement of comprehensive income impact of any ineffective portions during either the current or prior year. At 30 June 2024 the SPV cash flow hedges were closed out following the repayment of foreign-denominated RMBS.

Note 12 Collateral arrangements

Accounting policy

The Company receives collateral, where it is considered necessary, when entering into certain financial arrangements. The amount of collateral required is subject to management's credit evaluation of the counterparty, which is performed on a case by case basis. As at 30 June 2024, $126.8 million (30 June 2023: $103.0 million) cash received from third parties as collateral is recorded in payables and $101.0 million (30 June 2023: $106.9 million) of collateral assets received from counterparties were repledged by the Company to third parties. Except in the event of default, collateral received can be called back by the counterparty in accordance with the financial arrangement.

The Company is required to pledge collateral, as part of standard terms of transactions, when entering into certain financial arrangements. Cash paid to third parties as collateral is recorded in receivables. Other investment assets transferred as collateral are not derecognised from the Statement of financial position, as the risks and rewards of ownership remain with the Company. At the balance sheet date, the fair value of cash and investment assets pledged are as follows.

Consolidated Collateral pledged by CLC as security	30 June 2024 $m	30 June 2023 $m
Cash	162.9	391.2
Other investment assets	8,510.5	7,165.7
Total collateral pledged	**8,673.4**	**7,556.9**

Note 13 Notes to the Statements of cash flows

	Consolidated		Parent	
Reconciliation of profit to operating cash flows	**30 June 2024 $m**	**30 June 2023 $m**	**30 June 2024 $m**	**30 June 2023 $m**
Profit for the year	199.2	229.5	181.9	217.8
Adjusted for				
Net realised and unrealised (gains)/losses on investment assets	(379.8)	(64.8)	(203.7)	43.0
Change in life contract liabilities[1]	717.0	507.7	844.0	571.5
Change in operating assets and liabilities				
(Increase)/decrease in receivables	(3.6)	(62.9)	78.1	(25.9)
(Increase)/decrease in other assets	(2.5)	0.7	—	0.1
(Decrease)/increase in payables	(29.5)	37.5	2.9	14.3
(Decrease) in provisions	(0.8)	(1.8)	—	—
Increase/(decrease) in life contract liabilities	269.2	(173.0)	153.2	1,091.7
Increase in external unit holders' liabilities	87.5	882.4	—	—
Increase in net tax liabilities	17.4	5.2	36.3	103.7
Net cash flows from operating activities	**874.1**	**1,360.5**	**1,092.7**	**2,016.2**

1 Changes relate to movements through the Statement of comprehensive income.

	Consolidated		Parent	
Reconciliation of cash	**30 June 2024 $m**	**30 June 2023 $m**	**30 June 2024 $m**	**30 June 2023 $m**
Cash at bank	413.7	412.4	138.9	158.1
Cash at bank - SPV	22.4	52.1	—	—
Total cash and cash equivalents[1]	**436.1**	**464.5**	**138.9**	**158.1**

1 All cash and cash equivalents are considered current.

Accounting policy

Cash and cash equivalents are investment assets and comprise cash at bank plus 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 changes 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 bank overdrafts.

Section 4: Capital structure and financing costs

This section outlines how the Group and the Company manages its capital structure and related financing costs, as well as capital adequacy and reserves. It also provides details on the dividends of the Company.

Note 14 Contributed equity

	30 June 2024		30 June 2023	
	No. of shares/notes m	Value of shares/notes $m	No. of shares/notes m	Value of shares/notes $m
Ordinary shares issued and fully paid				
Opening ordinary shares issued	2,024.2	2,024.2	2,024.2	2,024.2
New ordinary shares issued	65.0	65.0	—	—
Total ordinary shares issued and fully paid	**2,089.2**	**2,089.2**	**2,024.2**	**2,024.2**
Equity hybrid notes				
Opening equity hybrid notes	7.3	735.1	8.4	845.1
Hybrid notes issued	—	—	3.5	350.0
Hybrid notes repurchased	—	—	(4.6)	(460.0)
Total equity hybrid notes	**7.3**	**735.1**	**7.3**	**735.1**
Total contributed equity		**2,824.3**		**2,759.3**

Accounting policy

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 parent entity. 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.

Terms and conditions of contributed equity

Ordinary shares

A holder of an ordinary share is entitled to receive dividends and to one vote on a show of hands and on a poll.

Equity hybrid notes

The holder of a note is entitled to receive distributions on the notes at the discretion of the Board of CLC and to the extent that the Board has determined that a distribution can be paid. Distributions are non-cumulative. Holders are not permitted to vote at any meeting of shareholders of CLC or to otherwise participate in the profits of CLC. Holders of notes rank ahead of ordinary shares, equally among other instruments approved as Additional Tier 1 capital of CLC and behind any claims of creditors of CLC.

On the occurrence of a non-viability trigger event as determined by APRA, the notes can be written-off or converted to shares in CLC in part or in whole in an amount that is sufficient to ensure that CLC does not become non-viable. CLC is also entitled to optionally redeem the notes (subject to APRA approval) on a specified date or as a result of certain tax or regulatory events occurring (as defined in the note terms and conditions).

Capital management

CLC holds capital to ensure that under a range of adverse scenarios it can continue to meet its regulatory requirements and contractual obligations to customers.

Credit ratings

Standard & Poor's long-term credit rating for CLC at the date of the Statement of financial position is 'A' (outlook stable) (30 June 2023: 'A' (outlook stable)).

Equity issue

On 26 June 2024, CLC issued additional ordinary shares to its immediate parent entity, Challenger Life Company Holdings Pty Limited, raising $65.0 million of funding. The ordinary shares issuance is Common Equity Tier 1 capital of CLC.

Internal Capital Adequacy Assessment Process (ICAAP) Summary Statement – CLC

CLC is a life insurance company regulated under the Life Act. The Life Act, via Prudential Standards issued by APRA, imposes minimum statutory capital requirements on all life insurance companies. Under these standards, a life company must have in place an ICAAP, documented in an ICAAP Summary Statement. CLC complied with these requirements at all times during the year.

Under the ICAAP, CLC holds capital in order to ensure that under a range of scenarios it can continue to meet not only its contractual obligations to its customers but also its regulatory capital requirements.

Prescribed Capital Amount (PCA)

CLC is regulated by APRA and is required to hold a minimum level of regulatory capital. CLC's regulatory capital base and PCA have been calculated based on the prudential standards issued by APRA.

Note 14 Contributed equity (continued)

Capital management (continued)

Subordinated debt

CLC's total regulatory capital base includes $426.3 million (30 June 2023: $411.3 million) of admissible subordinated debt with a call date in September 2027.

CLC's target surplus

CLC maintains a target level of capital representing APRA's PCA plus a target surplus. The target surplus is a management guide to the level of excess capital that CLC seeks to hold over and above APRA's minimum requirements. CLC's target surplus is set to ensure that it provides a buffer against adverse market conditions and having regard to CLC's credit rating. CLC uses internal capital models to determine its target surplus, which are risk based and are responsive to changes in CLC's asset allocation and market conditions.

CLC's internal capital models result in a target PCA ratio range under current circumstances of 1.3 to 1.7 times. This range can change over time and is dependent on numerous factors.

The PCA ratio at 30 June 2024 was 1.67 times (30 June 2023: 1.59 times), within this range of 1.3 to 1.7 times. The CET1 ratio was 1.23 times at 30 June 2024, an increase from 1.16 times at 30 June 2023.

Details of the CLC capital adequacy multiple are below.

	30 June 2024 $m	30 June 2023 $m
CLC's excess capital under prudential standards		
Common Equity Tier 1 (CET1) regulatory capital	3,297.3	3,110.5
Additional Tier 1 regulatory capital	735.0	735.0
Tier 2 regulatory capital – subordinated debt[1]	426.3	411.3
CLC total regulatory capital base	**4,458.6**	**4,256.8**
CLC's Prescribed Capital Amount		
Asset risk charge[2]	2,554.8	2,582.0
Insurance risk charge	136.1	125.0
Operational risk charge	87.3	70.7
Aggregation benefit	(104.2)	(95.8)
CLC Prescribed Capital Amount	**2,674.0**	**2,681.9**
CLC excess over Prescribed Capital Amount	**1,784.6**	**1,574.9**
Capital adequacy ratio (times)	1.67	1.59
CET1 ratio (times)	1.23	1.16

1 Differs from $418.0 million (30 June 2023: $403.0 million) disclosed in Note 15 Interest bearing financial liabilities due to $8.3 million (30 June 2023: $8.3 million) of accrued interest.
2 Asset risk charge includes all other components of Prescribed Capital Amount not listed individually.

Note 15 Interest bearing financial liabilities

	30 June 2023		Cash flow	Non-cash movements			30 June 2024	
	Facility	Closing balance	proceeds and repayments[3]	Foreign exchange	Fair value changes	Other	Closing balance	Facility
Consolidated[1]	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Bank loans								
Controlled property trusts[2]	281.9	281.9	(2.7)	(29.4)	—	1.0	250.8	250.8
Controlled infrastructure trusts	164.4	164.4	(8.8)	—	—	0.2	155.8	155.8
Repurchase agreements	4,069.7	4,069.7	1,253.6	—	—	—	5,323.3	5,323.3
Total bank loans	**4,516.0**	**4,516.0**	**1,242.1**	**(29.4)**	**—**	**1.2**	**5,729.9**	**5,729.9**
Non-bank loans								
Subordinated debt[4]	400.0	403.0	—	—	15.0	—	418.0	400.0
Other finance	0.7	0.7	(0.7)	—	—	—	—	—
Total non-bank loans	**400.7**	**403.7**	**(0.7)**	**—**	**15.0**	**—**	**418.0**	**400.0**
Total interest bearing financial liabilities	**4,916.7**	**4,919.7**	**1,241.4**	**(29.4)**	**15.0**	**1.2**	**6,147.9**	**6,129.9**
Current		4,080.2					5,584.5	
Non-current		839.5					563.4	
		4,919.7					**6,147.9**	

1 The amounts held directly by the parent entity are the repurchase agreements (current) and subordinated debt issuance (non-current).
2 Total facility limit consists of non-redraw loan facilities limits totalling $250.8 million (30 June 2023: $281.9 million).
3 Differs to Statement of cash flows by $25.9 million due to net repayments relating to SPVs.
4 The subordinated debt is fair valued by reference to the 'ask' price observable in the market. The fair value as at 30 June 2024 of $418.0 million differs to the facility limit of $400.0 million, which represents the face value of the notes.

	30 June 2022		Cash flow	Non-cash movements			30 June 2023	
	Facility	Opening balance	proceeds and repayments[3]	Foreign exchange	Fair value changes	Other	Closing balance	Facility
Consolidated[1]	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Bank loans								
Controlled property trusts[2]	334.0	334.0	(45.4)	(7.7)	—	1.0	281.9	281.9
Controlled infrastructure trusts	172.3	172.3	(8.1)	—	—	0.2	164.4	164.4
Repurchase agreements	3,735.1	3,735.1	334.6	—	—	—	4,069.7	4,069.7
Total bank loans	**4,241.4**	**4,241.4**	**281.1**	**(7.7)**	**—**	**1.2**	**4,516.0**	**4,516.0**
Non-bank loans								
Subordinated debt[4]	400.0	398.4	—	—	4.6	—	403.0	400.0
Other finance	0.7	0.7	—	—	—	—	0.7	0.7
Total non-bank loans	**400.7**	**399.1**	**—**	**—**	**4.6**	**—**	**403.7**	**400.7**
Total interest bearing financial liabilities	**4,642.1**	**4,640.5**	**281.1**	**(7.7)**	**4.6**	**1.2**	**4,919.7**	**4,916.7**
Current		4,185.0					4,080.2	
Non-current		455.5					839.5	
		4,640.5					**4,919.7**	

1 The amounts held directly by the parent entity are the repurchase agreements (current) and subordinated debt issuance (non-current).
2 Total facility limit consists of non-redraw loan facilities limits totalling $281.9 million (30 June 2022: $334.0 million).
3 Differs to Statement of cash flows by $131.3 million due to net repayments relating to SPVs $128.5 million and subordinated debt issuance costs of $2.8 million recognised in Note 16 Finance costs.
4 The subordinated debt is fair valued by reference to the 'ask' price observable in the market. The fair value as at 30 June 2023 of $403.0 million differs to the facility limit of $400.0 million, which represents the face value of the notes.

Accounting policy

All borrowings and subordinated debt are financial liabilities and are initially recognised at fair value. In the case of borrowings, which are subsequently measured at amortised cost, the initial measurement is calculated net of directly attributable transaction costs. For borrowings and subordinated debt, which are subsequently measured at fair value through profit or loss, directly attributable transaction costs are expensed with movements on fair value recognised in the Statement of comprehensive income. Repurchase agreements are all short-term in nature, and are therefore valued at amortised cost which approximates fair value.

Note 15 Interest bearing financial liabilities (continued)

Details of liabilities

Bank loans

Bank Loans	Type	Maturity	Rate type	Ranking/securitisation
Controlled property trusts[1]	Loan	October 2024	Variable	First ranking mortgages over Japanese investment properties: $250.8 million (30 June 2023: $281.8 million)
Controlled infrastructure trusts[2]	Facility	December 2035	Variable	First ranking mortgages over infrastructure assets

1 Controlled property trusts consists of a loan facility for Japanese investment properties with maturity date of October 2024. This loan is held at amortised cost. The fair value of these liabilities at 30 June 2024 is $264.9 million (30 June 2023: $295.4 million).
2 Controlled infrastructure trusts relates to a loan facility for Oaklands Hill Wind Farm. This loan is held at amortised cost. The fair value of this liability at 30 June 2024 is $166.7 million (30 June 2023: $167.4 million).

Repurchase agreements

CLC has entered into repurchase agreements with certain counterparties whereby fixed income securities are sold for cash whilst simultaneously agreeing to repurchase the fixed income security at a fixed price and fixed date in the future. These agreements finance bonds held for hedging purposes and are interest bearing, with interest factored into the price at which the bonds are repurchased and paid on repurchase. All agreements as at 30 June 2024 are current and all mature by August 2024. They will continue to be rolled into new agreements in the future.

Non-bank loans

Subordinated debt

In September 2022, CLC issued $400 million of fixed-to-floating rate, unlisted, unsecured subordinated notes, paying a semi-annual fixed rate of 7.186% per annum for the first five years, before reverting to paying floating rate interest at a margin of 3.55% per annum above the 3-month Bank Bill Swap rate.

The subordinated notes fully qualify as Tier 2 regulatory capital under APRA's prudential standards and have a term of 15 years, with a maturity date in September 2037. The subordinated notes include an option for CLC to redeem the subordinated notes in September 2027, subject to APRA's prior written approval (which may or may not be given).

Key estimates and assumptions

Subordinated debt valuation

Subordinated debt is recognised at fair value and is valued by reference to the 'ask' price observable in the market at balance date.

The change recognised in the Statement of comprehensive income in respect of valuation changes for the year ended 30 June 2024 was a loss of $15.0 million (30 June 2023: loss of $4.6 million).

Note 16 Reserves and retained earnings

	Consolidated		Parent	
	30 June 2024 $m	30 June 2023[1] $m	30 June 2024 $m	30 June 2023[1] $m
Foreign currency translation reserve[2]				
Balance at the beginning of the year	(11.6)	(0.4)	—	—
(Loss) on translation of foreign entities[3]	(29.4)	(6.9)	—	—
(Loss)/gain on hedge of net investment in foreign entities[2]	28.6	(4.3)	—	—
Balance at the end of the year	**(12.4)**	**(11.6)**	**—**	**—**
Adjusted controlling interests reserve[2]				
Balance at the beginning of the year	5.7	5.7	—	—
Change in holdings in controlled entities	6.5	—	—	—
Balance at the end of the year	**12.2**	**5.7**	**—**	**—**
Cash flow hedge reserve – SPV[2]				
Balance at the beginning of the year	0.1	—	—	—
Net loss on cash flow hedges	(0.1)	0.1	—	—
Balance at the end of the year	**—**	**0.1**	**—**	**—**
Other reserve				
Balance at the beginning of the year	132.3	132.3	137.8	137.8
Movement in distributable reserves	—	—	—	—
Balance at the end of the year	**132.3**	**132.3**	**137.8**	**137.8**
Total reserve	**132.1**	**126.5**	**137.8**	**137.8**
Retained earnings				
Balance at the beginning of the year	991.0	1,108.8	979.8	1,108.3
Impact of initial application of AASB 17	—	(137.6)	—	(137.6)
Profit attributable to equity holders[1]	198.4	228.5	181.9	217.8
Dividends paid	(174.9)	(208.7)	(174.9)	(208.7)
Total retained earnings	**1,014.5**	**991.0**	**986.8**	**979.8**

1 The Group adopted AASB 17 Insurance Contracts from 1 July 2023 and has restated the comparative period. The impacts of adoption are detailed in Note 1.
2 These items may eventually be recycled to the profit and loss section of the Statement of comprehensive income.
3 Net of tax.

Accounting policy

Foreign currency translation reserve

This reserve is used to record foreign exchange differences arising from the translation of the foreign subsidiaries. It also includes the effective portion of fair value changes on foreign exchange derivative contracts designated as hedges of a net investment in a foreign entity.

Adjusted controlling interests reserve

This reserve relates to changes arising from movements in the ownership interests in entities already controlled by the Group. The difference between the fair value of the consideration paid/received for the change in holding and the change in the Group's share of the net assets of the entity is recorded in this reserve.

Cash flow hedge reserve – SPV

This comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions.

Other reserve

Other reserve relates to amounts indemnified to CLC by its parent.

Note 17 Finance costs

	Consolidated		Parent	
	30 June 2024 $m	30 June 2023 $m	30 June 2024 $m	30 June 2023 $m
Interest expense[1]	701.1	487.4	245.7	146.5
Interest expense – SPV	10.6	8.2	—	—
Interest expense – property trusts	3.3	3.8	—	—
Total finance costs	**715.0**	**499.4**	**245.7**	**146.5**

[1] Interest expense includes $455.3 million (30 June 2023: $340.5 million) external unit holders' liabilities finance costs, representing the return to the external unit holders on assets held in the consolidated external unit holder liability investment trusts. The amount is a function of the performance of the underlying guaranteed index plus the agreed margin. The amount is an expense/(income) when the performance of the underlying guaranteed index plus the agreed margin is positive/(negative).

Accounting policy

Finance costs represent interest incurred on interest bearing financial liabilities (primarily external unit holders' liabilities return, repurchase agreements, the securitised RMBS issued by the consolidated Special Purpose Vehicles (SPVs), subordinated debt, bank loans and other borrowings) and are recognised as an expense in the period in which they are incurred.

Note 18 Dividends paid and proposed

	30 June 2024		30 June 2023	
Parent	**$m**	**Cents per share**	**$m**	**Cents per share**
Unfranked dividends declared and paid during the year				
Ordinary shares:				
Final dividend in respect of the prior year	50.0	2.47	76.0	3.76
Interim dividend in respect of the current year	60.0	2.96	76.0	3.76
Equity hybrid notes[1]	64.9		56.7	
Total unfranked dividends declared and paid during the year	**174.9**		**208.7**	
Unfranked dividends proposed (not recognised as a liability at 30 June)				
Ordinary shares:				
Final dividend in respect of the current year	125.0	5.98	50.0	2.47
Total unfranked dividends proposed (not recognised as a liability at 30 June)	**125.0**		**50.0**	

[1] Distributions on equity hybrid notes are recognised as dividends paid. See Note 14 Contributed equity for more information.

Section 5: Risk management

This section outlines how financial risk is managed within the Group and the Company, providing additional information about how the overall risk management program seeks to minimise potentially adverse financial effects associated with key financial risks. This section also provides disclosures on the fair values of assets and liabilities of the Group, the valuation techniques used in determining fair value of those assets and liabilities, and the sensitivities of assets categorised as Level 3 instruments to reasonably possible changes in valuation assumptions.

Note 19 Financial risk management

Governance and risk management framework

The Group's activities expose it to a variety of financial risks, such as market risk (including foreign exchange risk, interest rate risk, inflation risk, equity price risk and credit spread risk), credit default risk, life insurance risk, liquidity risk and operational risk. The management of these risks is fundamental to the Group's business and to building shareholder value.

The Board is responsible, in conjunction with senior management and all staff members, for the management of risks associated with the business and implementing structures and policies to adequately monitor and manage these risks.

The Board has established the Life Risk Committee (LRC) and the Life Audit Committee (LAC) to assist in discharging its risk management responsibilities. In particular, these committees assist the Board in setting the appropriate risk appetite and ensuring that the Group has an effective risk management framework that is able to manage, monitor and control the various risks to which the business is exposed.

Financial risks are managed by the Group in the context of the wider Challenger Limited Group risk management framework. The Executive Risk Management Committee (ERMC) is an executive committee, chaired by the Chief Risk Officer (CRO), which assists the LRC, LAC and Board in discharging their risk management obligations by implementing the Board-approved risk management framework.

The Challenger Limited Group's Risk Management division, which is separate from the operating segments of the business, has day-to-day responsibility for monitoring the implementation of the risk framework, including the monitoring, reporting and analysis of the various risks faced by the business, and providing effective challenge to activities and decisions that may materially affect the Group's risk profile. The CRO provides regular reporting to the LRC and the Board.

The Group has a robust risk management framework which supports its business, and its risk appetite distinguishes risks from which the Group will seek to make an economic return from those which it seeks to minimise and which it does not consider will provide a return. The management of these risks is fundamental to the Group's business, customers and to building longer-term shareholder value. The Group is also prudentially supervised by APRA, which prescribes certain prudential standards that must be met. The Group is required under APRA Prudential Standards to maintain capital buffers in order to ensure that under a range of adverse scenarios it can continue to meet not only its contractual obligations to customers but also its regulatory capital requirements.

The Group's principal financial instruments consist of cash and cash equivalents, receivables, derivatives, investment assets at fair value through profit and loss, payables, life contract liabilities and other interest bearing financial liabilities.

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 Section 1: Basis of preparation and overarching significant accounting policies, or the relevant note.

Market risk

Market risk is the risk that the fair value and/or future cash flows from a financial instrument will fluctuate as a result of changes in market factors. Market risk comprises (among others) interest rate risk (due to fluctuations in market interest rates), price risk (due to fluctuations in the fair value of equities and other alternatives or credit spreads) and currency risk (due to fluctuations in foreign currency exchange rates).

Interest rate risk

Interest rate risk is the risk of fluctuations in the Group's earnings and shareholder equity arising from movements in market interest rates, including changes in the absolute levels of interest rates, the shape of the yield curve, the margin between the different yield curves and the volatility of interest rates.

The Company's market risk policy is approved by the Board and sets out the relevant risk limits for interest rate exposure. It is the Company's policy to minimise the impact of interest rate movements on its projected future cash flows. The management of the risks associated with life investment and life insurance contracts, including interest rate risk, are subject to the prudential requirements of the Life Act and APRA. This includes satisfying capital adequacy requirements, which in turn include consideration of how the interest rate sensitivities of assets and liabilities are matched.

For the SPVs, the impact of a rising/falling Bank Bill Swap rate (BBSW) results in an increase/decrease in the cost of funding and therefore on the profit of the trusts. This interest rate risk is mitigated by actively adjusting the interest rates charged to borrowers if a sustained adverse differential to the benchmark is evidenced. SPV entities are also exposed to the risks arising from borrowers fixing the rates on their mortgages.

Note 19 Financial risk management (continued)

Interest rate risk (continued)

Interest rate sensitivity

The Group's sensitivity to movements in interest rates in relation to the value of investment assets and liabilities (excluding impacts from insurance contracts liabilities which are disclosed in Note 9) is shown in the table below. It is assumed that the change happens at the Statement of financial position date and that there are concurrent movements in interest rates and parallel moves in the yield curve. All material underlying exposures and related hedges are included in the analysis.

The impact on profit and equity is post-tax at a rate of 30%. The risks faced and methods used in the sensitivity analysis are the same as those applied in the comparative period.

As shown below, 100 basis point (1%) movements in interest rates would have a minimal impact on the Group's financial position.

	Change in variable	30 June 2024 Profit/(loss) $m	30 June 2024 Change in equity $m	30 June 2023 Profit/(loss) $m	30 June 2023 Change in equity $m
Interest rate sensitivity	**+100bps**	**(3.8)**	**(3.8)**	**0.6**	**0.6**
	-100bps	**3.8**	**3.8**	**(0.6)**	**(0.6)**

Price risk

Price risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments. The Group is exposed to equity price risk on its holdings in equity securities, which include listed and unlisted equity investments, infrastructure investments, property securities and alternative investments. Alternative investments include exposure to equity markets through absolute return strategies and insurance-related investments, with both expected to have a low correlation to credit and equity markets. The Group is also exposed to credit spread risk on its fixed income securities.

Where a fair value approach is available, the Group has fair valued all equities and fixed income securities held to back life contract liabilities.

Equity risks will arise as a natural result of the Company's Asset Allocation Plan. Equity prices can be driven by a range of risk factors specific to an individual exposure, including broad macroeconomic and instrument-specific factors which may be uncorrelated with broader equity markets. The Group's primary tools for managing investment price risks are the ICAAP and the Asset Allocation Plan.

Equity price risk sensitivity

The potential impact of movements in the market value of listed and unlisted equities on the Group's Statement of comprehensive income and Statement of financial position is shown in the below sensitivity analysis.

The impact on profit and equity is post-tax at a rate of 30%. The risks faced and methods used in the sensitivity analysis are the same as those applied in the comparative period.

Note 19 Financial risk management (continued)

Price risk (continued)

Equity price risk sensitivity (continued)

The table below discloses the impact of a 10% movement in equity prices on the consolidated Group's financial position.

It is assumed that the relevant change occurs as at the reporting date. The impact on profit and equity is post-tax at a rate of 30%.

Equities and other alternatives	Change in variable	30 June 2024 Profit/(loss) $m	30 June 2024 Change in equity $m	30 June 2023 Profit/(loss) $m	30 June 2023 Change in equity $m
Property securities	+10%	7.0	7.0	6.3	6.3
	-10%	(7.0)	(7.0)	(6.3)	(6.3)
Infrastructure investments	+10%	6.9	6.9	7.5	7.5
	-10%	(6.9)	(6.9)	(7.5)	(7.5)
Other equities and alternative assets	+10%	252.8	252.8	176.1	176.1
	-10%	(252.8)	(252.8)	(176.1)	(176.1)
Total assets	**+10%**	**266.7**	**266.7**	**189.9**	**189.9**
	-10%	**(266.7)**	**(266.7)**	**(189.9)**	**(189.9)**

Credit spread risk sensitivity

The Group is exposed to price movements resulting from credit spread fluctuations through its fixed income securities (net of subordinated debt) and policy liabilities. As at 30 June 2024, a 50 basis point increase/decrease in credit spreads would result in a post-tax (at 30%) unrealised loss/gain in the Statement of comprehensive income and equity of $126.1 million in respect of fixed income securities partially offset by an unrealised gain/loss of $63.8 million in respect of policy liabilities (30 June 2023: $124.9 million fixed income securities, $56.8 million policy liabilities).

Currency risk

It is the Company's policy to seek to minimise the impact of movements in foreign exchange rates on Statement of financial position items contributing to CLC's regulatory base, with the exception of exposures arising from currency overlay positions.

Currency exposure (excluding from currency overlay positions) arises primarily as a result of investments in Europe (including the United Kingdom), Japan and the United States, and US dollar and Japanese Yen liabilities reinsured from MS Primary in Japan. As a result, currency risk arises primarily from fluctuations in the value of the Euro, British pound, Japanese Yen and US dollar against the Australian dollar.

In order to manage foreign currency exchange rate risk, the Group enters into foreign currency derivatives.

In addition, the Group has exposure to foreign exchange risk upon consolidation of its foreign currency denominated controlled entities and mitigates this by designating foreign currency derivatives as hedges of net investments in foreign entities in equity to match its foreign currency translation reserve exposure. Effectiveness is monitored on a regular basis to ensure that the hedge remains effective and any ineffective portion of the hedge is recognised directly in the Statement of comprehensive income.

The following table details the Group's net exposure to foreign currency (excluding impacts from insurance contracts liabilities which are disclosed in Note 9) as at the reporting date in Australian dollar equivalent amounts.

	GBP $m	USD $m	Euro $m	JPY $m	NZD $m	Other $m
30 June 2024						
Investment assets	517.9	4,842.7	1,813.1	361.0	658.8	—
Investment liabilities	—	(1,750.8)	—	(346.4)	—	—
Foreign currency contracts and cross currency swaps	(496.4)	(2,823.1)	(1,780.7)	35.8	(640.5)	—
Net exposure in Australian dollars	**21.5**	**268.8**	**32.4**	**50.4**	**18.3**	**—**
30 June 2023						
Investment assets	540.4	3,885.6	1,500.2	385.7	587.6	1.8
Investment liabilities	(1.7)	(1,898.0)	(0.8)	—	—	—
Foreign currency contracts and cross currency swaps	(536.9)	(1,972.8)	(1,499.5)	(379.5)	(587.2)	(1.5)
Net exposure in Australian dollars	**1.8**	**14.8**	**(0.1)**	**6.2**	**0.4**	**0.3**

Note 19 Financial risk management (continued)

Currency risk (continued)

The analysis in the currency risk table shows the impact on the Statement of comprehensive income and equity of a movement in the Group's major foreign currency exposure exchange rates against the Australian dollar using the net exposure at the balance date. All underlying exposures and related hedges are included in the analysis.

A sensitivity of 10% has continued to be applied as it reflects a reasonable movement given the current level of exchange rates and the volatility observed. The impact on profit and equity is post-tax at a rate of 30%.

The risks faced and methods used in the sensitivity analysis are the same as those applied in the comparative period. As shown in the table below, a 10% movement in foreign currency exchange rates would have minimal impact on the Group's financial position.

	Movement in variable against $	30 June 2024 Profit/(loss) $m	30 June 2024 Change in equity $m	30 June 2023 Profit/(loss) $m	30 June 2023 Change in equity $m
British pound (GBP)	+10%	1.5	1.5	0.1	0.1
	-10%	(1.5)	(1.5)	(0.1)	(0.1)
US dollar (USD)	+10%	18.8	18.8	1.0	1.0
	-10%	(18.8)	(18.8)	(1.0)	(1.0)
Euro (EUR)	+10%	2.3	2.3	—	—
	-10%	(2.3)	(2.3)	—	—
Japanese yen (JPY)	+10%	3.3	3.5	—	0.4
	-10%	(3.3)	(3.5)	—	(0.4)
NZ dollar (NZD)	+10%	1.3	1.3	—	—
	-10%	(1.3)	(1.3)	—	—
Other	+10%	—	—	—	—
	-10%	—	—	—	—
Total	+10%	**27.2**	**27.4**	**1.1**	**1.5**
	-10%	**(27.2)**	**(27.4)**	**(1.1)**	**(1.5)**

Credit default risk

The Group makes use of external ratings agencies (Standard & Poor's, Fitch, Moody's or other reputable credit rating agencies) to determine credit ratings. Where a counterparty or debt obligation is rated by multiple external rating agencies, the Group will use Standard & Poor's ratings where available. All credit exposures with an external rating are also rated internally and cross-referenced to the external rating, if applicable. Where external credit ratings are not available, internal credit ratings are assigned by appropriately qualified and experienced credit personnel who operate separately from the risk originators.

Each business unit is responsible for managing credit risks that arise with oversight from a centralised credit risk management team.

Credit exposure by credit rating

The table below provides information regarding the maximum credit risk exposure of the Group in respect of the major classes of investment assets by equivalent credit rating. The maximum credit exposure is deemed to be the carrying value of the asset not including any collateral or other credit protection in place. The analysis classifies the assets according to internal or external credit ratings. Assets rated investment grade are those rated S&P BBB– or above, with non-investment grade therefore being below BBB–.

Note 19 Financial risk management (continued)

Credit default risk (continued)

	Investment grade AAA $m	AA $m	A $m	BBB $m	Non-inv. grade $m	Other $m	Total $m
30 June 2024							
Cash and cash equivalents	413.7	—	—	—	—	—	413.7
Cash and cash equivalents – SPV	22.4	—	—	—	—	—	22.4
Receivables	515.0	111.8	80.8	21.9	96.2	170.3	996.0
Mortgage assets – SPV	304.4	6.3	0.6	—	—	1.3	312.6
Fixed income securities	8,782.7	5,275.1	1,997.1	2,390.5	3,688.9	354.2	22,488.5
Derivative assets	—	396.4	79.6	0.1	—	—	476.1
Total assets with credit exposures	**10,038.2**	**5,789.6**	**2,158.1**	**2,412.5**	**3,785.1**	**525.8**	**24,709.3**
30 June 2023							
Cash and cash equivalents	412.4	—	—	—	—	—	412.4
Cash and cash equivalents – SPV	52.1	—	—	—	—	—	52.1
Receivables	77.3	185.8	276.3	26.3	77.8	166.2	809.7
Mortgage assets – SPV	90.6	52.6	62.4	68.2	—	1.3	275.1
Finance leases	—	0.1	2.0	1.4	7.0	—	10.5
Fixed income securities	7,831.0	4,785.7	1,732.4	2,561.0	3,354.7	152.6	20,417.4
Derivative assets	—	385.9	113.9	—	—	—	499.8
Total assets with credit exposures	**8,463.4**	**5,410.1**	**2,187.0**	**2,656.9**	**3,439.5**	**320.1**	**22,477.0**

Mortgage assets - SPV

Mortgage assets – SPV are funded via securitised RMBS. As a result, the Group is not exposed to significant credit risk on the mortgage loans as this is borne by the RMBS holder.

Collateral held over assets

In the event of a default against any of the mortgages in the SPV, the Trustee has the legal right to take possession of the secured property and sell it as a recovery action against settlement of the outstanding mortgage account balance.

At all times of possession, the primary risks and rewards associated with ownership of the property are held by the Trustee on behalf of the RMBS holder.

Ageing of amortised cost investment assets

The table below gives information regarding the carrying value of the Group's investment assets measured at amortised cost. The analysis splits these assets by those that are not past due and those that are past due, including an ageing analysis at the Statement of financial position date.

	Not past due $m	Past due 0-1 month $m	1-3 months $m	3-6 months $m	6+ months $m	Total $m
30 June 2024						
Receivables	991.8	0.3	0.6	0.8	2.5	996.0
30 June 2023						
Receivables	807.3	0.4	0.2	0.1	1.7	809.7
Finance leases	10.5	—	—	—	—	10.5

Concentration risk

The credit risk framework includes an assessment of the counterparty credit risk in each business unit and at a total Group level. The Group has no significant concentrations of credit risk at the Statement of financial position date.

Liquidity risk

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

The Group aims to ensure that it has sufficient liquidity to meet its obligations on a short, medium and long-term basis.

The CLC liquidity management policy is approved by the CLC Board and sets out liquidity targets and mandated actions depending on actual liquidity levels relative to those targets.

Detailed forecast cash positions were reported regularly to the Financial Risk Committee during the year and to the Asset and Liability Committee from 1 July 2024. At the reporting date, all requirements of the liquidity management policy were satisfied.

Note 19 Financial risk management (continued)

Maturity profile of undiscounted financial liabilities

The table below summarises the maturity profile of the Group's undiscounted financial liabilities. This is based on contractual undiscounted repayment obligations. Totals differ to the amounts on the Statement of financial position by the amount of time value of money discounting reflected in the Statement of financial position values.

	1 year or less $m	1-3 years $m	3-5 years $m	>5 years $m	Total $m
30 June 2024					
Payables	1,032.8	6.5	7.6	—	1,046.9
Interest bearing financial liabilities	5,614.5	113.1	453.9	81.4	6,262.9
Interest bearing financial liabilities – SPV	83.2	123.5	96.8	114.4	417.9
External unit holders' liabilities	3,832.6	1,001.0	522.7	—	5,356.3
Life investment contract liabilities	4,396.4	3,488.2	1,616.7	1,531.9	11,033.2
Derivative liabilities	66.4	98.6	132.5	106.2	403.7
Total undiscounted financial liabilities	**15,025.9**	**4,830.9**	**2,830.2**	**1,833.9**	**24,520.9**
30 June 2023					
Payables	826.7	5.1	15.6	—	847.4
Interest bearing financial liabilities	4,104.5	390.1	477.2	102.5	5,074.3
Interest bearing financial liabilities – SPV	122.6	152.9	83.7	82.4	441.6
External unit holders' liabilities	4,100.9	1,167.9	—	—	5,268.8
Life investment contract liabilities	4,315.5	3,889.0	1,391.3	1,382.5	10,978.3
Derivative liabilities	65.6	88.2	113.7	189.2	456.7
Total undiscounted financial liabilities	**13,535.8**	**5,693.2**	**2,081.5**	**1,756.6**	**23,067.1**

Note 20 Fair values of investment assets and liabilities

Fair value determination and classification

Fair value reflects the price that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The majority of the Group's financial instruments are held in the statutory funds of the Company backing its life investment and life insurance liabilities and are designated as at fair value through profit and loss where this is permitted under AASB 9 ***Financial Instruments***.

Financial instruments measured at fair value are categorised under a three-level hierarchy, reflecting the availability of observable market inputs when estimating the fair value. If different levels of inputs are used to measure a financial instrument's fair value, the classification within the hierarchy is based on the lowest level that is significant to the fair value measurement. The three levels are set out below.

Level 1	Unadjusted quoted prices in active markets are the valuation inputs for identical assets or liabilities (i.e. listed securities).
Level 2	Valuation inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) are used.
Level 3	There are valuation inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The unobservable inputs into the valuation of the Group's Level 3 assets and liabilities are determined based on the best information available, including the Group's own assessment of the assumptions that market participants would use in pricing the asset or liability. Examples of unobservable inputs are estimates about the timing and amount of cash flows, discount rates, earnings multiples and internal credit ratings.

Valuation techniques

The majority of the Group's listed and unlisted fixed income securities, over-the-counter derivative financial instruments and interest bearing liabilities, including the subordinated debt issuance, are classified as Level 2. This recognises the availability of a quoted price but not from an active market as defined by the standard.

Fixed income securities where market observable inputs are not available are classified as Level 3. The Group's derivative financial instruments are traded over-the-counter so, whilst they are not exchange traded, there is a market observable price. All of the listed fixed income securities have prices determined by a market. Externally rated unlisted fixed income securities are valued by applying market observable credit spreads on similar assets with an equivalent credit rating and are classified as Level 2. Internally-rated fixed income securities are Level 3, as the determination of an equivalent credit rating is a significant non-observable input.

Equity, infrastructure and property securities that are exchange traded are generally classified as Level 1. Where quoted prices are available, but are not from an active market, they are classified as Level 2. If market observable inputs are not available, they are classified as Level 3. Valuations can make use of cash flow forecasts discounted using the applicable yield curve, earning-multiple valuations or, for managed funds, the net assets of the trust per the most recent financial report.

External unit holders' liabilities are valued at the face value of the amounts payable, being an approximation of fair value, and classified as Level 2. The portion of life investment contract liabilities classified as Level 2 represents products or product options for which the liability is determined based on an account balance, rather than a discounted cash flow as applied to the rest of the portfolio (classified as Level 3).

Cash and cash equivalents are carried at amortised cost. Where an asset is liquid or maturing within three months, the carrying value is determined to approximate fair value. This assumption is applied to liquid assets and other short-term investment assets and liabilities.

Valuation process

For financial instruments and investment properties categorised within Level 3 of the fair value hierarchy, the valuation process applied in valuing such instruments is governed by the CLC Practice Note on Investment Asset and Financial Liability Valuation. The Practice Note outlines the Valuation Committee's responsibilities in the valuation of investment assets and financial liabilities for the purposes of financial reporting. All significant Level 3 financial instruments are referred to the Valuation Committee, which generally meets monthly, or more frequently if required.

All financial instruments and investment properties carried at fair value are measured on a recurring basis. Refer to Note 6 and Note 7 for further details on the valuation process applied to unlisted financial instruments and investment properties.

The table on the following page summarises the financial instruments and investment properties measured at fair value at each level of the fair value hierarchy as at the Statement of financial position date.

Note 20 Fair values of investment assets and liabilities (continued)

Valuation process (continued)

	Consolidated			
	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
30 June 2024				
Derivative assets	—	476.1	—	476.1
Fixed income securities[1]	—	20,509.2	1,979.3	22,488.5
Equities and other alternatives	0.6	3,345.9	348.2	3,694.7
Infrastructure investments[1]	—	—	264.2	264.2
Property securities	—	—	100.3	100.3
Investment property[2]	—	126.6	2,799.7	2,926.3
Hedged commodities	550.9	—	—	550.9
Assets attributable to RIU - SPV	—	115.2	5.5	120.7
Total assets	**551.5**	**24,573.0**	**5,497.2**	**30,621.7**
Derivative liabilities	—	403.8	—	403.8
Interest bearing financial liabilities	—	418.0	—	418.0
External unit holders' liabilities	—	5,356.3	—	5,356.3
Life investment contract liabilities	—	39.3	9,854.4	9,893.7
Total liabilities	**—**	**6,217.4**	**9,854.4**	**16,071.8**
30 June 2023				
Derivative assets	—	499.8	—	499.8
Fixed income securities[1]	—	18,528.4	1,889.0	20,417.4
Equities and other alternatives	1.0	2,425.6	184.7	2,611.3
Infrastructure investments[1]	—	—	284.1	284.1
Property securities	—	—	89.3	89.3
Investment property[2]	—	—	3,269.2	3,269.2
Hedged commodities	827.9	—	—	827.9
Assets attributable to RIU – SPV	—	156.4	11.8	168.2
Total assets	**828.9**	**21,610.2**	**5,728.1**	**28,167.2**
Derivative liabilities	1.9	454.8	—	456.7
Interest bearing financial liabilities	—	403.0	—	403.0
External unit holders' liabilities	—	5,268.8	—	5,268.8
Life investment contract liabilities	—	37.7	9,817.8	9,855.5
Total liabilities	**1.9**	**6,164.3**	**9,817.8**	**15,984.0**

1 The Group has exposures to structured entities (entities designed so that voting or similar rights are not the dominant factor in determining who controls the entity, for example when any voting rights relate purely to administrative tasks) via investments in asset-backed finance vehicles (where it may act as a lender or purchaser of notes and/or residual income units) and securitisations (such as mortgages, finance leases and other types of collateralised vehicles). The Company assesses, at inception and at each reporting date, whether a structured entity should be consolidated based on the accounting policy. The maximum exposure to loss is limited to the reported fair value of the underlying securities plus any guaranteed undrawn commitments to the counterparties. At 30 June 2024, the carrying value of asset-backed financing assets was $204.2 million (30 June 2023: $18.4 million) with no undrawn commitments (30 June 2023: nil) and securitisations were $9,744.1 million (30 June 2023: $9,105.3 million) with no undrawn commitments (30 June 2023: $28.3 million).

2 Investment property held for sale is classified as Level 2 where the valuation is based on an agreed contract price. Refer to Note 7 Investment Property for valuation techniques and key unobservable inputs.

Note 20 Fair values of investment assets and liabilities (continued)

Level 3 reconciliation

The following table shows a reconciliation of the movement in the fair value of financial instruments categorised within Level 3 of the fair value hierarchy during the year.

	30 June 2024		30 June 2023	
	Assets $m	Liabilities $m	Assets $m	Liabilities $m
Balance at the beginning of the year	5,728.1	9,817.8	5,971.8	9,610.0
Fair value movements	(380.5)	388.3	(133.3)	264.8
Acquisitions	8,256.3	4,155.7	3,231.5	5,112.6
Maturities and disposals	(7,970.7)	(4,507.4)	(3,262.8)	(5,169.6)
Transfers to other categories[1,2]	(136.0)	—	(79.1)	—
Balance at the end of the year	**5,497.2**	**9,854.4**	**5,728.1**	**9,817.8**
Unrealised (losses) included in the Statement of comprehensive income for assets and liabilities held at the Statement of financial position date	**(380.5)**	**(388.3)**	**(133.3)**	**(264.8)**

1 The Group transfers between levels of the fair value hierarchy when there is a change in the observability of the pricing inputs or a change to valuation methodology.
2 Transfers to/from other categories are due to changes in the market observability of inputs used in the valuation of financial instruments and investment property. There were no transfers between Level 1 and Level 2 during the reporting period. There were no transfers into Level 3 from Level 2 (30 June 2023: $4.5 million) and $136.0m transfers out of Level 3 into Level 2 (30 June 2023: $83.6 million) during the reporting period.

Level 3 sensitivities

The following table shows the sensitivity of Level 3 financial instruments to a reasonably possible change in assumptions in respect of the non-observable inputs into the fair value calculation.

	Level 3 value[1] $m	Positive impact $m	Negative impact $m	Valuation technique	Reasonably possible change in non-observable input[2,3,4]
30 June 2024					
Fixed income securities	1,979.3	13.8	(27.7)	Discounted cash flow	Primarily credit spreads
Equities and other alternatives	348.2	19.9	(20.8)	Discounted cash flow, external financial report	Mortality rate, 5% change in valuation
Infrastructure investments	264.2	3.7	(3.8)	Discounted cash flow, external financial report	Primarily discount rate on cash flow models
Property securities	100.3	5.0	(5.0)	External financial report	5% change in valuation
Life investment contract liabilities	(9,854.4)	6.9	(6.9)	Discounted cash flow	Primarily expense assumptions
Investment property	2,799.7	108.4	(92.0)	Market capitalisation, discounted cash flow	Primarily capitalisation rate
Assets attributable to RIU – SPV	5.5	0.1	(0.1)	Discounted cash flow	Assume 150bps move in discount rate
Total Level 3	**(4,357.2)**				
30 June 2023					
Fixed income securities	1,889.0	12.3	(31.7)	Discounted cash flow	Primarily credit spreads
Equities and other alternatives	184.7	12.9	(13.5)	Discounted cash flow, external financial report	Mortality rate, 5% change in valuation
Infrastructure investments	284.1	4.1	(4.0)	Discounted cash flow, external financial report	Primarily discount rate on cash flow models
Property securities	89.3	4.5	(4.5)	External financial report	5% change in valuation
Life investment contract liabilities	(9,817.8)	7.7	(7.7)	Discounted cash flow	Primarily expense assumptions
Investment property	3,269.2	108.1	(81.7)	Market capitalisation, discounted cash flow	Primarily capitalisation rate
Assets attributable to RIU – SPV	11.8	0.4	(0.4)	Discounted cash flow	Primarily prepayment rates
Total Level 3	**(4,089.7)**				

1 The fair value of the asset would increase/decrease if the credit spread, discount rate or expense assumptions decrease/increase or if other inputs increase/decrease. The fair value of the liability would increase/decrease if the discount rate decreases/increases or expense assumptions increase/decrease.
2 Specific asset valuations will vary from asset to asset, as each individual industry profile will determine appropriate valuation inputs to be utilised.
3 The effect of a change to reflect a reasonably possible alternative assumption was calculated by moving the credit band by one tier, adjusting the discount rates by between 50bps – 100bps, adjusting property capitalisation rates by 25bps (Australia) or 10bps (Japan), adjusting credit spreads by 50bps, changing the valuation of the unlisted schemes by 5% and adjusting the expense assumption allocation splits by 10%.
4 The movements in non-observable inputs at 30 June 2024 are largely unchanged from 30 June 2023.

Section 6: Group structure

This section provides details and disclosures relating to controlled entities and any acquisitions and/or disposals of businesses in the year. Disclosure on related parties is also provided in this section.

Note 21 Controlled entities

The material controlled entities, based on contribution to the Company's Statement of comprehensive income, total assets and total liabilities, are set out below.

Entity name	
839 Collins Trust	Challenger Property Trust No.32
Belconnen Property Trust	CLC Global High Yield Credit Trust
Challenger Adelaide Street Trust	CLC Leveraged Loan Trust
Challenger Clarence Street Trust	Crown Domestic Sovereign Bond Trust[2]
Challenger Diversified Property Trust 1	GIR StatePlus Trust[2]
Challenger Enhanced Index Fund (AS)[2]	Godo Kaisha Sub Tokumei Kumiai Two (Japan)[1]
Challenger Gateway Palmerston Trust	Index Plus - CSC Enhanced Mandate Fund[2]
Challenger Golden Grove Trust	Index Plus - Fiducian Enhanced Mandate Fund[2]
Challenger Index Plus Fund[2]	Index Plus - IOOF Enhanced Mandate Fund[2]
Challenger Life OFI Trust	Index Plus - LGS Enhanced Mandate Fund[2]
Challenger Millennium Series 2013-1 Trust	Index Plus - TAL Life Enhanced Mandate Fund[2]
Challenger North Rocks Trust	Oaklands Hill Pty Ltd
Challenger Northbourne Trust	US LLC Investments LLC

Unless otherwise stated, all material entities are incorporated in Australia, 100% owned and principal activity is to hold investments to support the life insurance business.

1 Percentage holding is less than 100%.

2 CLC consolidates the funds due to control over the trust and the existence of a total return swap. CLC has no percentage holding in the funds.

Accounting policy

Controlled entities are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. The acquisition method of accounting is applied on acquisition or initial consolidation. This method ascribes fair values to the identifiable assets and liabilities acquired. The difference between the net fair value acquired and the fair value of the consideration paid (including the fair value of any pre-existing investment in the entity) is recognised as either goodwill on the Statement of financial position or a discount on acquisition through the Statement of comprehensive income.

Principles of consolidation

The financial statements consolidate the financial information of controlled entities. An entity is controlled when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The statement of financial position date and the accounting policies of controlled entities are consistent with those of the Company. The Company assesses, at inception and at each reporting date, whether an entity should be consolidated based on the accounting policy.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, are eliminated in full. Non-controlling interests represent the share in the net assets of subsidiaries attributable to equity interests not owned directly or indirectly by the Group.

The life contract operations of the Company are conducted within the separate statutory funds as required by the Life Act. Both the shareholder interests and policyholder interests in the statutory funds are reported in aggregate in the financial report of the Group.

Note 22 Related parties

Controlled entities and associates

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

Unless an exception applies under relevant legislation, transactions between commonly-controlled entities within the Group (except where otherwise disclosed) are conducted on an arm's length basis under normal commercial terms and conditions. The Group's interests in controlled entities are disclosed in Note 21 Controlled entities.

Directors and key executives

The Directors and key executives of Challenger Life Company Limited during the financial year were as follows.

Directors	
Duncan West	Independent Non-Executive Director and Chair
Nicolas Hamilton	Director
Lisa Gray (appointed 9 November 2023)	Independent Non-Executive Director
John M Green	Independent Non-Executive Director
Steven Gregg (resigned 26 October 2023)	Independent Non-Executive Director
Heather Smith	Independent Non-Executive Director
JoAnne Stephenson	Independent Non-Executive Director
Melanie Willis	Independent Non-Executive Director

Key executives	
Anton Kapel	Chief Executive Officer
Lanh Nguyen	Chief Financial Officer
Martin Considine	Appointed Actuary
Anthony Bofinger (resigned 29 February 2024)	Chief Risk Officer
Chris Plater (appointed 1 March 2024)	Chief Risk Officer

Key Management Personnel compensation

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. A summary of this compensation is shown in the table below.

Consolidated and parent	30 June 2024 $	30 June 2023 $
KMP compensation		
Short-term benefits	3,172,441	3,062,203
Post-employment benefits	130,996	89,455
Share-based payments	934,067	535,884
Total	**4,237,504**	**3,687,542**

A KMP of the Company may also be considered a KMP of other entities in the wider Challenger Group and receive remuneration for activities spanning those entities. In this situation, an allocation of KMP compensation is made based on an apportionment of each KMP's activities attributable to the Company.

Note 22 Related parties (continued)

Other related parties

During the year, there were transactions between the Group and other companies that are related parties of the Challenger Limited consolidated group. This included the provision of reinsurance, investment management, transaction advisory, KMP compensation, accounting and administration, and other professional services.

Transactions are conducted on an arm's length basis under normal commercial terms and conditions.

Amounts paid under the above arrangements are reflected in the table below.

	Consolidated		Parent	
	30 June 2024 $m	30 June 2023 $m	30 June 2024 $m	30 June 2023 $m
Accounting and administrative services[1]	135.0	110.9	135.0	110.9
Investment management and advisory fees	42.0	49.4	34.5	45.4
Realised hedge (receipts)/payments[2]	(10.1)	(12.1)	(10.1)	(12.1)
Reinsurance arrangement net receipts[3]	74.0	167.1	—	—

1 Accounting and administrative services are provided by Challenger Group Services Pty Ltd, a subsidiary of the ultimate parent entity, Challenger Limited. Investment administration services are provided by Artega Investment Administration, a subsidiary of the ultimate parent entity, Challenger Limited.

2 The Company hedges certain foreign exchange and interest rate exposures with transactions with Challenger Treasury Limited. For the year ended 30 June 2024, a gain of $53.5 million (30 June 2023: gain of $61.8 million) was recognised in the Statement of comprehensive income.

3 The Company, through its wholly owned subsidiary, is party to a reinsurance arrangement with MS Primary (MSP), which is a subsidiary of one of Challenger Limited's substantial shareholders, MS & AD Insurance Group Holdings Inc. The arrangement had premium inflows of $708.8 million (30 June 2023: $740.9 million) partially offset by annuity and death payments of $574.5 million (30 June 2023: $520.4 million) and reinsurance commission fees paid $60.3 million (30 June 2023: $53.4 million).

At 30 June 2024, amounts recoverable from related entities were $157.0 million (30 June 2023: $214.7 million) and $560.3 million (30 June 2023: $457.5 million) for the consolidated group and parent respectively, and amounts payable to related entities were $27.9 million (30 June 2023: Nil) and $411.5 million (30 June 2023: $440.8 million) for the consolidated group and parent respectively.

Loans to Directors and key executives

There were no loans made to Directors or key executives as at 30 June 2024 (30 June 2023: nil).

Group products

From time to time, Directors or key executives of the Company or their related entities may purchase products from the Group. These purchases are on the same arm's length terms and conditions as those offered to other employees or customers.

Section 7: Other items

This section provides information that is less significant in understanding the financial performance and position of the Group and the Company due to lack of movement in the amount or the overall size of balance. Nevertheless, these items assist in understanding the Group or are required under Australian or International Accounting Standards, the ***Corporations Act 2001*** and/or the ***Corporations Regulations***.

Note 23 Goodwill

Consolidated	30 June 2024 $m	30 June 2023 $m
Goodwill[1]	**69.4**	**69.4**

[1] All goodwill is considered non-current. The parent has $46.8 million of goodwill (30 June 2023: $46.8 million).

Accounting policy

Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the fair value of the consideration for the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill has an indefinite useful life.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating unit (CGU).

The CGU represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Impairment is determined by assessing the recoverable amount of the CGU to which the goodwill relates.

When the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised and allocated first to reduce the carrying amount of any goodwill allocated to that CGU, then to reduce the carrying amount of the other assets in the unit on a pro rata basis. Impairment losses recognised for goodwill are not subsequently reversed.

When goodwill forms part of a CGU and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Key estimates and assumptions

Goodwill recoverable amounts

The Group assesses whether goodwill is impaired at least annually in accordance with its accounting policy. The recoverable amount of the CGU is determined based on value in use calculations, that utilise cash flow projections based on financial forecasts approved by senior management which cover an appropriate horizon. In determining these cash flow projections, management considers:

- current and expected performance of the CGU;
- Board and management approved budgets and strategic plans; and
- changes in Australian and international economic and market environments.

The cash flow projections determined by management are discounted using an appropriate discount rate. The determination of the discount rate is a matter of judgement and is based on a number of factors including a theoretical calculation, observation of third party reports and discount rates used by comparable financial services companies.

The relevant assumptions in deriving the value of the CGU are:

- the budgeted net profit after tax for the CGU for each year within the cash flow projection period;
- the discount rate; and
- growth rates, which are consistent with long-term trends in the industry segments in which the CGU operates.

The derived values for the CGU are in excess of the carrying values of goodwill.

Impairment testing of goodwill

The following represent the carrying amounts of goodwill.

CGU	30 June 2024 $m	30 June 2023 $m	Discount rate 30 June 2024 %	Discount rate 30 June 2023 %	Cash flow horizon (years)
CLC	69.4	69.4	9.4	10.0	3

The cash flow projections derived a value for the Group that was in excess of the net assets inclusive of the carrying value of goodwill. Consequently, no impairment of goodwill was recorded.

Sensitivity to change in assumptions

Management is of the view that reasonably possible changes in the key assumptions, such as an increase in the discount rate by 1% or a change in projected cash flows of 5%, would not cause the respective recoverable amounts for the Group to fall below the carrying amounts as at 30 June 2024. All goodwill is non-current.

Note 24 Contingent liabilities, contingent assets and credit commitments

Warranties

Over the course of its corporate activity, the Group has given, as a vendor of assets including real estate properties, warranties to purchasers on several agreements that are outstanding at 30 June 2024. Other than noted below, at the date of this report no material claims against these warranties have been received by the Group.

Contingent future commitments

The Group has made capital commitments to external counterparties for future investment opportunities such as development or investment purchases. As at 30 June 2024, there are potential future commitments totalling $1,438.0 million (30 June 2023: $955.5 million) in relation to these opportunities. Contractual obligations for future property repairs and maintenance are in place but cannot be quantified until required.

Subsidiary guarantees

CLC has provided a guarantee to a third party regarding the performance of its subsidiary in respect of certain reinsurance arrangements.

Other information

In the normal course of business, the Group enters into various contracts that could give rise to contingent liabilities in relation to performance obligations under those contracts. The information usually required by Australian Accounting Standards is not disclosed for a number of such contracts on the grounds that it may seriously prejudice the outcome of the claims. At the date of this report, significant uncertainty exists regarding any potential liability under these claims.

Operating leases

Group as lessor

Investment properties owned by the Group are leased to third parties under operating leases. Lease terms vary between tenants and some leases include percentage rental payments based on sales volumes.

Contracted capital expenditure commitments

These represent amounts payable in relation to capital expenditure commitments contracted for at the reporting date but not recognised as liabilities. They primarily relate to the investment property portfolio.

Analysis of credit commitments	30 June 2024 $m	30 June 2023 $m
Contracted capital expenditure		
Amounts due in less than one year	1.8	8.9
Amounts due between one and two years	1.4	0.9
Amounts due between two and five years	3.4	0.9
Amounts due in greater than five years	12.6	12.6
Total capital expenditure commitments	**19.2**	**23.3**
Non-cancellable operating leases – Group as lessor		
Amounts due in less than one year	(162.3)	(184.5)
Amounts due between one and two years	(142.9)	(158.6)
Amounts due between two and five years	(341.2)	(354.5)
Amounts due in greater than five years	(556.2)	(614.0)
Total operating leases – Group as lessor	**(1,202.6)**	**(1,311.6)**
Net commitments	**(1,183.4)**	**(1,288.3)**

Note 25 Remuneration of auditors

Auditors' remuneration in respect of the entities within the Group is incurred and paid by Challenger Group Services Pty Ltd, a subsidiary of the ultimate parent entity, Challenger Limited.

Note 26 Subsequent events

At the date of this report no other matter or circumstance has arisen that has affected, or may significantly affect, CLC's operations, the results of those operations or the Group's state of affairs in future financial years.

Consolidated entity disclosure statement

Set out below is a list of entities that are consolidated in this set of Consolidated financial statements at the end of the financial year.

Entity name	Entity type	Body corporate country of incorporation	Body corporate % of share capital held	Country of tax residence
Challenger Life Company Limited (Parent)	Body corporate	Australia	100%	Australia
255 Finance Group Pty Ltd	Body corporate	Australia	100%	Australia
255 Finance Investments Pty Ltd	Body corporate	Australia	100%	Australia
255 Finance Pty Ltd	Body corporate	Australia	100%	Australia
255 Finance Services Pty Ltd	Body corporate	Australia	100%	Australia
839 Collins Trust	Trust	N/A	N/A	Australia
Arise Finance Trust	Trust	N/A	N/A	Australia
Arise Residential Mortgage Trust No 1	Trust	N/A	N/A	Australia
Belconnen Property Trust	Trust	N/A	N/A	Australia
CDPG Australia Pty Limited	Body corporate	Australia	100%	Australia
Challenger Adelaide St. Trust	Trust	N/A	N/A	Australia
Challenger Australia Listed Property Holding Trust	Trust	N/A	N/A	Australia
Challenger Bourke Trust	Trust	N/A	N/A	Australia
Challenger Bunbury Trust	Trust	N/A	N/A	Australia
Challenger Channel Court Trust	Trust	N/A	N/A	Australia
Challenger Childers Square Trust	Trust	N/A	N/A	Australia
Challenger CKT Holding Trust	Trust	N/A	N/A	Australia
Challenger Clarence St. Trust	Trust	N/A	N/A	Australia
Challenger Diversified Property Trust 1	Trust	N/A	N/A	Australia
Challenger DPG France II SAS	Body corporate	France	100%	France
Challenger East Arm Logistics Trust	Trust	N/A	N/A	Australia
Challenger East Arm Logistics Trust No.2	Trust	N/A	N/A	Australia
Challenger Enhanced Index Fund (AS)[1]	Trust	N/A	N/A	Australia
Challenger Gateway Palmerston Trust	Trust	N/A	N/A	Australia
Challenger Golden Grove Trust	Trust	N/A	N/A	Australia
Challenger Guernsey Trust	Trust	N/A	N/A	Australia
Challenger High Yield Fund	Trust	N/A	N/A	Australia
Challenger Index Plus Fund[1]	Trust	N/A	N/A	Australia
Challenger Japan Retail Trust 1	Trust	N/A	N/A	Australia
Challenger Japan Retail Trust 2	Trust	N/A	N/A	Australia
Challenger Karratha Trust	Trust	N/A	N/A	Australia
Challenger Lennox Trust	Trust	N/A	N/A	Australia
Challenger Life Collateral Holding Trust	Trust	N/A	N/A	Australia
Challenger Life Debt Investments (Europe) Limited	Body corporate	United Kingdom	100%	United Kingdom
Challenger Life Fund Investments Trust	Trust	N/A	N/A	Australia
Challenger Life Fund Property Investments Pty Ltd	Body corporate	Australia	100%	Australia
Challenger Life Investments UK Limited	Body corporate	United Kingdom	100%	United Kingdom
Challenger Life MN Trust	Trust	N/A	N/A	Australia
Challenger Life OFI Trust	Trust	N/A	N/A	Australia

[1] CLC consolidates the funds due to control over the trust and the existence of a total return swap. CLC has no percentage holding in the funds.

Entity name	Entity type	Body corporate country of incorporation	Body corporate % of share capital held	Country of tax residence
Challenger Life OFI Trust – UK branch	Trust	N/A	N/A	United Kingdom
Challenger Life Subsidiary Holdings Pty Limited	Body corporate	Australia	100%	Australia
Challenger Millennium NPL Trust	Trust	N/A	N/A	Australia
Challenger Millennium Series 2007-1E Trust	Trust	N/A	N/A	Australia
Challenger Millennium Series 2007-2L Trust	Trust	N/A	N/A	Australia
Challenger Millennium Series 2013-1 Trust	Trust	N/A	N/A	Australia
Challenger Millennium Warehouse F Trust	Trust	N/A	N/A	Australia
Challenger Millennium Warehouse NPF Trust	Trust	N/A	N/A	Australia
Challenger North Rocks Trust	Trust	N/A	N/A	Australia
Challenger Northbourne Trust	Trust	N/A	N/A	Australia
Challenger NZ Millennium Series 2007-AP Trust	Trust	N/A	N/A	New Zealand
Challenger Property Trust No. 25	Trust	N/A	N/A	Australia
Challenger Property Trust No. 28	Trust	N/A	N/A	Australia
Challenger Property Trust No. 32	Trust	N/A	N/A	Australia
Challenger Property Trust No. 33	Trust	N/A	N/A	Australia
Challenger Property Trust No. 36	Trust	N/A	N/A	Australia
Challenger Seattle Trust	Trust	N/A	N/A	Australia
Challenger Titanium Series Warehouse C Trust	Trust	N/A	N/A	Australia
Challenger UK Tank Storage Holding Trust	Trust	N/A	N/A	Australia
Challenger USPF II Trust	Trust	N/A	N/A	Australia
Challenger Wind Holdings Pty Limited	Body corporate	Australia	100%	Australia
Challenger Wind Trust	Trust	N/A	N/A	Australia
CLC Global High Yield Credit Trust	Trust	N/A	N/A	Australia
CLC Leveraged Loan Trust	Trust	N/A	N/A	Australia
CLS US Holdings,LLC	Body corporate	United States	100%	Australia
CMM NIM Trust No. 2	Trust	N/A	N/A	Australia
CPHIC Investments Pty Ltd	Body corporate	Australia	100%	Australia
Crown Domestic Sovereign Bond Trust[1]	Trust	N/A	N/A	Australia
Discovery House Trust	Trust	N/A	N/A	Australia
GIR StatePlus Trust[1]	Trust	N/A	N/A	Australia
Godo Kaisha Master TK	Partnership	N/A	N/A	Japan
Godo Kaisha Master TK Two	Partnership	N/A	N/A	Japan
Godo Kaisha Sub TK One	Partnership	N/A	N/A	Japan
Godo Kaisha Sub TK Two	Partnership	N/A	N/A	Japan
Godo Kaisha Sub TK Three	Partnership	N/A	N/A	Japan
Godo Kaisha Sub TK Four	Partnership	N/A	N/A	Japan
Index Plus - CSC Enhanced Mandate Fund[1]	Trust	N/A	N/A	Australia
Index Plus - Fiducian Enhanced Mandate Fund[1]	Trust	N/A	N/A	Australia
Index Plus - IOOF Enhanced Mandate Fund[1]	Trust	N/A	N/A	Australia
Index Plus - LGS Enhanced Mandate Fund[1]	Trust	N/A	N/A	Australia
Index Plus - TAL Life Enhanced Mandate Fund[1]	Trust	N/A	N/A	Australia
Interstar Millennium Series 2002-1G Trust	Trust	N/A	N/A	Australia
Interstar Millennium Series 2003-3G Trust	Trust	N/A	N/A	Australia
Interstar Millennium Series 2004-1E Trust	Trust	N/A	N/A	Australia

1 CLC consolidates the funds due to control over the trust and the existence of a total return swap. CLC has no percentage holding in the funds.

Entity name	Entity type	Body corporate country of incorporation	Body corporate % of share capital held	Country of tax residence
Interstar Millennium Series 2004-2G Trust	Trust	N/A	N/A	Australia
Interstar Millennium Series 2004-4E Trust	Trust	N/A	N/A	Australia
Interstar Millennium Series 2004-5 Trust	Trust	N/A	N/A	Australia
Interstar Millennium Series 2005-1G Trust	Trust	N/A	N/A	Australia
Interstar Millennium Series 2005-2L Trust	Trust	N/A	N/A	Australia
Interstar Millennium Series 2005-3E Trust	Trust	N/A	N/A	Australia
Interstar Millennium Series 2006-1 Trust	Trust	N/A	N/A	Australia
Interstar Millennium Series 2006-2G Trust	Trust	N/A	N/A	Australia
Interstar Millennium Series 2006-3L Trust	Trust	N/A	N/A	Australia
Interstar Millennium Series 2006-4H Trust	Trust	N/A	N/A	Australia
Interstar NZ Millennium Series 2004-A Trust	Trust	N/A	N/A	New Zealand
Kudu Investment Partners I, LP	Partnership	N/A	N/A	United States
Lease Collateral No.2 Pty Ltd	Body corporate	Australia	100%	Australia
Lease Collateral Pty Ltd[2]	Body corporate	Australia	100%	Australia
Lease Funding Management Pty Ltd	Body corporate	Australia	100%	Australia
Non Conforming Challenger Fund Trust No 1	Trust	N/A	N/A	Australia
Oaklands Hill Pty Ltd	Body corporate	Australia	100%	Australia
Offshore Reinsurer (Bermuda) Company Ltd	Body corporate	Bermuda	100%	Australia
Orde Warehouse Trust G	Trust	N/A	N/A	Australia
Recfin Investment Trust	Trust	N/A	N/A	Australia
Recfin Series 2016-1 Trust	Trust	N/A	N/A	Australia
Specialised Finance Warehouse Trust 1	Trust	N/A	N/A	Australia
Specialised Finance Warehouse Trust 2	Trust	N/A	N/A	Australia
US LLC Holdings Pty Ltd	Body corporate	Australia	100%	Australia
US LLC Investments LLC	Body corporate	United States	100%	United States
Whole Loan Trust No. 1	Trust	N/A	N/A	Australia

1 CLC consolidates the funds due to control over the trust and the existence of a total return swap. CLC has no percentage holding in the funds.
2 Entity is trustee of a trust in the consolidated entity.

Directors' declaration

In accordance with a resolution of the Directors of Challenger Life Company Limited, we declare that, in the opinion of the Directors:

a. the financial statements and notes of Challenger Life Company Limited and its controlled entities (the Group) are in accordance with the ***Corporations Act 2001*** (Cth), including:
   (i) giving a true and fair view of the Group's financial position as at 30 June 2024 and of its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the ***Corporations Regulations 2001*** (Cth);

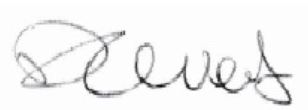
b. the financial statements and notes of the Group also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board which is disclosed in Section 1(i) Basis of preparation and statement of compliance;

c. the consolidated entity disclosure statement required by section 295(3A) of the ***Corporations Act*** is true and correct;

d. there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and

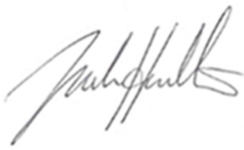
e. this declaration has been made after receiving the declarations required to be made to the Directors from the Chief Executive Officer and Chief Financial Officer in accordance with section 295A of the ***Corporations Act 2001*** (Cth) for the financial year ended 30 June 2024.

On behalf of the Board



D West
Independent Chair

Sydney
12 August 2024



N Hamilton
Director

Sydney
12 August 2024

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Independent Auditor's Report to the Shareholder of Challenger Life Company Limited

Opinion

We have audited the financial report of Challenger Life Company Limited (the Company) and its subsidiaries (collectively the Group), which comprises:

- the Group and Company statements of financial position as at 30 June 2024;
- the Group and Company statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended;
- notes to the financial statements, including material accounting policy information; and
- the directors' declaration.

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

a) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2024 and of their 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 Group 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 comprises the information included in the Company's 2024 Annual Report, but does not include the financial report and our auditor's report thereon.

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:

a) giving a the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001; and
b) the consolidated entity disclosure statement that is true and correct in accordance with the Corporations Act 2001, and

for such internal control as the directors determine is necessary to enable the preparation of:

i) the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
ii) the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company’s and Group’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 Group 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 or the Group’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 or Group’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 or the Group 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

Ernst & Young

Graeme McKenzie

Partner

Sydney

12 August 2024

Additional information

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Heather Smith
JoAnne Stephenson
Melanie Willis

Company secretary

Linda Matthews
Damien Donlon

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Auditor

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