

# Interstar Millennium Series 2003-3G Trust

General purpose financial report  
for the year ended  
30 June 2014

# 2014 General purpose financial report

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**30 June 2014 Annual General purpose financial report - Directors' report**

## Directors' report

The Directors of Challenger Securitisation Management Pty Limited (the Manager) submit their report together with the financial report of Interstar Millennium Series 2003-3G Trust (the Trust) for the year ended 30 June 2014.

### 1. Directors

The names of the Directors of the Manager holding office during the financial year and up to the date of this report are as follows. The Directors were in office for this entire period unless otherwise stated:

G J Buchanan (appointed 15/05/2014)  
A L Tobin  
R D Willis  
B R Benari (resigned 15/05/2014)

### 2. Trust and Manager information

The Trust is an Australian registered trust. The Manager is incorporated and domiciled in Australia.

The registered office of the Manager is Level 15, 255 Pitt Street, Sydney, NSW 2000.

### 3. Principal activity and significant changes in the nature of activities

The principal activity of the Trust during the course of the financial year was the collection of interest and principal on issued residential mortgages and the servicing of securitised debt obligations.

There were no significant changes in the nature of the activities of the Trust during the year.

### 4. Review of operations

The operating profit attributable to unitholders for the year ended 30 June 2014 was \$1,605,000 (2013: \$2,306,000). The operating profit as a percentage of the average mortgage balance for the year is 2.8% (2013: 3.1%).

### 5. Subsequent events

No matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect:

- the Trust's operations in future financial years; or
- the results of those operations in future financial years; or
- the Trust's state of affairs in future financial years.

### 6. Likely developments

The Trust will continue to manage the orderly run-off of its mortgage assets and securitised liabilities.

At this time the Directors are not aware of any developments likely to have a significant effect upon the operations of the result of the Trust in the subsequent financial year, which have not been adequately addressed in this report or in the financial report.

### 7. Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Trust in regards to insurance cover provided to either the officers of the Manager or the auditors of the Trust. So long as the officers of the Manager act in accordance with the Trust Deed and the law, the officers remain indemnified out of the assets of the Trust against losses incurred while acting on behalf of the Trust. The auditors of the Trust are in no way indemnified out of the assets of the Trust.

### 8. Rounding of amounts

The amounts contained in the annual financial report have been rounded off to the nearest \$1,000 (\$'000) under the option available to the Trust under Australian Securities & Investments Commission (ASIC) Class Order 98/100. The Trust is an entity to which the class order applies.

## Directors' report (continued)

### Authorisation

Signed in accordance with a resolution of the Directors of Challenger Securitisation Management Pty Limited.



A L Tobin  
Director  
Sydney, 24 October 2014

## 30 June 2014 Annual General purpose financial report

## Statement of comprehensive income

## For the year ended 30 June

	2014 \$'000	2013 \$'000
Interest from mortgages	3,819	5,514
Interest from cash and cash equivalents	165	231
Fee revenue	30	37
Unrealised (losses)/gains on derivative financial instruments	(28)	224
<b>Total revenue</b>	<b>3,986</b>	<b>6,006</b>
Other expenses	226	382
Finance costs	2,155	3,318
<b>Total expenses</b>	<b>2,381</b>	<b>3,700</b>
<b>Operating profit attributable to unitholders</b>	<b>1,605</b>	<b>2,306</b>
Movement in undistributed income	(109)	(340)
Distributions to unitholders during the year	(1,496)	(1,966)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>

*The above Statement of comprehensive income should be read in conjunction with the accompanying notes.*

30 June 2014 Annual General purpose financial report

# Statement of financial position

## As at 30 June

### Assets

Cash and cash equivalents

Trade and other receivables

Loans and receivables

### Total assets

### Liabilities

Payables

Undistributed income

Interest bearing financial liabilities

Derivative financial liabilities

### Total liabilities

### Net assets

Note	2014 \$'000	2013 \$'000
2	4,035	4,098
3	26	298
7	50,166	64,559
	<b>54,227</b>	<b>68,955</b>
4	34	43
	2,498	2,389
5	51,590	66,445
7	105	78
	<b>54,227</b>	<b>68,955</b>
	-	-

*The above Statement of financial position should be read in conjunction with the accompanying notes.*

## Statement of changes in equity

### For the year ended 30 June

At the beginning of the financial year

At the end of the financial year

2014 \$'000	2013 \$'000
-	-
-	-

*The above Statement of changes in equity should be read in conjunction with the accompanying notes.*

## 30 June 2014 Annual General purpose financial report

## Statement of cash flows

## For the year ended 30 June

**Operating activities**

Interest received from mortgage loans  
 Interest paid  
 Payments for services rendered  
 Interest received from cash and cash equivalents

**Net cash inflow from operating activities****Investing activities**

Mortgage loans repaid

**Net cash inflow from investing activities****Financing activities**

Distributions paid  
 Repayment of financial liabilities

**Net cash outflow from financing activities****Net decrease in cash and cash equivalents**

Cash and cash equivalents at the beginning of the year

**Cash and cash equivalents at the end of the year**

Note	2014 \$'000	2013 \$'000
	3,761	5,380
	(2,162)	(3,334)
	(195)	(294)
	166	231
6	<b>1,570</b>	<b>1,983</b>
	14,718	21,968
	<b>14,718</b>	<b>21,968</b>
	(1,496)	(1,966)
	(14,855)	(22,290)
	<b>(16,351)</b>	<b>(24,256)</b>
	<b>(63)</b>	<b>(305)</b>
	4,098	4,403
2	<b>4,035</b>	<b>4,098</b>

*The above Statement of cash flows should be read in conjunction with the accompanying notes.*



# Notes to the financial statements

For the year ended 30 June 2014

## 1 Basis of preparation and summary of significant accounting policies

### (a) Basis of preparation

Interstar Millennium Series 2003-3G Trust (the Trust) was established on 5 June 2003. The maturity date of the Trust is 27 September 2035.

The financial report covers the Trust as a single entity and was authorised for issue by the Directors of the Trust Manager on 24 October 2014.

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and (except where explicitly stated below) has been prepared on a historic cost basis, is presented in Australian dollars and has been rounded to the nearest thousand dollars.

The accounting policies set out below have been consistently applied to all periods presented.

### (b) Statement of compliance

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

### (c) Accounting standards and interpretations

(i) Certain new accounting standards and interpretations have been applied for the first time by the Trust for the 30 June 2014 reporting period. The Directors' assessment of the impact of these new standards and interpretations (to the extent relevant to the Trust) is set out below:

*AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)*

AASB 13 Fair Value Measurement aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards. The standard does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other Australian Accounting Standards.

The new standard does not affect the Trust's accounting policies or any of the amounts recognised in the financial statements. New disclosures prescribed by AASB 13 that are material to these financial statements have been included in Note 7 Financial risk management.

(ii) The following new accounting standards and interpretations have been issued but are not yet effective for the 30 June 2014 reporting period. The Directors' assessment of the impact of these new standards and interpretations (to the extent relevant to the Trust) is set out below:

*AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2018)*

AASB 9 Financial Instruments addresses the classification and measurement of financial assets. The standard is not applicable until 1 January 2018. The current four categories of financial assets, stipulated in AASB 139 Financial Instruments: Recognition and Measurement, will be replaced with two measurement categories: fair value and amortised cost. AASB 9 only permits the recognition of fair value gains/(losses) in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains/(losses) on debt investments, for example, will therefore have to be recognised directly in profit or loss. The Trust does not expect any significant impact on the financial statements arising from an adoption of the Standard.

### (d) Revenue recognition

Interest revenue is recognised as it accrues using the effective interest rate method, and is shown net of movements in the credit loss provisions and realised movements on hedge derivatives.

### (e) Expenses

The Servicer, Manager and the Trustee of the Trust charge fees. Payment dates are specified in the trust deed. The Servicer is entitled to a fee of 0.20% of the weighted average value of the interest bearing liability balance over the period between payment dates. The Manager fee is equal to 0.05% of the weighted average value of the interest bearing liability balance over the period between payment dates. The Trustee charges an annual fee. All amounts are recognised on an accruals basis.

**30 June 2014 Annual General purpose financial report - Notes to the financial statements**

**(f) Finance costs**

Finance costs represent interest paid on interest bearing liabilities and are recognised using the effective interest rate method.

**(g) Cash and cash equivalents**

Cash and cash equivalents can include cash on hand and at bank, bank accepted bills, short term deposits at call and commercial paper with an original maturity of three months or less that are readily convertible to known amounts of cash, net of outstanding bank overdrafts. All amounts are recognised at historic cost.

**(h) Loans and receivables**

Loans and receivables consist of mortgage loans made for terms not exceeding 30 years and secured by property mortgages based on independent valuations obtained at the inception of the loan.

Mortgage loans are initially recognised at cost, being the fair value of the amount transferred to the mortgagee plus transaction costs. After initial recognition, these investments are classified as loans and receivables and measured at amortised cost less impairment using the effective interest rate method. The loans and receivables are reviewed for impairment at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

**(i) Undistributed income**

Units on issue are represented by one residual capital unit and one residual income unit issued at a face value of \$10 each. The holder of the residual capital unit has the right to receive the entire beneficial interest in the Trust upon termination. The holder of the residual income unit has the right to receive all of the ongoing net profit, or residual income, of the Trust.

As the Trust has a defined termination date, both units are classed as debt instruments and, as such, the Trust has no equity. As a result, the funds contributed by the unitholder are recognised as a liability. In addition, all the profit, or residual income, of the Trust payable to the residual income unitholder is classified as an undistributed income liability at the Statement of financial position date.

**(j) Payables**

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

**(k) Interest bearing financial liabilities**

The interest bearing financial liabilities of the Trust are debt instruments securitised via the mortgage assets of the Trust. These notes are initially recognised at cost, being the fair value of the consideration received net of issue costs. After initial recognition, these notes are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

**(l) Derivative financial instruments**

The Trust enters into derivative financial instruments to hedge its exposures to foreign currency and interest rate changes. The Trust does not use derivative financial instruments for speculative purposes. All derivative financial instruments are stated at fair value.

**(m) Goods and services tax (GST)**

Revenue, expenses and assets are recognised net of the amount of GST except when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable. Receivables and payables are stated with the amount of GST included.

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

## 30 June 2014 Annual General purpose financial report - Notes to the financial statements

## Notes to the financial statements

For the year ended 30 June 2014

## 2 Cash and cash equivalents

Cash at bank and on hand  
Overnight deposits  
Term deposits

2014	2013
\$'000	\$'000
354	62
2,016	1,986
1,665	2,050
<b>4,035</b>	<b>4,098</b>

## 3 Trade and other receivables

GST receivable  
Amounts receivable from related parties

2014	2013
\$'000	\$'000
9	12
17	286
<b>26</b>	<b>298</b>

## 4 Payables

GST payable  
Accrued manager and servicer fee  
Interest payable  
Other

2014	2013
\$'000	\$'000
8	10
5	6
20	27
1	-
<b>34</b>	<b>43</b>

## 5 Interest bearing financial liabilities

Class A2 Notes  
Class A3 Notes  
Class B1 Notes  
Class B2 Notes

2014	2013
\$'000	\$'000
35,441	47,327
8,851	11,820
3,239	3,239
4,059	4,059
<b>51,590</b>	<b>66,445</b>

## 6 Reconciliation of operating profit to net cash inflow from operating activities

Operating profit attributable to unitholders  
Decrease/(increase) in operating receivables  
Decrease in interest payable  
Decrease in other operating payables  
Movement in provisions  
Add back loan write offs  
Unrealised losses/(gains) on derivative financial instruments  
**Net cash inflow from operating activities**

2,014	2013
\$'000	\$'000
1,605	2,306
3	(9)
(7)	(16)
(3)	(23)
(85)	(122)
29	71
28	(224)
<b>1,570</b>	<b>1,983</b>

## 30 June 2014 Annual General purpose financial report - Notes to the financial statements

## 7 Financial risk management

The principal activity of the Trust is to offer residential mortgage finance funded via the issuance of collateralised securities. The Trust manages the yield on the mortgage loan assets so as to ensure sufficient capital resources exist to enable payment of all expense obligations as and when they fall due.

The type and nature of financial risks the operations of the Trust are exposed to are detailed below:

### (a) Interest rate risk

Fluctuations in the bank bill swap rate (BBSW) impact the cost of funding and therefore the net interest margin (i.e. the difference between interest charged and interest incurred) earned by the Trust.

The Manager manages this risk by actively adjusting the interest rate charged to borrowers if there is a sustained adverse differential between rates charged and rates incurred. However, this can only be applied to floating rate mortgages; to the extent that customers fix their interest rates, the Trust remains exposed to any adverse margin spread.

To mitigate this risk, the Trust enters into interest rate derivatives that swap the fixed rate for a floating rate on a notional value equal to the fixed rate mortgages.

The Trust's sensitivity to movements in interest rates in relation to the value of interest bearing financial assets and liabilities is shown in the table below. All material underlying exposures and related hedges are included in the analysis:

	Impact on operating profit	
	30 June 2014 \$'000	30 June 2013 \$'000
Movement in weighted average cost of funds:		
+ 100 basis points (bps)	(43)	(55)
- 100 basis points (bps)	43	55

The methodology applied in the sensitivity analysis did not change from the previous period. As shown above, a 100 bps movement in interest rates would affect the Trust's operating profit; however, exposure would be limited to approximately one month as the Manager has the opportunity to reprice the variable loans in the mortgage portfolio and derivatives could be purchased to match the fixed portion.

### (b) Foreign exchange risk

Class A2 and B1 notes are issued in US dollars. As described in Note 1(l) and 7(f), the Trust hedges all exposures to foreign currency risk using cross currency swap derivative financial instruments.

### (c) Liquidity risk

Liquidity risk is the risk that the Trust will not have sufficient available cash resources to meet payments as and when they fall due. The Trust is not exposed to significant liquidity risk as (subject to the comments below in respect of settlement risk) payments of interest and principal to note holders are only made on receipt of principal and interest from mortgage holders. Surplus capital is maintained in liquid cash and cash equivalent investments to meet payments to suppliers.

## 30 June 2014 Annual General purpose financial report - Notes to the financial statements

**(c) Liquidity risk (continued)**

The table below summarises the expected maturity profile of the Trust's undiscounted financial liability repayments:

	1 year or less \$'000	1-3 years \$'000	3-5 years \$'000	> 5 years \$'000	Total \$'000
<b>30 June 2014</b>					
<b>Financial liabilities</b>					
Payables	34	-	-	-	34
Interest bearing financial liabilities	13,224	18,011	10,963	15,383	57,581
Derivative financial liabilities	1	1	-	-	2
	13,259	18,012	10,963	15,383	57,617
<b>30 June 2013</b>					
<b>Financial liabilities</b>					
Payables	43	-	-	-	43
Interest bearing financial liabilities	15,679	22,534	14,374	28,411	80,998
Derivative financial liabilities	5	-	-	-	5
	15,727	22,534	14,374	28,411	81,046

**(d) Credit risk exposures**

Credit risk includes both settlement and counterparty risk. Settlement risk is the risk that the Trust remits payments to note holders before it can ascertain that payments have been received from mortgage holders. Principal and interest receivable against mortgage assets are 99.9% covered by primary lender's mortgage insurance (LMI) policies. These insurance policies insure the Trust against the risk of default by mortgage holders. The Trust maintains sufficient liquid cash resources to meet the small residual credit default risk and the timing difference between lodgement and receipt of LMI claims.

Counterparty risk is the risk of losses resulting from a default by either LMI insurers or issuers of the Trust's derivatives contracts. The financial strength of each LMI insurer is at least AA-, as rated by Standard & Poor's. Derivatives are only entered into with AA- or higher rated financial institutions. At reporting date, the Trust has no significant concentrations of counterparty risk.

The table below provides information regarding the maximum credit risk exposure of the Trust at the balance date. The analysis classifies the assets according to the internal credit ratings. Investment grade assets are rated above BBB- (based on Standard & Poor's methodology).

	Equivalent credit rating Investment grade			Total
	AAA \$'000	AA \$'000	AA- \$'000	\$'000
<b>30 June 2014</b>				
Cash and cash equivalents	4,035	-	-	4,035
Loans and receivables	43,070	-	7,096	50,166
	47,105	-	7,096	54,201
<b>30 June 2013</b>				
Cash and cash equivalents	4,098	-	-	4,098
Loans and receivables	57,469	-	7,090	64,559
	61,567	-	7,090	68,657

The credit quality of all financial instruments is consistently monitored in order to identify any adverse changes.

## 30 June 2014 Annual General purpose financial report - Notes to the financial statements

**(d) Credit risk exposures (continued)**

The following table gives information regarding the carrying value of the Trust's mortgages that are neither past due nor impaired, an ageing analysis of those mortgages that are past due but not impaired and those mortgages that are past due and impaired at the Statement of financial position date:

	Neither past due nor impaired \$'000	Past due but not impaired			Past due and impaired \$'000	Fair value of collateral held <sup>1</sup>	
		0-1 months \$'000	1-3 months \$'000	3-6 months \$'000		Total \$'000	\$'000
<b>30 June 2014</b>							
Loans and receivables	45,592	325	177	4,072	-	50,166	81,971
<b>30 June 2013</b>							
Loans and receivables	59,265	2,107	265	2,922	-	64,559	103,294

<sup>1</sup> Represented by the weighted average loan to value ratio of property held as collateral at reporting end.

Impairment losses are recognised if there is objective evidence of one or more loss events having occurred after the initial recognition of the loan, and the impact of the loss event can be reliably measured.

The impairment loss is estimated as the difference between the carrying amount of the loan and the present value of future expected cash flows discounted at the loan's original effective interest rate, adjusted for LMI coverage.

In the event of default, in compliance with the terms of the mortgage contract, the Trust may take possession of the mortgaged property; the Trust can subsequently sell the property as a recovery action towards settlement of the outstanding mortgage.

**(e) Fair values**

Fair value reflects the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of financial assets and liabilities that are actively traded in organised financial markets are determined by reference to quoted market bid and ask prices at the close of business at reporting date.

The financial report has been prepared on a historic cost basis with the exception of derivative financial instruments. The difference between the carrying amount (i.e. amortised cost) and fair value for loans and receivables and interest bearing liabilities is disclosed below. Fair value is determined using a discounted cash flow model adjusting expected future mortgage and liability cash flows for prepayment and other assumptions as well as applying current applicable credit margins to the discount rates used. The carrying value of all other assets and liabilities approximate fair value.

	Carrying value Fair value		Carrying value Fair value	
	30 June 2014 \$'000	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2013 \$'000
<b>Difference between amortised cost (carrying value) and fair value</b>				
Loans and receivables	50,166	51,561	64,559	65,969
Interest bearing liabilities	51,590	49,948	66,445	64,251

**(f) Derivative financial instruments**

The fair value of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on each reporting date. Where no such market exists, valuation models that utilise both internal and external inputs are used to determine fair value. Financial instruments are split into the following categories depending on the level of observable inputs into the models used to determine fair value:

- Level 1 unadjusted quoted prices in active markets.
- Level 2 valuation inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirect (i.e. derived from prices).
- Level 3 valuation inputs or liability that are not based on observable market data (unobservable inputs).

**30 June 2014 Annual General purpose financial report - Notes to the financial statements****(f) Derivative financial instruments (continued)**

The fair value of derivative financial instruments as described previously have been classified as Level 2 based on the availability of observable inputs used to estimate their fair value.

The derivative financial instruments are traded over the counter so, whilst they are not exchange traded, there is a market observable price.

As described above, the Trust hedges exposure to interest rate risk and foreign currency exchange rate risk using interest rate swaps and cross currency swaps. The Trust holds the following derivative financial instruments:

	Notional value \$'000	Fair value assets \$'000	Fair value liabilities \$'000	Maturity Profile of Fair Value			
				<1yr \$'000	1-3yrs \$'000	3-5yrs \$'000	>5yrs \$'000
<b>30 June 2014</b>							
Interest rate swaps	189	-	(1)	-	(1)	-	-
Cross currency swaps	38,680	-	(104)	-	-	-	(104)
	<u>38,869</u>	<u>-</u>	<u>(105)</u>	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>(104)</u>
<b>30 June 2013</b>							
Interest rate swaps	410	-	(5)	(5)	-	-	-
Cross currency swaps	50,566	-	(73)	-	-	-	(73)
	<u>50,976</u>	<u>-</u>	<u>(78)</u>	<u>(5)</u>	<u>-</u>	<u>-</u>	<u>(73)</u>

**8 Related parties**

The Manager of the Trust is Challenger Securitisation Management Pty Limited, the Servicer is Challenger Mortgage Management Pty Limited and the Trustee is Perpetual Trustees Victoria Limited. Fees paid to these related parties were as follows:

	2014 \$'000	2013 \$'000
Servicer fees	129	171
Manager fees	32	43
Trustee fees	15	20

The key management personnel are the Directors of the Manager:

G J Buchanan (appointed 15/05/2014)  
A L Tobin  
R D Willis  
B R Benari (resigned 15/05/2014)

The Trust pays no compensation to key management personnel.

Current amounts receivable from related parties (as disclosed in Note 3 Trade and other receivables) are amounts due from the central bank account used to manage mortgagee payments for the Interstar Millennium Series Trusts.

As at the Statement of financial position date, CMM NIM Trust No.8 (a commonly-controlled entity with both the Manager and the Servicer) holds the residual income unit in the Trust.

**9 Subsequent events**

No matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect:

- the Trust's operations in future financial years; or
- the results of those operations in future financial years; or
- the Trust's state of affairs in future financial years.

**10 Auditor's Remuneration**

All audit fees paid and payable are incurred by a commonly-controlled entity with the Manager.


**30 June 2014 Annual General purpose financial report - Directors' declaration**

## Directors' declaration

In accordance with a resolution of the Directors of Challenger Securitisation Management Pty Limited (the Manager), we declare that, in the opinion of the Directors:

- (a) the financial statements, and notes of Interstar Millennium Series 2003-3G Trust (the Trust):
  - (i) give a true and fair view of the financial position of the Trust as at 30 June 2014 and of its performance for the year ended on that date; and
  - (ii) comply with Australian Accounting Standards (including the Australian Accounting Interpretations) to the extent described in Note 1.
- (b) the financial report of the Trust also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board as disclosed in Note 1(b) Statement of compliance;
- (c) there are reasonable grounds to believe that the Trust will be able to pay its debts as when they become due and payable.

On behalf of the Board



AL Tobin  
Director  
Sydney, 24 October 2014



## Independent auditor's report to the Unitholders of Interstar Millennium Series 2003-3G Trust

We have audited the accompanying financial report of Interstar Millennium Series 2003-3G Trust, which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

### *Directors' responsibility for the financial report*

The directors of Challenger Securitisation Management Pty Limited (the 'Trust Manager') are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

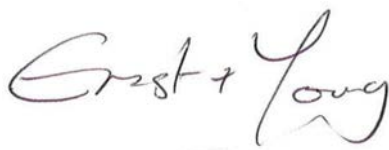
### *Independence*

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the trust a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

## *Opinion*

In our opinion:

- a. the financial report of Interstar Millennium Series 2003-3G Trust is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the trust's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.



Ernst & Young



Darren Handley-Greaves  
Partner  
Sydney  
24 October 2014