AMP

N. M. Superannuation Proprietary Limited

ABN 31 008 428 322

Directors' report and Financial report for the year ended 31 December 2019

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Directors' report and Financial report
31 December 2019

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Registered Office:
33 Alfred Street, Sydney NSW 2000

N. M. Superannuation Proprietary Limited, a Company limited by shares, is incorporated and domiciled in Australia

Directors' report

for the year ended 31 December 2019

The directors of N. M. Superannuation Proprietary Limited (NM Super or the Company) present their report on the Company for the year ended 31 December 2019.

NM Super is a Company limited by shares and is incorporated and domiciled in Australia. AMP Wealth Management Holdings Proprietary Ltd is the Company's parent entity and AMP Limited is the ultimate parent entity. As part of an AMP group restructure, the ownership of the Company changed during 2019.The previous parent entity of the Company as at 31 December 2018 was AMP Life Limited while AMP Limited was the ultimate parent entity.

Directors

The directors of the Company during the year ended 31 December 2019 and up to the date of this report are shown below. Directors were in office for the entire period except where stated otherwise.

Tony Brain	Non-Executive Chairman[1]	
Sarah Brennan	Non-Executive Director	Appointed 01 November 2019
Kerrie Howard	Non-Executive Director	Appointed 01 November 2019
Darryl Mackay	Non-Executive Director	
Catherine McDowell	Non-Executive Director	Appointed 11 July 2019
Stephen Roberts	Non-Executive Director	Appointed 11 July 2019
Paul Scully	Non-Executive Director	Appointed 01 November 2019
Alexander Wade	Executive Director	Appointed 04 Jan 2020
Richard Allert	Non-Executive Chairman	Resigned 09 May 2019
Cathy Doyle	Non-Executive Director	Resigned 11 July 2019
Louise Dudley	Non-Executive Director	Resigned 14 June 2019

1. Tony Brain was appointed Interim Non-Executive Chairman on 9 May 2019. He has been a Non-Executive Director for the entire year.

Principal activity

The principal activity of the Company during the year was to act as trustee for various superannuation funds. There have been no significant changes in the nature of its activity during the year.

Review of operations and results

The Company's profit after tax for the year ended 31 December 2019 was $1,152k (2018: $1,563k).

Dividends

No dividends were declared or paid by the Company for the financial year ended 31 December 2019 (2018: $nil).

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Company during the year.

Events occurring after the reporting date

Following 31 December 2019, COVID-19 outbreak has caused disruption to the global economy including financial markets. While the disruption does not impact the value of the assets as at 31 December 2019, it is expected to impact the future revenues of the Company as well as the assets and the guarantee liability. As at the date of this report, the impact cannot be quantified as the extent and duration of the economic disruption is unknown.

Other than the matter noted above, as at the date of this report, the directors are not aware of any matter or circumstance that has arisen since the reporting date that has significantly affected or may significantly affect the Company's operations in future years, the results of those operations in future years, or the Company's state of affairs in future years which is not already reflected in this report.

Environmental regulations

The Company's operations are not subject to any particular and significant environmental regulation under a law of the Commonwealth or State or Territory.

Likely developments

On 25 October 2018, AMP announced an agreement with Resolution Life Australia Proprietary Ltd to sell its Australian and New Zealand wealth protection (WP) and mature businesses. On 8 August 2019, AMP announced a revised agreement with updated terms for the sale of these businesses, subject to regulatory approvals, which is expected to complete in the first half of 2020. In response to the proposed sale, it is likely there will be changes to the superannuation funds under the trusteeship of the Company. These changes could include successor fund transfers, winding up of certain funds or changing trustees. All changes are subject to the approval of the Trustee.

Indemnification and insurance of directors and officers

Under its Constitution, the Company indemnifies, to the extent permitted by law, all current and former officers of the Company (including the directors) against any liability (including the reasonable costs and expenses of defending proceedings for an actual or alleged liability) incurred in their capacity as an officer of the Company. This indemnity is not extended to current or former employees of the AMP group against liability incurred in their capacity as an employee, unless approved by or on behalf of the AMP Limited Board.

During, and since the end of, the financial year ended 31 December 2019, AMP Limited (the Company's ultimate parent company) maintained, and paid the premium for, directors' and officers' and company reimbursement insurance for the benefit of all of the officers of the AMP group (including each director, secretary and senior manager of the Company) against certain liabilities (including legal costs) as permitted by the *Corporations Act 2001*. The insurance policy prohibits disclosure of the nature of the liabilities covered, the amount of the premium payable, the limit of liability and other terms.

In addition, under the trust deeds for Super Directions Fund, National Mutual Pro-Super Fund, National Mutual Retirement Fund and The Retirement Plan, each fund indemnifies, to the extent permitted by the *Superannuation Industry (Supervision) Act 1993*, all current and former directors and officers of the Company against any loss or expenditure incurred in relation to the Fund or its administration (which would include the costs and expenses of defending proceedings or satisfying liabilities owed to another person). The indemnity will not apply in circumstances where a director or officer has failed to act honestly in a matter concerning the Fund, or, intentionally or recklessly failed to exercise in relation to a matter affecting the Fund, the degree of care and diligence that a director is required to exercise.

Indemnification and insurance of directors and officers (continued)
In addition, at least one of AMP Group Holdings Limited (AMPGH) or AMP AAPH Limited (AMP AAPH), both of which are subsidiaries of AMP Limited, and each of the current and former directors and secretaries of the Company are parties to deeds of indemnity, insurance and access. Those deeds provide that:

- these officers will have access to board papers and specified records of the Company (and of certain other companies) for their period of office and for at least ten (or, in some cases, seven) years after they cease to hold office (subject to certain conditions);
- AMPGH indemnifies the relevant officers to the extent permitted by law, and to the extent and for the amount that the relevant officer is not otherwise entitled to be, and is not actually, indemnified by another person;
- The indemnity covers liabilities (including legal costs) incurred by the relevant officer in their capacity as a current or former director or secretary (and, in the case of directors, as a current or former officer or specified representative) of the Company, or of another AMP group company or, in certain cases, of an external company (where the person holds the relevant external position at the AMP group's request); and
- The AMP group will maintain directors' and officers' insurance cover for those officers, to the extent permitted by law, for the period of their office and for at least ten years after they cease to hold office.

Indemnification of auditors
To the extent permitted by law, AMP Limited has agreed to indemnify the Company's auditor, Ernst & Young, as part of the terms of its audit engagement agreement, against claims by third parties arising from the audit, other than where the claim is determined to have resulted from breach or any negligent, wrongful or wilful act or omission by or of Ernst & Young. No payment has been made to indemnify Ernst & Young during or since the financial year ended 31 December 2019.

Rounding
In accordance with the Australian Securities and Investments Commission (ASIC) Corporations Instrument 2016/191, amounts in this Directors' report and the accompanying Financial report have been rounded off to the nearest thousand Australian dollars, unless stated otherwise.

Auditor's independence
We have obtained an independence declaration from our auditor, Ernst & Young, a copy of which is attached to this report and forms part of the Directors' report for the year ended 31 December 2019.

Signed in accordance with a resolution of the directors

Tony Bra

Director

Sydney, 24 March 2020

Director

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Auditor's Independence Declaration to the Directors of N.M. Superannuation Proprietary Limited

As auditor for the audit of N.M. Superannuation Proprietary Limited for the financial year ended 31 December 2019, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

Ernst & Young

Ernst & Young

Graeme McKenzie
Partner

24 March 2020

Statement of comprehensive income

for the year ended 31 December 2019

	Note	2019 $'000	2018 $'000
Fee revenue	3	578,007	598,393
Investment income		2,517	2,123
Operating expenses	4	(577,931)	(598,283)
Profit for the year before income tax		**2,593**	**2,233**
Income tax expense	5(a)	(1,441)	(670)
Profit for the year		**1,152**	**1,563**
Total comprehensive income for the year		**1,152**	**1,563**

N. M. Superannuation Proprietary Limited

Statement of financial position

as at 31 December 2019

	Note	2019 $'000	2018 $'000
Assets			
Cash and cash equivalents		645	323
Receivables	6	47,503	38,474
Guarantee receivables from related entities	12	110,606	103,257
Investments in financial assets measured at fair value through profit or loss	15, 16(d)	126,758	113,049
Deferred tax assets	5(c)	103	751
Total assets		**285,615**	**255,854**
Liabilities			
Payables	7	47,843	38,771
Guarantee liability	12	110,606	103,257
Intercompany tax payable		792	804
Total liabilities		**159,241**	**142,832**
Net assets		**126,374**	**113,022**
Equity			
Issued capital	8	112,101	99,901
Retained earnings		14,273	13,121
Total equity		**126,374**	**113,022**

Statement of changes in equity

for the year ended 31 December 2019

2019	Note	Issued capital $'000	Retained earnings $'000	Total equity $'000
Balance at 31 December 2018		**99,901**	**13,121**	**113,022**
Total comprehensive income for the year		-	1,152	1,152
Ordinary share capital issued	8	12,200	-	12,200
Balance at the end of the year		**112,101**	**14,273**	**126,374**

2018	Note	Issued capital $'000	Retained earnings $'000	Total equity $'000
Balance at 31 December 2017		**91,301**	**11,750**	**103,051**
Impact of adopting AASB 9 at 1 January 2018		-	(192)	(192)
Balance at 1 January 2018		**91,301**	**11,558**	**102,859**
Total comprehensive income for the year		-	1,563	1,563
Ordinary share capital issued	8	8,600	-	8,600
Balance at the end of the year		**99,901**	**13,121**	**113,022**

N. M. Superannuation Proprietary Limited

Statement of cash flows

for the year ended 31 December 2019

	Note	2019 $'000	2018 $'000
Cash flows used in operating activities [1]			
Cash receipts in the course of operations		1,189	1,062
Interest received		8	7
Cash payments in the course of operations		(1,071)	(807)
Income tax paid		(804)	(867)
Cash flows used in operating activities	9	**(678)**	**(605)**
Cash flows used in investing activities			
Net payments to acquire investments in financial investments		(11,200)	(7,850)
Cash flows used in investing activities		**(11,200)**	**(7,850)**
Cash flows from financing activities			
Proceeds from issue of shares		12,200	8,600
Cash flows from financing activities		**12,200**	**8,600**
Net increase in cash and cash equivalents		**322**	**145**
Cash and cash equivalents at the beginning of the year		323	178
Cash and cash equivalents at the end of the year		**645**	**323**

[1] Administration fee revenue is collected by the Company's agents, NMMT Limited and AMP Life Limited. Accordingly, these revenues do not result in cash flows to NM Super.

Notes to the financial statements

1. Basis of preparation and summary of significant accounting policies

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), and the *Corporations Act 2001*. N. M. Superannuation Proprietary Limited (NM Super or the Company) is a for-profit entity for the purposes of preparing financial statements. The Financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Company is limited by shares and is incorporated and domiciled in Australia. AMP Wealth Management Holdings Proprietary Ltd is the Company's parent entity and AMP Limited is the ultimate parent entity.

The financial statements for the year ended 31 December 2019 were authorised for issue on 24 March 2020 in accordance with a resolution of the directors.

The significant accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to the current year and comparative period, unless otherwise stated. Where necessary, comparative information has been reclassified to be consistent with current period disclosure.

Assets and liabilities have been presented on the face of the Statement of financial position in decreasing order of liquidity and do not distinguish between current and non-current items. Although the amount of those assets which may be realised and those liabilities which may be settled within 12 months of the reporting date are not always known, estimates of amounts expected to be recovered or settled (a) no more than 12 months after the reporting date, and (b) more than 12 months after the reporting date, have been provided in footnotes to the relevant notes.

Changes in accounting policy

A number of new accounting standards and amendments have been adopted effective 1 January 2019. These have not had a material effect on the financial position or performance of the Company.

Adoption of AASB 16 *Leases*

AASB 16 *Leases* (AASB 16) became effective for periods beginning from 1 January 2019. AASB 16 requires lessees to recognise most leases on the Statement of financial position as liabilities, with the corresponding right-of-use assets being recognised. Lessees have the option not to recognise short-term leases. The adoption of AASB16 does not have any material impact on the Company's financial statements.

AASB Interpretation 23 *Uncertainty over Income Tax Treatments*

The interpretation clarifies the application of recognition and measurement criteria in AASB 112 *Income Taxes* when there is uncertainty over income tax treatments. The Interpretation specifically addresses whether an entity considers uncertain tax treatments separately, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credit and tax rates and how an entity considers changes in facts and circumstances. The adoption of this Interpretation did not have a material impact to the Company's financial statements.

Australian Accounting Standards issued but not yet effective

A number of new accounting standards and amendments have been issued but are not yet effective. The company has not elected to early adopt any of these new standards or amendments in this Financial Report. These new standards and amendments, when applied in future periods, are not expected to have a material impact on the financial position or performance of the company.

(b) Fee revenue

For NM Super, revenue from contracts with customers arises primarily from the provision of trustee and administration services for various superannuation funds. Revenue is recognised when control of services is transferred to the customer at an amount that reflects the consideration to which NM Super is entitled to in exchange for the services provided. As the customer simultaneously receives and consumes the benefit as the service is provided, control is transferred over time. Accordingly, revenue is recognised over time.

Trustee fees

Fees are charged to customers in connection with the provision of trustee services. These performance obligations are satisfied on an ongoing basis, usually daily, and revenue is recognised when the services are performed.

Administration fees

Administration fees are charged to customers in connection with the administration of superannuation funds under the trusteeship of the Company. These performance obligations are satisfied on an ongoing basis, usually daily, and revenue is recognised as the service is provided.

The administration activity has been outsourced to other entities in the AMP group, NMMT Limited and AMP . The Company has concluded that it acts as principal in the relationship between the superannuation funds under the trusteeship of the Company and the administrators. Accordingly, administration revenue is recognised gross of related administration expenses on the Statement of comprehensive income.

(c) Investment income

Interest income

Interest income on cash deposits is recognised as investment income on an accruals basis.

Distributions from managed investment schemes

The distributions from managed investment schemes are recognised as income when the Company's right to receive the distribution has been established.

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

(d) Operating expenses
All operating expenses are expensed as incurred.

(e) Cash and cash equivalents
Cash and cash equivalents comprise cash on hand that is available on demand and deposits that are held at call with financial institutions. Cash and cash equivalents are measured at fair value. Cash for the purpose of the Statement of cash flows is the same as that recognised on the Statement of financial position.

(f) Receivables
Receivables are measured at amortised cost, less any allowance for expected credit losses (ECL). An allowance for ECLs is not recognised for financial assets measured at fair value through profit or loss. ECLs are probability weighted estimates of credit losses and are measured as the present value of all cash shortfalls discounted at the effective interest rate of the financial instrument.

The Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Given the short-term nature of most receivables, the recoverable amount approximates fair value.

(g) Investments in financial assets
Investments in financial assets designated on initial recognition as financial assets measured at fair value through profit or loss are initially recognised at fair value, determined as the purchase cost of the asset, exclusive of any transaction costs. Transaction costs are expensed as incurred in profit or loss. Any realised and unrealised gains or losses arising from subsequent measurement at fair value are recognised in profit or loss in the period in which they arise.

(h) Impairment of assets
The Company recognises ECLs for financial assets measured at amortised cost and applies the AASB 9 *Financial Instruments* simplified approach to measuring ECLs which uses a lifetime expected loss allowance.

Assets measured at fair value, where changes in fair value are reflected in the Statement of comprehensive income, are not subject to impairment testing. Other assets such as receivables are subject to impairment testing.

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment is recognised in the Statement of comprehensive income, measured as the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use.

(i) Recognition and derecognition of financial assets and liabilities
Financial assets and financial liabilities are recognised at the date the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire, or are transferred. A transfer occurs when substantially all the risks and rewards of ownership of the financial asset are passed to a third party. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

(j) Payables
Payables are measured at the nominal amount payable. Given the short-term nature of most payables, the nominal amount approximates fair value.

(k) Issued capital
Issued capital in respect of ordinary shares is recognised as the fair value of consideration received by the Company.

(l) Taxes
Tax consolidation
AMP Limited and its wholly owned controlled entities, which are Australian domiciled companies (including the Company) comprise a tax-consolidated group of which AMP Limited is the head entity. The implementation date for the tax-consolidated group was 30 June 2003.

Under tax consolidation, AMP Limited, as head entity, assumes the following balances from entities within the tax-consolidated group:
(i) current tax balances arising from external transactions recognised by entities in the tax-consolidated group, occurring after the implementation date, and
(ii) deferred tax assets arising from unused tax losses and unused tax credits recognised by entities in the tax-consolidated group.

A tax funding agreement has been entered into by the head entity and the controlled entities in the tax-consolidated group. Entities in the tax-consolidated group continue to be responsible, by the operation of the tax funding agreement, for funding tax payments required to be made by the head entity arising from underlying transactions of the controlled entities. Controlled entities make (receive) contributions to (from) the head entity for the balances assumed by the head entity, as described above. The contributions are calculated in accordance with the tax funding agreement. The contributions are payable as set out in the agreement and reflect the timing of AMP Limited's obligations to make payments to the Australian Taxation Office.

Assets and liabilities which arise as a result of balances transferred from entities within the tax-consolidated group to the head entity are recognised as related party balances receivable and payable in the Statement of financial position of the Company. The recoverability of balances arising from the tax funding arrangements is based on the ability of the tax-consolidated group to utilise the amounts recognised by the head entity.

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

(l) Taxes (continued)

Income tax expense

Income tax expense/credit is the tax payable/receivable on taxable income/loss for the current period based on the income tax rate for each jurisdiction and adjusted for changes in deferred tax assets and liabilities attributable to:

- temporary differences between the tax bases of assets and liabilities and their Statement of financial position carrying amounts;
- unused tax losses; and
- the impact of changes in the amounts of deferred tax assets and liabilities arising from changes in tax rates or in the manner in which these balances are expected to be realised.

Adjustments to income tax expense/credit are also made for any differences between the amounts paid or expected to be paid in relation to prior periods and the amounts provided for these periods at the start of the current period.

Any tax impact on income and expense items that are recognised directly in equity is also recognised directly in equity.

Deferred tax

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates which are expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability.

No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax is not discounted to present value.

Goods and services tax (GST)

All income, expenses and assets are recognised net of any GST paid, except where they relate to products and services which are input taxed for GST purposes or where the GST incurred is not recoverable from the relevant tax authorities. In such circumstances, the GST paid is recognised as part of the cost of acquisition of the assets or as part of the relevant expense.

Receivables and payables are recorded with the amount of GST included. The net amount of GST recoverable from or payable to the tax authorities is included as either a receivable or payable in the Statement of financial position.

Cash flows are reported on a gross basis reflecting any GST paid or collected. The GST component of cash flows arising from investing or financing activities which are recoverable from, or payable to, local tax authorities are classified as *operating cash flows*.

2. Significant accounting judgements, estimates and assumptions

The making of judgements, estimates and assumptions is a necessary part of the financial reporting process and these judgements, estimates and assumptions can have a significant effect on the reported amounts in the financial statements. Estimates and assumptions are determined based on information available to management at the time of preparing the financial report and actual results may differ from these estimates and assumptions. Had different estimates and assumptions been adopted, this may have had a significant impact on the financial statements. Significant accounting judgements, estimates and assumptions are evaluated at each reporting period in the light of historical experience and changes to reasonable expectations of future events. Significant accounting judgements, estimates and assumptions include but are not limited to:

(a) Tax

The Company is subject to taxes in Australia. The application of tax law to the specific circumstances and transactions of the Company requires the exercise of judgement by management. The tax treatments adopted by management in preparing the financial statements may be impacted by changes in legislation and interpretations or be subject to challenge by tax authorities.

Judgement is also applied by management in determining the extent to which the recovery of carried forward tax losses is probable for the purpose of meeting the criteria for recognition as deferred tax assets.

(b) Fair value of investments in financial assets

The Company measures investments in financial assets at fair value. Where available, quoted market prices for the same or similar instruments are used to determine fair value. Where there is no market price available for an instrument, a valuation technique is used. Management applies judgement in selecting valuation techniques and setting valuation assumptions and inputs.

Notes to the financial statements

for the year ended 31 December 2019

3. Fee revenue

	2019 $'000	2018 $'000
Fee revenue		
Trustee fees	1,195	1,239
Administration fees		
- Platform related	510,565	472,261
- Other	66,247	124,893
Total fee revenue	**578,007**	**598,393**

4. Operating expenses

	2019 $'000	2018 $'000
Administration fee expense		
- Platform related	(510,565)	(472,261)
- Other	(66,247)	(124,893)
Service fee expense	(1,069)	(1,111)
Other expenses	(50)	(18)
Total operating expenses	**(577,931)**	**(598,283)**

5. Income Tax

	2019 $'000	2018 $'000
(a) Analysis of income tax expense		
Current tax expense	(792)	(804)
(Decrease) / increase in deferred tax assets	(649)	134
Income tax expense	**(1,441)**	**(670)**
(b) Relationship between income tax expense and accounting profit		
Profit before income tax	2,593	2,233
Prima facie tax at 30% (2018: 30%)	(778)	(670)
DTA reversal on investment revaluation	(663)	-
Income tax expense	**(1,441)**	**(670)**
(c) Analysis of deferred tax assets		
Unrealised investment losses	-	663
Provisions and accruals	103	88
Deferred tax assets	**103**	**751**

6. Receivables

	2019 $'000	2018 $'000
Receivables from related parties excluding guarantee receivables[1]	47,503	38,474
Total receivables[2]	**47,503**	**38,474**

1. Receivables are presented net of ECL of $342k (2018: 293k)
2. All receivables are current.

7. Payables

	2019 $'000	2018 $'000
Payables to related entities	47,836	38,757
GST	7	14
Total payables [1]	**47,843**	**38,771**

1. All payables are current.

8. Issued capital

	2019 $'000	2018 $'000
Total issued capital		
108,705,001 (2018: 96,505,001) fully paid ordinary shares at issue price [1]	**112,101**	**99,901**
Movements in issued capital		
Balance at the beginning of the year	99,901	91,301
Issue of shares 12,200,000 (2018: 8,600,000) [1]	12,200	8,600
Balance at the end of the year	**112,101**	**99,901**

1. Capital injections of $12,200k were approved and allotted during the year.

Holders of ordinary shares have the right to receive dividends as declared and, in the event of the winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares have no par value.

9. Notes to the statement of cash flows

	2019 $'000	2018 $'000
Reconciliation of the net profit after income tax to cashflows used in operating activities		
Net profit after income tax	1,152	1,563
Distributions reinvested	(1,698)	(2,546)
Investment (gains) / losses	(811)	429
Increase in receivables	(15,837)	(32,579)
Decrease / (Increase) in deferred tax assets	648	(134)
Increase in payables	15,880	32,725
Decrease in tax payable	(12)	(63)
Cash flows used in operating activities	**(678)**	**(605)**

10. Risk management and financial instruments disclosures

Financial Risk Management Objectives
The risk policy of the Company must operate within the bounds of AMP Limited's Risk Management Framework (RMF). Below is a summary of NM Super's risk management strategy.

The Company has adopted the AMP Group's Enterprise Risk Management (ERM) policy and has its own Risk Management Strategy (RMS). The Company's risk management framework leverages the RMF of the AMP Limited group discussed below as relevant to the operations of the Company.

The Company holds financial assets primarily to meet the solvency requirements of its Australian Financial Services License (AFSL), its Australian Prudential Regulation Authority (APRA) Superannuation Trustee License and APRA Prudential requirements under its Operational Risk Financial Requirement (ORFR) strategy. The objective of the Company is to ensure that, at all times, there are sufficient assets, with appropriate liquidity, to meet its AFSL, APRA and other obligations as and when they fall due. To ensure there are sufficient liquid assets to meet these requirements, the Company invests in low risk and low volatility financial instruments.

10. Risk management and financial instruments disclosures (continued)

The AMP Limited Group Asset and Liability Committee (Group ALCO) oversees the management and monitoring of financial risks and capital management. Group ALCO reports to the AMP Limited Audit Committee and Board.

Group Treasury is responsible for the management of financial risk and capital and financing plans in compliance with Board approved targets and limits. Group Treasury is also responsible for the execution of the approved investment strategy for AMP shareholder capital, for analysis and reporting of financial risks and capital position to Group ALCO, AMP Limited Audit Committee (AMP AC) and the Board, monitoring compliance with the financial risk component of the RMF and for identifying and reporting breaches of policy to Group ALCO and AMP Limited Audit Committee and the Board.

Internal Audit checks for compliance with the RMF as part of its ongoing audit cycle. Internal Audit is required to review the effectiveness of the RMF and report to the AMP Audit Committee and NM Super Audit Committee

The directors of the Company have responsibility to set risk appetite having regard to the risk appetite of the AMP Limited Board.

Risks and mitigation
Risks that the Company may be subject to include market risk (interest rate risk), liquidity and credit risk.

(a) Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to movements in the financial markets. These movements include interest rates, and equity prices. Market risk in the Company primarily arises from the performance and return on the Company's unit holdings in unlisted managed investment schemes.

(b) Interest rate risk
Interest rate risk is the risk of an impact on the Company's profit after tax and equity from movements in market interest rates, including changes in the absolute levels of interest rates, the shape of the yield curve, the margin between different yield curves and the volatility of interest rates.

The Company has direct exposure to interest rates in interest income on cash deposits and indirect exposure to interest rate risk in financial assets as per the Statement of financial position.

(c) Liquidity risk
Liquidity risk is the risk that the Company will not have access to adequate funds to pay its obligations, as they fall due, because of lack of liquid assets or access to adequate funding on acceptable terms.

As noted above, the Company's strategy is to invest in liquid, low-volatility assets to ensure AFSL and Registrable Superannuation Entity (RSE) ORFR requirements are met. All financial requirements of APRA and the AFSL have been met for both the current and prior period.

(d) Credit risk
Credit risk includes both settlement type credit exposures and traded credit exposures. Credit default risk is the risk of an adverse impact on results and asset values relative to expectations from a counterparty failing to meet their contractual commitments in full and on time (i.e. obligators' non-payment of a debt). Traded credit risk is the risk of an adverse impact on results and asset values relative to expectations due to changes in value of a traded financial instrument as a result of changes in credit risk on that instrument.

Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same counterparty or where a number of counterparties are engaged in similar business activities that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The Company is not directly exposed to credit risk except for the concentration exposure to AMP as a counterparty.

11. Fair Value Information

Fair value measures
The Company's assets and liabilities 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 input that is significant to the fair value measurement. The three levels are:

- Level 1: Valued by reference to quoted prices in active markets for identical assets or liabilities. These quoted prices represent actual and regularly occurring market transactions on an arm's length basis.
- Level 2: Valued using 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), including: quoted prices in active markets for similar assets or liabilities, quoted prices in markets in which there are few transactions for identical or similar assets or liabilities, and other inputs that are not quoted prices but are observable for the asset or liability, for example interest rate yield curves observable at commonly quoted intervals, currency rates, option volatilities, credit risks, and default rates.
- Level 3: Valued in whole or in part using valuation techniques or models that are based on unobservable inputs that are neither supported by prices from observable current market transactions in the same instrument nor based on available market data. Unobservable inputs are determined based on the best information available, which might include the Company's own data, reflecting the Company's own estimates about the assumptions that market participants would use in pricing the asset or liability. Valuation techniques are used to the extent that observable inputs are not available, and include estimates about the timing of cash flows, discount rates, earnings multiples and other inputs.

11. Fair Value Information (continued)

In 2019 and 2018, the Company held only Level 2 investments in unlisted managed investment schemes of $126,758k (2018: 113,049k). The fair value of investments in unlisted managed investment schemes is determined on the basis of published redemption prices at the reporting date.

12. Guarantee liability and receivable

The Company offers the following capital guaranteed products to eligible members which protect their investments from downside market risks:

- The Protected Growth Guarantee: provides a guarantee at the end of the nominated term of the contributions and rollovers (less certain fees and taxes paid) and annually locks in the growth in the account as a result of positive investment performance if the account value is greater than the protected balance.
- The Protected Investment Guarantee: provides a guarantee at the end of the nominated term of the contributions and rollovers (less certain fees and taxes paid) and every two years locks in the growth in the account as a result of positive investment performance if the account value is greater than the protected balance.
- The Protected Retirement Guarantee: provides a guaranteed pension payment of between 4% and 5% of the members income base, per annum for the duration of their life.

The financial guarantee contract is recognised as a financial liability at fair value at the time the guarantee is issued and is subsequently remeasured at fair value through profit or loss. Fair value is determined as the net present value of future cash flows discounted using market rates. The future cash flows are determined using risk neutral stochastic projections based on assumptions such as mortality rate, lapse rate and asset class allocation/correlation. The future cash flows comprise expected guarantee claims, hedging expense and net of guarantee fees.

The Company has entered into its own arrangements with National Mutual Funds Management Limited (NMFM) and AMP Life Limited (AMP Life) to manage its exposure in providing these guarantees to members. Accordingly, the Company recognises receivables from NMFM and AMP Life Limited which equal the fair value of the guarantee liability.

Where the Company is required to pay a guarantee related amount to an eligible member AMP Group Holdings Limited (AMPGH) has also provided an undertaking to NM Super that AMPGH will pay that amount to NM Super in circumstances where NMFM is unable to make that payment. AMPGH and NMFM are both wholly owned by AMP Limited.

The fair value of the guarantee liability and related receivable balances are as follows:

	2019 $'000	2018 $'000
Guarantee receivable - NMFM	109,895	102,579
Guarantee receivable - AMP Life	711	678
Total Guarantee receivable	**110,606**	**103,257**

13. Auditor's remuneration

Auditor's remuneration for the years ended 31 December 2019 and 31 December 2018 was paid on behalf of the Company by a related entity within the AMP Limited group.

14. Contingencies and trustee liabilities

The AMP group, including the Company, is subject to review from time to time by regulators. The Company's principal regulators are APRA and ASIC, although other government agencies may have jurisdiction depending on the circumstances. The reviews and investigations conducted by regulators may be industry-wide or specific to AMP group and the outcomes of those reviews and investigations can vary and may lead, for example, to the imposition of penalties, variations or restrictions to licences, the compensation of clients, enforceable undertakings or recommendations and directions for the AMP group to enhance its control framework, governance and systems.

Superannuation class actions

During May and June 2019, certain subsidiaries of AMP Limited, including the Company, were served with two class actions in the Federal Court of Australia. The first of those class actions related to the fees charged to members of certain of AMP superannuation funds. The second of those actions related to the fees charged to members, and interest rates received, and fees charged on cash-only fund options. The two proceedings were brought on behalf of certain superannuation clients and their beneficiaries. Subsequently, the Federal Court ordered that the two proceedings be consolidated into one class action. A consolidated claim was filed, and defences were filed on behalf of the respondent AMP Limited subsidiaries. The claims are yet to be quantified and participation has not been determined. Currently, it is not possible to determine the ultimate impact of these claims, if any, upon the Company. The proceedings are being vigorously defended.

15. Capital management

The Company manages its capital within the broader AMP group capital plan. The primary capital management objective is to ensure the Company will be able to continue as a going concern and meet its regulatory obligations while minimising excess capital through capital initiatives, such as dividends, where appropriate.

The Company is subject to externally imposed regulatory capital requirements. The Company must comply with capital and liquidity requirements under its AFSL and its APRA license. Effective 1 July 2013, APRA introduced Prudential Standards relating to minimum financial requirements that apply to all Registrable Superannuation Entities (RSE's). The prudential standards require RSE licensees to maintain adequate capital to cover their operational risks, through the Operational Risk Financial Requirement (ORFR).

As at 31 December 2019, the Company held ORFR trustee capital of $125,580k (2018: $111,380k). The ongoing ORFR position is monitored to ensure compliance with APRA Standards for Superannuation (SPS) 114 and, if required, further capital will be injected.

Capital contributions of $4,600k (2018: $8,600k) were made by AMP Life Limited and $7,600k (2018: nil) were made by AMP Wealth Management Holdings Proprietary Limited during the year in accordance with the ORFR strategy. The funds supporting the ORFR are held in Investments in financial assets measured at fair value through profit and loss.

16. Related party disclosures

(a) Key management personnel details

AASB 124 *Related Party Disclosures* defines key management personnel as those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly including any directors (whether executive or otherwise) of that Company.

(b) Remuneration of key management personnel

Remuneration is payable, on commercial arm's length basis, to the Non-Executive Directors in their capacity as directors of the Company and AMP Superannuation Limited (ASL) and in connection with the management of the Trusts for which the Company and ASL are trustees. Such remuneration is paid by AMP Services Limited, a wholly owned controlled entity of AMP Limited.

The following table provides a total of the remuneration received by the key management personnel. The full amount of director fees earned from both the Company and ASL are disclosed.

	2019	2018
Executive Directors	**$**	**$**
Short-term employee benefits	-	314,663
Post-employment benefits	-	10,024
Share-based payments[1]	-	(692,037)
Termination benefits	-	797,494
Other long-term benefits[2]	-	(5,188)
	-	**424,956**
Non-Executive Directors		
Director fees	691,832	344,608
Total key management personnel compensation	**691,832**	**769,564**

1 Share-based payment (SBP) expense includes reversals of SBPs where vesting condition have not been met.

2 Other long-term benefits includes reversals of long-service-leave provisions where individuals are no longer employees of AMP.

(c) Transactions with key management personnel

During the year, key management personnel and their personally related entities have entered into transactions with the Company and related entities within the AMP group. All such transactions have occurred within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those that it is reasonable to expect the Company would have adopted if dealing at arm's length with an unrelated individual. These transactions include:

- normal personal banking with AMP Bank Limited;
- the purchase of AMP insurance and investment products; and
- financial investment services.

Information about such transactions does not have the potential to adversely affect decisions of users of this Financial report regarding the allocation of their scarce resources, or the discharge of accountability by the specified executives or specified directors.

16. Related party disclosures (continued)

(d) Other related party transactions

Transactions with related parties are made at arm's length and on normal commercial terms. Outstanding balances are unsecured, non-interest bearing and settlement occurs in cash or through intercompany accounts as necessary.

AMP Services Limited provides all the operational and administrative (including employee related) services to the Company with the exception of certain financing arrangements. The services provided are in the normal course of business and on normal commercial terms and conditions.

NMMT Limited provides funds administration and custodian services to the Company.

As at 31 December 2019, the Company held units in the AMP Shareholder Cash Fund (WASCF) and the AMP Shareholder Fixed Income Fund (WASFI). As AMP group entities hold 100% of the units in these trusts, they are deemed to be controlled entities of the AMP group and are therefore related entities of the Company. The Company has exposure to changes in the unit value of, and receives distributions from, the trusts on normal commercial terms and on the same basis as other unit holders of the funds.

	2019	2018
	$	$
Funds	**Balance**	**Balance**
WASFI	123,044,349	109,389,111
WASCF	3,713,735	3,659,658
Total	**126,758,084**	**113,048,769**

Other related party transactions are in the respect of administrative services, investment management services and financial planning services provided by fellow controlled entities in the AMP group. Balances with other related parties that are material are set out in the following table:

Fellow subsidiaries of AMP Limited		Service, management and other fee income from related parties $	Service, management and other expenses to related parties $	Amounts owed by related parties $	Amounts owed to related parties $
AMP Financial Planning Pty Limited	2019	-	-	-	-
	2018	-	327	-	-
Hillross Financial Services Limited	2019	-	-	-	-
	2018	-	2,916	-	-
National Mutual Funds Management Limited	2019	-	-	109,895,251	-
	2018	-	-	102,579,092	-
AMP Life Limited	2019	540,699	66,542,645	751,472	-
	2018	626,375	124,892,911	735,587	-
NMMT Limited	2019	627,374	511,460,296	47,804,967	47,751,903
	2018	583,443	472,261,134	38,710,162	38,661,020
AMP Services Limited	2019	-	1,068,929	-	83,922
	2018	-	1,110,620	-	96,262

17. Events occurring after reporting date

Following 31 December 2019, COVID-19 outbreak has caused disruption to the global economy including financial markets. While the disruption does not impact the value of the assets as at 31 December 2019, it is expected to impact the future revenues of the Company as well as the assets and the guarantee liability. As at the date of this report, the impact cannot be quantified as the extent and duration of the economic disruption is unknown.

Other than the matter noted above, as at the date of this report, the directors are not aware of any matter or circumstance that has arisen since the reporting date that has significantly affected or may significantly affect the Company's operations in future years, the results of those operations in future years, or the Company's state of affairs in future years which is not already reflected in this report.

N. M. Superannuation Proprietary Limited

Director's Declaration

for the year ended 31 December 2019

In accordance with a resolution of the directors of N. M. Superannuation Proprietary Limited, for the purposes of Section 295(4) of the *Corporations Act 2001*, the directors declare that:

(a) in the opinion of directors there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) in the opinion of directors the financial statements and notes for the financial year ended 31 December 2019 are in accordance with the *Corporations Act 2001*, including Section 296 (compliance with accounting standards) and Section 297 (true and fair view); and

(c) the notes to the financial statements for the financial year ended 31 December 2019 include an explicit and unreserved statement of compliance with the International Financial Reporting Standards as discussed in Note 1(a).

Director

Director

Sydney, 24 March 2020

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Independent Auditor's Report to the Members of N.M. Superannuation Proprietary Limited

Opinion

We have audited the financial report of N.M. Superannuation Proprietary Limited (the Company), which comprises the statement of financial position as at 31 December 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the Company's financial position as at 31 December 2019 and of its financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

Ernst & Young

Ernst & Young

Graeme McKenzie
Partner
Sydney

24 March 2020