

AMP Group Finance Services Limited

ABN 95 084 247 914

**Directors' report and Financial report
for the half year ended
30 June 2013**

AMP Group Finance Services Limited

Directors' report

for the half year ended 30 June 2013

The directors of AMP Group Finance Services Limited ("the Company") present their report for the half year ended 30 June 2013.

Directors

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

Colin Storré (Chairman)
Simon Hoole
David Rowe

Principal activities

The principal activities of the Company during the half year were to raise finance and enter into derivative transactions for the AMP Limited Group. There have been no significant changes in the nature of these activities during the half year.

Review of operations and results

The result for the half year ended 30 June 2013 was a net profit after tax of \$0.9m (2012:\$1.9m).

Dividends

No dividends have been paid, declared, or recommended during the half year.

Events occurring after the reporting date

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 its operations in future years; or the Company's state of affairs in future years, which is not already reflected in this report.

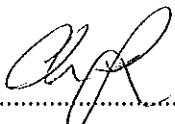
Rounding

In accordance with the Australian Securities and Investments Commission (ASIC) Class Order 98/100, amounts in this directors' report and the accompanying financial report has been rounded to the nearest hundred thousand Australian dollars, unless stated otherwise.

Auditor's independence

The directors have obtained an independence declaration from the Company's auditor, Ernst & Young, a copy of which is attached to this report and forms part of the directors' report for the half year ended 30 June 2013.

Signed in accordance with a resolution of the directors.


.....
Colin Storré
Director

Sydney, 28 August 2013



Building a better
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Auditor's Independence Declaration to the Directors of AMP Group Finance Services Limited

In relation to our review of the financial report of AMP Group Finance Services Limited for the half-year ended 30 June 2013 to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Richard Balfour
Partner
28 August 2013

AMP GROUP FINANCE SERVICES LIMITED
ABN 95 084 247 914

HALF YEAR FINANCIAL REPORT
30 JUNE 2013

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Registered Office:
Level 24, 33 Alfred Street
Sydney NSW 2000 Australia

AMP Group Finance Services Limited, a company limited by shares, is incorporated and domiciled in Australia.

AMP Group Finance Services Limited

Income statement

for the half year ended 30 June 2013

	Note	30 June 2013 \$m	30 June 2012 \$m
Interest income	2	61.9	75.8
Interest expense	2	(60.6)	(73.2)
Net interest income		1.3	2.6
Investment gains (losses)	3	8.9	(6.0)
Other (expenses) income	4	(8.9)	6.0
Income tax expense	5	(0.4)	(0.7)
Profit for the period		0.9	1.9

AMP Group Finance Services Limited

Statement of comprehensive income

for the half year ended 30 June 2013

	30 June 2013	30 June 2012
	\$m	\$m
Profit	0.9	1.9
Other comprehensive income (loss)		
Items that may be reclassified subsequently to profit and loss		
Cash flow hedges ⁽¹⁾		
- losses in fair value of cash flow hedges	(0.5)	(10.4)
- income tax credit	0.1	3.1
- transferred from (to) profit for the period	3.3	0.4
- transferred from (to) profit for the period - income tax (expense) credit	(1.0)	(0.1)
	1.9	(7.0)
Total comprehensive income (loss)	2.8	(5.1)

Footnote:

(1) Cash flow hedge movements are in respect of interest rate swaps used to manage the Company's interest rate

AMP Group Finance Services Limited

Statement of financial position

as at 30 June 2013

	Note	30 June 2013 \$m	31 Dec 2012 \$m
Assets			
Cash and cash equivalents		268.2	113.8
Debt securities		49.9	-
Derivative financial assets		2.4	2.9
Intercompany tax receivable from head entity		-	17.2
Loans to related parties		1,671.7	1,763.2
Deferred tax assets		11.9	15.6
Other assets		1.0	0.6
Total assets		2,005.1	1,913.3
Liabilities			
Derivative financial liabilities		13.8	16.9
Loans from related parties		292.9	210.7
Intercompany tax payable to head entity		0.9	-
Borrowings		702.6	701.4
Subordinated debt		962.9	951.0
Deferred tax liabilities		13.6	18.1
Other liabilities		1.5	1.1
Total liabilities		1,988.2	1,899.2
Net assets		16.9	14.1
Equity			
Issued capital	6	-	-
Reserves		(7.9)	(9.8)
Retained earnings		24.8	23.9
Total equity		16.9	14.1

AMP Group Finance Services Limited

Statement of changes in equity

as at 30 June 2013

	Equity attributable to the shareholder of AMP Group Finance Services Limited			
	Contributed equity	Cash flow hedge reserve ⁽¹⁾	Retained earnings	Total equity
	\$m	\$m	\$m	\$m
30 June 2013				
Balance at the beginning of the period	-	(9.8)	23.9	14.1
Profit	-	-	0.9	0.9
Other comprehensive income (loss)	-	1.9	-	1.9
Total comprehensive income (loss)	-	1.9	0.9	2.8
Balance at the end of the period	-	(7.9)	24.8	16.9
30 June 2012				
Balance at the beginning of the period	-	(2.3)	21.5	19.2
Profit	-	-	1.9	1.9
Other comprehensive income (loss)	-	(7.0)	-	(7.0)
Total comprehensive income (loss)	-	(7.0)	1.9	(5.1)
Balance at the end of the period	-	(9.3)	23.4	14.1

Footnote:

(1) The cash flow hedge reserve represents the cumulative impact of changes in the fair value of derivatives designated as cash flow hedges which are classified as effective for hedge accounting. Hedge gains and losses are transferred to the Income statement when they are deemed ineffective or upon realisation of the cash flow.

AMP Group Finance Services Limited

Statement of cash flows

for the half year ended 30 June 2013

	30 June 2013	30 June 2012
	2013	2012
	\$m	\$m
Cash flows from (used in) operating activities		
Interest received	61.7	77.5
Interest paid	(52.6)	(68.3)
Receipts from (payments to) head entity for tax funding liabilities	16.2	(11.8)
Cash flows from operating activities before changes in operating assets and liabilities	25.3	(2.6)
Changes in operating assets and liabilities arising from cash flow movements		
Net funds received (paid) with respect to:		
Loans to related parties	100.0	(101.7)
Loans from related parties	79.1	76.1
Borrowings	-	42.9
Cash flows from (used in) operating activities	204.4	14.7
Cash flows from Investing activities		
Movement in debt securities with external parties:		
Purchases	(50.0)	(422.3)
Proceeds on maturity	-	357.4
Cash flows from Investing activities	(50.0)	(64.9)
Net increase (decrease) in cash and cash equivalents	154.4	(50.2)
Cash and cash equivalents at the beginning of the period	113.8	96.4
Cash and cash equivalents at the end of the period	268.2	46.2

AMP Group Finance Services Limited

Notes to the financial statements

for the half year ended 30 June 2013

1. Basis of preparation and accounting policies

AMP Group Finance Services Limited ("the Company") is an unlisted public company that is limited by shares, incorporated and domiciled in Australia. The Company conducts business in Australia. The principal activities of the Company are described in the Directors' report.

The parent entity of the Company is AMP Group Services Limited. The ultimate parent entity is AMP Limited.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001* and *AASB134 Interim Financial Reporting*. The Company is a for-profit entity for the purposes of preparing financial statements.

These half year financial statements do not include all notes of the type normally included within the annual financial statements and therefore cannot be expected to provide as full an understanding of the financial position and financial performance of the Company as that given by the annual financial statements. As a result, these financial statements should be read in conjunction with the 2012 annual financial statements of the Company.

The principal accounting policies adopted in the preparation of the 2013 half year financial statements are consistent with the accounting policies adopted in the preparation of the 2012 annual financial statements with the exception of the application of new standards as set out below. These policies have been consistently applied to the current and comparative periods.

Where necessary, comparative information has been reclassified to be consistent with current period disclosures.

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.

These half year financial statements have been prepared on a historical cost basis except for derivatives assets and liabilities, which have been measured at fair value.

Changes in accounting policy

Since 1 January 2013, the Company has adopted a number of Australian accounting standards and amendments which are mandatory for annual periods beginning on or after 1 January 2013. Adoption of these standards and amendments has not had any material effect on the financial position or performance of the Company:

- Revised AASB 101 *Presentation of Financial Statements*. The changes introduced by the revised AASB 101 relate to presentation only, and have resulted in items in the Statement of comprehensive income being segregated between those that may eventually be realised in the Income statement in future periods and those that will not.
- AASB 13 *Fair Value Measurement*. This standard has centralised the definition and guidance for measuring fair values where required to be applied by various other accounting standards and removes some minor inconsistencies that previously existed between the guidance for determining fair value in these standards. The new standard requires quantitative and qualitative disclosures for all fair value measurements to be included in annual financial reports (refer to note 7).

Australian accounting standards issued but not yet effective/Early adoption of Australian accounting standards

A number of new accounting standards and amendments have been issued but not yet effective during 2013. The Company has not elected to early adopt any new standards or amendments in this financial statements.

Significant accounting judgements, estimates and assumptions

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements. Assumptions made at each reporting date (for example, fair value measurements) are based on best estimates at that date. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Actuals may differ from these estimates.

AMP Group Finance Services Limited

Notes to the financial statements (continued)

for the half year ended 30 June 2013

2. Net interest income

	30 June 2013	30 June 2012
	\$m	\$m
Interest income		
Cash	2.3	3.7
Debt securities with external parties	-	1.4
Derivatives	0.6	1.1
Loans to related parties	59.0	69.6
Total interest income	61.9	75.8
Interest expense		
Derivatives	(3.7)	(1.5)
Borrowings	(21.6)	(28.3)
Loans from related parties	(3.2)	(6.3)
Subordinated debt	(32.1)	(37.1)
Total interest expense	(60.6)	(73.2)
Net interest income	1.3	2.6

3. Investment gains (losses)

	30 June 2013	30 June 2012
	\$m	\$m
Net foreign exchange gain (loss) on loans to related parties	8.9	(6.0)
Total investment gains (losses)	8.9	(6.0)

4. Other (expenses) income

	30 June 2013	30 June 2012
	\$m	\$m
Net foreign exchange gain on borrowings	-	9.4
Net foreign exchange (loss) on subordinated debt	(8.9)	(3.4)
Total other (expenses) income	(8.9)	6.0

AMP Group Finance Services Limited

Notes to the financial statements (continued)

for the half year ended 30 June 2013

5. Income tax

	30 June 2013	30 June 2012
	\$m	\$m
Income tax expense		
Current income tax (charge)credit	(2.1)	18.1
Deferred income tax(credit)	1.7	(18.8)
Total income tax expense	(0.4)	(0.7)
Deferred income tax credit(expense) included in income tax expense comprises:		
(Decrease) Increase in deferred tax assets	(3.7)	(20.2)
Decrease (Increase) in deferred tax liabilities	4.5	4.4
Amount recognised directly in equity	0.9	(3.0)
Aggregate deferred tax expense	1.7	(18.8)
Relationship between income tax expense and accounting profit		
Profit before income tax per income statement	1.3	2.6
Prima facie tax at the rate of 30% (2012: 30%)	(0.4)	(0.7)
Income tax expense per income statement	(0.4)	(0.7)
Amounts recognised in equity		
Gains (losses) on revaluation of cash flow hedge reserve	0.9	(3.0)
Total income tax expenses recognised directly in equity	0.9	(3.0)

6. Issued capital

	30 June 2013	30 June 2012
Issued capital		
1 (2012: 1) ordinary share, fully paid	One Australian dollar	One Australian dollar

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.

Fully paid ordinary shares carry the right to one vote per share. Ordinary shares have no par value.

AMP Group Finance Services Limited

Notes to the financial statements (continued)

for the half year ended 30 June 2013

7. Fair value information

a) Fair values

The following table summarises the carrying amounts and fair value of those financial assets and liabilities not presented on the Statement of financial position at fair value. Bid prices are used to estimate the fair value of assets, whereas offer prices are applied for liabilities.

	Carrying amount 30 June 2013 \$m	Aggregated fair value 30 June 2013 \$m	Carrying amount 31 Dec 2012 \$m	Aggregated fair value 31 Dec 2012 \$m
Financial assets				
Debt securities	49.9	49.9	-	-
Loans to related parties	1,671.7	1,713.1	1,763.2	1,857.0
Total financial assets	1,721.6	1,763.0	1,763.2	1,857.0
Financial liabilities				
Loans from related parties	292.9	292.9	210.7	210.7
Borrowings	702.6	715.8	701.4	717.3
Subordinated debt ⁽¹⁾	962.9	989.1	951.0	974.1
Total financial liabilities	1,958.4	1,997.8	1,863.1	1,902.1

⁽¹⁾ The subordinated debt includes A\$ and NZ\$ AMP notes of \$301m (first call date 2014).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms length transaction.

Debt securities

The estimated value of interest bearing securities represents the discounted amount of estimated future cash flows expected to be received, based on the maturity profile of the interest bearing securities. As the interest bearing securities are unlisted, the discount rates applied are based on the yield curve appropriate to the remaining term of the interest bearing securities. The debt securities held by the Company at 31 December 2012 were Nil.

Loans to related parties

Loans to related parties are recognised at amortised cost net of any impairment losses. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received based on the maturity profile of the loans.

The loans may be carried at an amount in excess of fair value due to fluctuations on fixed rate loans. As the fluctuations in fair value do not represent a permanent diminution and the carrying amounts of the loans are recorded at recoverable amount after assessing impairment, it is not appropriate to restate their carrying amount.

Loans from related parties

Loans from related parties are repayable at call and amounts recorded approximate the fair value at reporting date.

Borrowings

Borrowings comprise domestic commercial paper, drawn liquidity facilities and various floating-rate and medium-term notes. The fair values of borrowings are predominantly hedged by derivative instruments – mainly cross-currency and interest-rate swaps at AMP Limited Group level. The estimated fair value of borrowings is determined with reference to quoted market prices. For borrowings where quoted market prices are not available, a discounted cash flow model is used, based on a current yield curve appropriate for the remaining term to maturity.

AMP Group Finance Services Limited

Notes to the financial statements (continued)

for the half year ended 30 June 2013

Subordinated debt

Subordinated debt comprises listed securities and their fair value is determined with reference to the actual quoted market prices at reporting date. The fair value of subordinated debt is predominantly hedged (at AMP Limited Group), by derivative instruments – mainly cross-currency and interest-rate swaps.

(b) Fair value measures

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 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 arms 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 are they based on available market data. Unobservable inputs are determined based on the best information available, which might include the AMP Limited Group's own data, reflecting the AMP Limited Group'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.

The Company has assessed its financial instruments recorded at fair value and concluded that all of them are categorised as level 2.

8. Related party transactions

The following related party transactions occurred during the 2013 half year:

- i) Loans totalling \$1,671.7m (31 December 2012: \$1,763.2m) to related parties under normal commercial terms and conditions remain outstanding at 30 June 2013. The balance includes accrued interest of \$13.6m (31 December 2012: \$13.9m) receivable on these loans at reporting date.
- ii) Loans totalling \$292.9m (31 December 2012: \$210.7m) from related parties under normal commercial terms and conditions remain outstanding at 30 June 2013. This amount includes accrued interest of \$0.6m (31 December 2012: \$0.4m) payable on these loans at reporting date.
- iii) Intercompany tax payable of \$0.9m to the head entity (31 December 2012: Intercompany tax receivable of \$17.2m) which has been disclosed separately in the Statement of financial position.
- iv) Interest income and interest expense from related parties in Note 2 is earned/incurred under normal commercial terms and conditions.
- v) AMP Services Limited provided the Company with certain administrative and management services. The services were provided in the normal course of business and on normal commercial terms and conditions or on a full cost recovery basis.
- vi) AMP Group Holdings Limited acts as guarantor for major external debt issues by entities in the AMP Limited Group, including those issued by AMP Group Finance Services Limited. AMP Group Holdings Limited also provides guarantees for performance obligations and undertaking for maintenance of net worth and liquidity support to controlled entities in the AMP Group Holdings Group. AMP Group Holdings Limited has entered into a Deed of Financial Support whereby AMP Group Holdings Limited will provide financial support to AMP Group Finance Services Limited on the terms set out in the Deed to ensure that AMP Group Finance Services Limited receives full repayment of all loans receivable from AMP Finance Services Limited.

AMP Group Finance Services Limited

Notes to the financial statements (continued)

for the half year ended 30 June 2013

8. Related party transactions

vii) The Company has interest rate swaps of notional value \$50m (31 December 2012: \$50.0m) with a related entity.

9. Contingent liabilities

As at the date of this report, there have been no material changes in contingent liabilities since those reported in the 2012 annual financial report.

10. Events occurring after the reporting date

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 its operations in future years; or the Company's state of affairs in future years, which is not already reflected in this report.

AMP Group Finance Services Limited

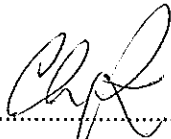
Directors' declaration

for the half year ended 30 June 2013

Directors' declaration

In accordance with a resolution of the directors of AMP Group Finance Services Limited, we state for the purposes of Section 303(4) of the *Corporations Act 2001* that, in the opinion of the directors:

- (a) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (b) the financial statements and notes are in accordance with the *Corporations Act 2001*, including Section 304 (compliance with accounting standards) and Section 305 (true and fair view).



.....
Colin Storrie
Director

Sydney, 28 August 2013



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To the member of AMP Group Finance Services Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of AMP Group Finance Services Limited which comprises the statement of financial position as at 30 June 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 30 June 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of AMP Group Finance Services Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration.



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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of AMP Group Finance Services Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the company's financial position as at 30 June 2013 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Richard Balfour
Partner
Sydney
28 August 2013