

# **AMP Group Finance Services Limited**

ABN 95 084 247 914

## **Directors' report and Financial report for the half year ended 30 June 2017**

# **AMP Group Finance Services Limited**

## **Directors' report**

for the half year ended 30 June 2017

Your directors present their report of AMP Group Finance Services Limited ("the Company") for the half year ended 30 June 2017.

### **Directors**

The directors of the Company during the half year ended 30 June 2017 and up to the date of this report are shown below. Directors were in office for this entire period except where stated otherwise.

Gordon Lefevre - Chairman  
James Georgeson  
John O'Farrell (appointed 4 April 2017)  
David Rowe (resigned 4 April 2017)

### **Operating and financial review**

#### **Principal activities**

The principal activities of the Company during the half year were to undertake financial risk management and treasury activities for the AMP Limited Group (the AMP 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 2017 was a net loss after tax of \$9.5m (2016: net profit after tax of \$44.3m).

#### **Events occurring after the reporting date**

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 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 Corporations Instrument 2016/191, amounts in this directors' report and the accompanying financial report have 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 2017.

Signed in accordance with a resolution of the directors.



.....  
Director

Sydney, 1 September 2017

## Auditor's Independence Declaration to the Directors of AMP Group Finance Services Limited

As lead auditor for the review of AMP Group Finance Services Limited for the half-year ended 30 June 2017, 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.



Ernst & Young



Clare Sporle  
Partner  
01 September 2017

# **AMP Group Finance Services Limited**

ABN 95 084 247 914

## **Financial report for the half year ended 30 June 2017**

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Registered Office:  
33 Alfred Street  
Sydney NSW 2000 Australia

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

**Statement of comprehensive income**

for the half year ended 30 June 2017

	Note	30 Jun 2017 \$m	30 Jun 2016 \$m
Interest income	2	17.4	24.9
Interest expense	2	(20.6)	(25.8)
Net interest expense		(3.2)	(0.9)
Foreign exchange gains on borrowings and subordinated debt		3.9	11.9
Derivatives gains (losses) - related		(0.2)	0.2
Derivatives gains (losses) - other		(14.3)	52.3
Other income		0.6	0.1
Operating expenses		(0.4)	(0.4)
<b>Profit (loss) for the period before income tax</b>		<b>(13.6)</b>	<b>63.2</b>
Income tax (expense) credit	3	4.1	(18.9)
<b>Profit (loss) for the period</b>		<b>(9.5)</b>	<b>44.3</b>
<b>Total comprehensive income (loss) for the period</b>		<b>(9.5)</b>	<b>44.3</b>

**Statement of financial position**

as at 30 June 2017

	Note	30 Jun 2017 \$m	31 Dec 2016 \$m
<b>Current assets</b>			
Cash and cash equivalents		274.1	66.8
Negotiable certificates of deposit		264.4	109.5
Receivables - related		1,611.3	1,544.7
Receivables - other		5.7	5.9
Investments in financial assets measured at fair value through profit or loss - related		6.1	26.0
Derivative financial assets - related		0.4	0.6
Derivative financial assets - other		68.1	85.4
Intercompany tax receivable from head entity		4.1	4.3
<b>Total current assets</b>		<b>2,234.2</b>	<b>1,843.2</b>
<b>Total assets</b>			
		<b>2,234.2</b>	<b>1,843.2</b>
<b>Current liabilities</b>			
Payables - related		1,743.0	1,387.0
Payables - other		0.6	0.7
Collateral deposits held		53.6	64.6
Borrowings		415.9	113.8
Derivative financial liabilities - other		47.0	45.6
<b>Total current liabilities</b>		<b>2,260.1</b>	<b>1,611.7</b>
<b>Non-current liabilities</b>			
Borrowings		250.1	499.9
Subordinated debt	4	63.6	61.7
<b>Total non-current liabilities</b>		<b>313.7</b>	<b>561.6</b>
<b>Total liabilities</b>			
		<b>2,573.8</b>	<b>2,173.3</b>
<b>Net liabilities</b>			
		<b>(339.6)</b>	<b>(330.1)</b>
<b>Equity</b>			
Issued capital	5	One dollar	One dollar
Accumulated losses		(339.6)	(330.1)
<b>Total equity</b>		<b>(339.6)</b>	<b>(330.1)</b>

**Statement of changes in equity**

for the half year ended 30 June 2017

	Issued capital	Retained earnings (accumulated losses) \$m	Total shareholder equity \$m
<b>30 June 2017</b>			
Balance at 1 January 2017	One dollar	(330.1)	(330.1)
Loss for the period	-	(9.5)	(9.5)
Total comprehensive loss	-	(9.5)	(9.5)
<b>Balance at 30 June 2017</b>	<b>One dollar</b>	<b>(339.6)</b>	<b>(339.6)</b>
<b>30 June 2016</b>			
Balance at 1 January 2016	One dollar	1.8	1.8
Profit for the period	-	44.3	44.3
Total comprehensive income	-	44.3	44.3
<b>Balance at 30 June 2016</b>	<b>One dollar</b>	<b>46.1</b>	<b>46.1</b>

**Statement of cash flows**

for the half year ended 30 June 2017

	30 Jun 2017 \$m	30 Jun 2016 \$m
<b>Cash flows from operating activities</b>		
Interest and other items of a similar nature received	17.3	24.9
Interest and other finance costs paid	(18.3)	(20.3)
Other items	0.2	(0.3)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>	<b>(0.8)</b>	<b>4.3</b>
<b>Changes in operating assets and liabilities arising from cashflow movements</b>		
Net repayment (advances) of loans to related parties	(55.0)	496.8
Net proceeds (repayment) of borrowings from related parties	355.8	(92.8)
Net proceeds from borrowings	56.1	383.4
Net repayment of subordinated debt	-	(600.0)
Net receipt (repayment) of collateral deposits	(11.0)	77.1
Net movement in derivative financial assets and liabilities	4.4	1.5
Net increase in other receivables	(7.1)	(0.8)
Net increase (decrease) in other payables	(0.1)	1.1
<b>Cash flows from operating activities</b>	<b>342.3</b>	<b>270.6</b>
<b>Cash flows from investing activities</b>		
Net proceeds from sale of financial assets measured at fair value through profit or loss - related	19.9	-
Net purchase of negotiable certificate of deposit	(154.9)	(233.8)
Net purchase of floating rate notes	-	(36.1)
<b>Cash flows used in investing activities</b>	<b>(135.0)</b>	<b>(269.9)</b>
<b>Net increase in cash and cash equivalents</b>	<b>207.3</b>	<b>0.7</b>
Cash and cash equivalents at the beginning of the period	66.8	201.9
<b>Cash and cash equivalents at the end of the period</b>	<b>274.1</b>	<b>202.6</b>



## Notes to the financial statements

for the half year ended 30 June 2017

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

AMP Group Finance Services Limited ("the Company") is an unlisted public company limited by shares, incorporated and domiciled in Australia. The Company conducts business in Australia.

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

The principal activities of the Company are described in the Directors' report.

The Company operated wholly in one segment.

This general purpose financial report has 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.

This half year financial report does 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 report. As a result, this report should be read in conjunction with the 2016 annual financial report of the Company.

The principal accounting policies and methods of computation adopted in the preparation of the 2017 half year financial report are consistent with the accounting policies and methods of computation adopted in the preparation of the 2016 annual financial report. Comparative information has been reclassified where required for consistency with the half year's presentation.

#### *New and amended accounting standards adopted by the AMP group*

There are no new standards or amendments to standards which apply for the first time in 2017 which would have a material impact on the financial reports of the Company.

#### *New accounting standards issued but not yet effective*

A number of new accounting standards and amendments have been issued but are not yet effective, none of which have been early adopted by the Company in this financial report.

AASB 9 *Financial Instruments* (AASB 9) is effective for periods beginning on 1 January 2018. AASB 9 makes changes to the classification and measurement of financial instruments, introduces a new expected loss model when recognising expected credit losses on financial assets, and also introduces new general hedge accounting requirements. The Company is currently undertaking an assessment of the potential impact of this standard. The Company is not considering early adopting AASB 9.

**Notes to the financial statements (continued)**

for the half year ended 30 June 2017

**2. Net interest income**

	30 Jun 2017 \$m	30 Jun 2016 \$m
<b>Interest Income</b>		
Interest received - related	2.3	12.6
Interest received - other	4.4	2.9
Derivative interest received - other	10.7	9.4
<b>Total interest income</b>	<b>17.4</b>	<b>24.9</b>
<b>Interest expense on borrowings and subordinated debt</b>		
Interest expense - related	(5.2)	(4.4)
Interest expense - other	(11.0)	(17.7)
Derivative interest expense - other	(4.4)	(3.7)
<b>Total interest expense</b>	<b>(20.6)</b>	<b>(25.8)</b>

**3. Income tax**

	30 Jun 2017 \$m	30 Jun 2016 \$m
<b>Relationship between income tax and accounting profit</b>		
Profit (loss) from continuing operations before income tax	(13.6)	63.2
Prima facie tax (expense) credit at 30% (2016: 30%)	4.1	(18.9)
<b>Income tax (expense) credit per Statement of comprehensive income</b>	<b>4.1</b>	<b>(18.9)</b>

**4. Subordinated debt**

	30 Jun 2017 \$m	31 Dec 2016 \$m
6.875% GBP Subordinated Guaranteed Bonds (maturity 2022)	63.6	61.7
<b>Total Subordinated debt</b>	<b>63.6</b>	<b>61.7</b>

**5. Issued capital**

	30 Jun 2017	31 Dec 2016
<b>Total issued capital</b>		
1 (2016: 1) fully paid ordinary share	One dollar	One dollar
<b>Balance at the end of the period</b>	<b>One dollar</b>	<b>One dollar</b>

Holders of ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of shares held.

Ordinary shares entitle their holder to one vote per share, either in person or by proxy, at a meeting of the Company.

**Notes to the financial statements (continued)**

for the half year ended 30 June 2017

**6. Fair value information**

The following table shows the carrying amount and estimated fair values of financial instruments, including the levels in the fair value hierarchy.

	Carrying amount	Level 1	Level 2	Level 3	Total fair value
30 June 2017	\$m	\$m	\$m	\$m	\$m
<b>Financial assets measured at fair value</b>					
Investments in unlisted managed investment schemes	6.1	-	6.1	-	6.1
Derivative financial assets	68.5	-	68.5	-	68.5
<b>Total financial assets measured at fair value</b>	<b>74.6</b>	<b>-</b>	<b>74.6</b>	<b>-</b>	<b>74.6</b>
<b>Financial assets not measured at fair value</b>					
Negotiable certificates of deposit	264.4	-	264.4	-	264.4
Receivables - related	1,611.3	-	1,611.3	-	1,611.3
<b>Total financial assets not measured at fair value</b>	<b>1,875.7</b>	<b>-</b>	<b>1,875.7</b>	<b>-</b>	<b>1,875.7</b>
<b>Financial liabilities measured at fair value</b>					
Collateral deposits held	53.6	-	53.6	-	53.6
Derivative financial liabilities	47.0	-	47.0	-	47.0
<b>Total financial liabilities measured at fair value</b>	<b>100.6</b>	<b>-</b>	<b>100.6</b>	<b>-</b>	<b>100.6</b>
<b>Financial liabilities not measured at fair value</b>					
Borrowings	666.0	-	667.3	-	667.3
Payables - related	1,743.0	-	1,743.0	-	1,743.0
Subordinated debt	63.6	-	66.6	-	66.6
<b>Total financial liabilities not measured at fair value</b>	<b>2,472.6</b>	<b>-</b>	<b>2,476.9</b>	<b>-</b>	<b>2,476.9</b>
<b>31 December 2016</b>					
<b>Financial assets measured at fair value</b>					
Investments in unlisted managed investment schemes	26.0	-	26.0	-	26.0
Derivative financial assets	86.0	-	86.0	-	86.0
<b>Total financial assets measured at fair value</b>	<b>112.0</b>	<b>-</b>	<b>112.0</b>	<b>-</b>	<b>112.0</b>
<b>Financials assets not measured at fair value</b>					
Negotiable certificates of deposit	109.5	-	109.5	-	109.5
Receivables - related	1,544.7	-	1,544.7	-	1,544.7
<b>Total financial assets not measured at fair value</b>	<b>1,654.2</b>	<b>-</b>	<b>1,654.2</b>	<b>-</b>	<b>1,654.2</b>
<b>Financial liabilities measured at fair value</b>					
Collateral deposits held	64.6	-	64.6	-	64.6
Derivative financial liabilities	45.6	-	45.6	-	45.6
<b>Total financial liabilities measured at fair value</b>	<b>110.1</b>	<b>-</b>	<b>110.1</b>	<b>-</b>	<b>110.1</b>
<b>Financial liabilities not measured at fair value</b>					
Borrowings	613.7	-	614.7	-	614.7
Payables - related	1,387.0	-	1,387.7	-	1,387.7
Subordinated debt	61.7	-	64.1	-	64.1
<b>Total financial liabilities not measured at fair value</b>	<b>2,062.4</b>	<b>-</b>	<b>2,066.5</b>	<b>-</b>	<b>2,066.5</b>

**Notes to the financial statements (continued)**

for the half year ended 30 June 2017

The company's methodology and assumptions used to estimate the fair value of financial instruments are described below:

<i>Negotiable certificates of deposit (NCD)</i>	The fair value of NCDs represents the discounted amount of estimated future cash flows expected to be received, based on the maturity profile of the NCDs.
<i>Receivables and payables - related</i>	Receivables / payables – related represents loans to / from entities within the AMP Limited Group. These loans typically do not have stated maturities, can be settled any time and are often non-interest bearing. Given the nature of the arrangements, the carrying value of these instruments are considered to be a reasonable approximation of fair value.
<i>Unlisted managed investment schemes</i>	The fair value of investments in unlisted managed investment schemes is determined on the basis of published redemption prices of those managed investment schemes at the reporting date.
<i>Derivative financial assets and liabilities</i>	The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices (current bid price or current offer price) at the reporting date. The fair value of financial instruments not traded in an active market (eg over-the-counter derivatives) is determined using valuation techniques. Valuation techniques include net present value techniques, option pricing models, discounted cash flow methods and comparison to quoted market prices or dealer quotes for similar instruments.
<i>Borrowings</i>	Borrowings comprise commercial paper, drawn liquidity facilities and various floating-rate and medium-term notes. 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.
<i>Subordinated debt</i>	The fair value of subordinated debt is determined with reference to quoted market prices at the reporting date.

The financial assets and liabilities measured at fair value are categorised using the fair value hierarchy which reflects the significance of inputs into the determination of fair value as follows:

- Level 1: the fair value is valued by reference to quoted prices and active markets for identical assets;
- Level 2: the fair value is estimated 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);
- Level 3: the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There have been no significant transfers between Level 1 and Level 2 during the 2017 financial half year.

**7. Financial support**

The Company incurred an operating loss after tax for the financial half-year ended 30 June 2017 of \$9.5m and at that date, had a net asset deficiency of \$339.6m. The Company's ability to continue is dependent upon the continued financial support of its related company, AMP Group Holdings Limited (AMPGH), which has entered into arrangements with the Company whereby AMPGH will provide liquidity support as may be required (after taking into account all assets, liabilities and cashflow requirements of the Company) to ensure that the Company is able to meet its liabilities (including contingent liabilities) at the time when they become due and payable.

**8. Events occurring after the reporting date**

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 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 2017

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 AMP Group Finance Services Limited will be able to pay its debts as and when they become due and payable; and
- (b) the financial statements and the notes of AMP Group Finance Services Limited for the financial half year ended 30 June 2017 are in accordance with the *Corporations Act 2001*, including Section 304 (compliance with accounting standards) and Section 305 (true and fair view).



.....  
Director

Sydney, 1 September 2017

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 2017, 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 2017 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.

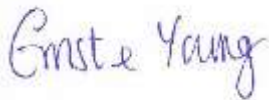
### Independence

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, a copy of which is included in the Directors' Report.

## 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 2017 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



Clare Sporle  
Partner  
Sydney  
01 September 2017