AMP Group Finance Services Limited

ABN 95 084 247 914

Directors' report and Financial report

for the year ended

31 December 2017

AMP Group Finance Services Limited

DIRECTORS' REPORT

For the year ended 31 December 2017

Your directors present their report of AMP Group Finance Services Limited ("the Company" or "AMPGFS") for the year ended 31 December 2017.

Directors

The directors of the Company during the year ended 31 December 2017 and up to the date of this report are shown below. Directors were in office for this entire period unless otherwise stated.

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

Principal activities

The principal activities of the Company during the 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 year.

Review of operations and results

The result for the year ended 31 December 2017 was a net loss after tax of $17.2m (2016: Net loss after tax of $331.9m). The 2016 result includes a $322m write off of 'intercompany loan receivables' arising from the execution of a deed of novation which resulted in the company assuming all rights and obligations of AMP Finance Services Limited (a fellow wholly controlled entity within the AMP Group).

Risk

The key risk which may impact the Company's business strategies and prospects for future financial years is that the Company is unable to receive income or the repayment of loans from other entities in the AMP Group. Consequently, the Company's ability to pay interest, and to service and repay its debt obligations may be materially and adversely impaired. The ability of entities in the AMP Group to repay the Company may be limited by various regulatory, contractual, legal, tax and other constraints. However, the Company has financial support arrangements with AMP Group Holdings Limited (AMPGH) whereby AMPGH acts as guarantor for major external debt issues by entities in the AMP Group, including those issued by the Company. Furthermore, AMPGH has entered into a Deed of Financial Support whereby AMPGH will provide financial support to the Company on the terms set out in the Deed to ensure that the Company is able to meet its financial obligations.

Dividends

No dividends were paid or declared by the Company for the financial year ended 31 December 2017 (2016: $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

At the date of this report, the directors are not aware of any matter or circumstance that has arisen since the end of the year that has significantly affected, or may significantly affect, the entity's operations in future years; the results of those operations in future years; or the entity's state of affairs in future years.

Likely developments

Information about likely developments in the operations of the Company and the expected results of those operations in future years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Company.

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.

Indemnification and insurance of directors and officers

Under its Constitution, the Company indemnifies, to the extent permitted by law, all officers of the Company, (including the directors), for any liability (including the costs and expenses of defending actions 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 the Board of AMP Limited. During or since the end of the financial year, no such indemnities have been provided.

During the financial year, AMP Limited agreed to insure all the officers of the Company against certain liabilities as permitted by the Corporations Act 2001. The insurance policy prohibits disclosure of the nature of the cover, the amount of the premium, the limit of liability and other terms.

AMP Group Holdings Limited ("AMPGH") has entered into a deed of indemnity and access with each director and secretary of the Company. Each deed of indemnity and access provides that:

- these officers will have access to the books of the Company for their period of office and for ten (and in certain cases, seven) years after they cease to hold office (subject to certain conditions); and
- AMPGH agrees to indemnify the officer, to the extent permitted by law, against any liability incurred by the officer in his or her capacity as a director or secretary of the Company and of other AMP group companies

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 hundred 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 2017.

Signed in accordance with a resolution of the directors

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Director

Sydney, 13 April 2018

Ernst & Young
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Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

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

As lead auditor for the audit of AMP Group Finance Services Limited for the financial year ended 31 December 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 audit; and

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

Ernst & Young

Ernst & Young

Clare Sporle
Partner
Sydney
13 April 2018

AMP Group Finance Services Limited
ABN 95 084 247 914

Financial report
for the year ended 31 December 2017

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AMP Group Finance Services Limited

Statement of comprehensive income

For the year ended 31 December 2017

	Note	2017 $m	2016 $m
Interest income	2.1	31.8	43.6
Interest expense	2.1	(42.0)	(45.3)
Net interest		(10.2)	(1.7)
Foreign exchange gains on borrowings and subordinated debt		4.8	8.5
Derivatives (losses) gains - related		(0.6)	0.5
Derivatives losses - other		(17.4)	(21.1)
Other income		1.2	3.4
Other expenses		(1.6)	(3.0)
Write off of receivables - related		-	(322.0)
Operating expenses		(0.8)	(0.8)
Loss for the year before income tax		**(24.6)**	**(336.2)**
Income tax credit	2.2	7.4	4.3
Loss for the year		**(17.2)**	**(331.9)**
Total comprehensive loss for the year		**(17.2)**	**(331.9)**

AMP Group Finance Services Limited

Statement of financial position

For the year ended 31 December 2017

	Note	2017 $m	2016 $m
Current assets			
Cash and cash equivalents	5.1	241.0	66.8
Negotiable certificates of deposit		35.0	109.5
Receivables	3.1	830.6	1,518.6
Investments in financial assets measured at fair value through profit or loss - related		-	26.0
Derivative financial assets - related		-	0.6
Derivative financial assets - other		0.9	85.4
Intercompany tax receivable from head entity		8.9	4.3
Total current assets		**1,116.4**	**1,811.2**
Non-current assets			
Receivables	3.1	158.3	32.0
Total non-current assets		**158.3**	**32.0**
Total assets		**1,274.7**	**1,843.2**
Current liabilities			
Payables	3.2	790.9	1,387.7
Collateral deposits held		1.5	64.6
Borrowings	4.2	226.2	113.8
Derivative financial liabilities - other		43.4	45.6
Total current liabilities		**1,062.0**	**1,611.7**
Non-current liabilities			
Borrowings	4.2	497.3	499.9
Subordinated debt	4.2	62.7	61.7
Total non-current liabilities		**560.0**	**561.6**
Total liabilities		**1,622.0**	**2,173.3**
Net assets		**(347.3)**	**(330.1)**
Equity			
Issued capital	4.1	One dollar	One dollar
Accumulated losses		(347.3)	(330.1)
Total equity		**(347.3)**	**(330.1)**

AMP Group Finance Services Limited

Statement of changes in equity

For the year ended 31 December 2017

	Issued capital	Accumulated losses $m	Total shareholder equity $m
2017			
Balance at the beginning of the year	One dollar	(330.1)	(330.1)
Loss	-	(17.2)	(17.2)
Total comprehensive loss	-	(17.2)	(17.2)
Balance at the end of the year	**One dollar**	**(347.3)**	**(347.3)**
2016			
Balance at the beginning of the year	One dollar	1.8	1.8
Loss	-	(331.9)	(331.9)
Total comprehensive loss	-	(331.9)	(331.9)
Balance at the end of the year	**One dollar**	**(330.1)**	**(330.1)**

Statement of cash flows

For the year ended 31 December 2017

	Note	2017 $m	2016 $m
Cash flows from operating activities			
Interest and other items of a similar nature received		**31.4**	44.8
Interest paid and other finance costs		**(44.3)**	(46.0)
Other items		**(1.2)**	(0.5)
Cash flows from operating activities before changes in operating assets and liabilities		**(14.1)**	(1.7)
Changes in operating assets and liabilities arising from cashflow movements			
Decrease (increase) in receivables - related		**559.3**	(981.3)
(Decrease) increase in payables - related		**(597.0)**	1,171.1
Net proceeds from settlement of derivative instruments		**70.4**	(0.6)
Collateral deposits (repaid) received		**(63.1)**	2.5
Cash flows from (used in) operating activities	5.1	**(44.5)**	190.0
Cash flows from financing activities			
Repayment of subordinated debt		**-**	(600.0)
Proceeds from borrowings		**118.2**	360.7
Cash flows from (used in) financing activities		**118.2**	(239.3)
Cash flows from investing activities			
Sale (purchase) of investments in financial assets measured at fair value through profit or loss - related		**26.0**	(26.0)
Purchase (repayment) of negotiable certificate of deposit		**74.5**	(59.8)
Cash flows from (used in) Investing activities		**100.5**	(85.8)
Net increase (decrease) in cash and cash equivalents		**174.2**	(135.1)
Cash and cash equivalents at the beginning of the year		**66.8**	201.9
Cash and cash equivalents at the end of the year		**241.0**	66.8

Section 1: About this report (continued)

This section outlines the structure of the AMPGFS, information useful to understanding the company's financial report and the basis on which the financial report has been prepared.

- 1.1 Understanding the AMPGFS financial report
- 1.2 Significant accounting policies
- 1.3 Critical judgements and estimates

1.1 Understanding the AMPGFS financial report

AMP Group Finance Services Limited ("the Company" or "AMPGFS") 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 Company operated wholly in one segment. The principal activities of the Company are described in the Directors' report.

The financial report:

- is a general purpose financial report;
- has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards including Australian Accounting Interpretations adopted by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board;
- is presented in Australian dollars;
- has been rounded off to the nearest hundred thousand Australian dollars, unless stated otherwise;
- has been prepared on a going concern basis; and
- presents reclassified comparative information where required for consistency with the current year's presentation.

The financial statements of the Company for the year ended 31 December 2017 were authorised for issue on 13 April 2018 in accordance with a resolution of the directors.

Materiality

Information has only been included in the financial report to the extent that it has been considered material and relevant to the understanding of the financial statements. A disclosure is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature;
- it is important for understanding the results of the AMPGFS;
- it helps explain the impact of significant changes in the AMPGFS; and/or
- it relates to an aspect of the AMPGFS operations that is important to its future performance.

1.2 Significant accounting policies

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash-on-hand that is available on demand, deposits that are held at call with financial institutions and short-term deposits with an original maturity of three months or less. Cash and cash equivalents are measured at amortised cost which approximates to their fair value.

Section 1: About this report (continued)

1.2 Significant accounting policies (continued)

Financial assets

Investments in financial assets measured at fair value through profit or loss
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 the Income statement in the period in which they arise.

Negotiable Certificate of Deposit
The Negotiable Certificate of Deposit is initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. These assets are subsequently recognised at amortised cost using the effective interest rate method.

Recognition and derecognition of financial assets and financial liabilities

Financial assets and financial liabilities are recognised at the date the Company become 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 an unrelated third party. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Impairment of assets

Assets measured at fair value, where changes in value are reflected in the Income statement, are not subject to impairment testing. All other financial assets are reviewed at each reporting date to determine whether there is objective evidence of impairment.

The Company assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset, or a group of financial assets, is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing significant financial difficulty; the probability that they will enter bankruptcy or other financial reorganisation; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. As at 31 December 2017, none of the financial assets were impaired.

Derivative financial assets, derivative financial liabilities and hedging

Derivatives are initially recognised at fair value exclusive of any transaction costs on the date on which the derivative contract is entered into and are subsequently re-measured to their fair value. At the end of the reporting period all derivatives are recognised as assets when their fair value is positive and as liabilities when their fair value is negative.

Derivative financial instruments do not qualify for hedge accounting. Changes in the fair value of any derivative financial instrument are recognised in the Statement of Compressive Income in the period in which they arise.

Fair value estimation
The fair value of financial instruments not traded in an active market (for example over-the-counter derivatives) is determined using valuation techniques. Valuation techniques include net present value techniques, discounted cash flow models and comparison to quoted market prices or dealer quotes for similar instruments.

Section 1: About this report (continued)

1.2 Significant accounting policies (continued)

Foreign currency transactions

Functional and presentational currency
The financial report is presented in Australian dollars (the presentation currency). Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The functional currency of the Company is Australian dollars.

Transactions and balances
Income and expense items denominated in a currency other than the functional currency are translated at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date, with exchange gains and losses being recognised in the Income statement.

Other finance costs

Other finance costs include exchange differences arising from foreign currency borrowings and changes in the fair value of related derivative hedges and swap coupon payments.

Operating expenses

Operating expenses are accrued or paid as incurred.

1.3 Critical judgements and estimates

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 re-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:

Fair value of investments in financial assets and financial liabilities
The Company measures investments in some financial assets and some financial liabilities at fair value through profit or loss. 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. Further detail on the determination of fair values of financial instruments is set out in note 4.5.

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.

Going Concern
The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has access to the resources to continue in business for the foreseeable future. In reaching this determination, management has had regard to the Deed of Financial Support with AMP Group Holdings Limited (AMPGH). Accordingly, the financial statements continue to be prepared on a going concern basis.

Section 2: Results for the year

This section provides insights into how the AMPGFS has performed in the current year and provides additional information about those individual line items in the financial statements that the directors consider most relevant in the context of the operations of AMPGFS.

- 2.1 Interest income
- 2.2 Taxes

2.1 Interest income

	2017 $m	2016 $m
Interest Income		
Interest received - related	6.0	15.9
Interest received - other	8.7	7.3
Derivative interest received - other	17.1	20.4
Total interest income	**31.8**	**43.6**
Interest expense on borrowings and subordinated debt		
Interest expense - related	(10.6)	(8.5)
Interest expense - other	(22.0)	(28.9)
Derivative interest expense - other	(9.4)	(7.9)

Accounting policy – recognition and measurement

Interest income and expense
Interest income and expense for all financial instruments measured at amortised cost is recognised in the Statement of Comprehensive Income using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, cash flows are estimated based upon all contractual terms of the financial instrument but do not consider future credit losses. The calculation includes all fees and other amounts paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Derivative financial instruments
Derivative financial instruments are measured at fair value. Interest component of the fair value is recognised as interest income/expense.

Section 2: Results for the year

2.2 Taxes

	2017 $m	2016 $m
Relationship between income tax and accounting profit		
Loss from continuing operations before income tax	(24.6)	(336.2)
Prima facie tax credit at 30% (2016: 30%)	7.4	100.9
Tax effect of differences between amounts of income and expenses recognised for accounting and the amounts deductible/taxable in calculating taxable income:		
- Non-deductible write off of receivables - related	-	(96.6)
Income tax credit per Statement of comprehensive income	**7.4**	**4.3**

Accounting policy – recognition and measurement

Tax consolidation

AMP Limited, AMP Group Finance Services Limited and other wholly owned controlled entities of AMP Limited which are Australian domiciled companies 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:

- current tax balances arising from external transactions recognised by entities in the tax-consolidated group, occurring after the implementation date; and
- 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 assured 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 a related-party receivable or payable in the Statement of financial position. 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.

Income tax expense

Income tax expense is the tax payable on taxable income for the current period based on the income tax rate 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 amount of the deferred tax assets and liabilities arising from changes in tax rates or 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 recognised directly in equity is also recognised directly in equity.

Deferred tax

There are no temporary differences requiring recognition of deferred tax assets or deferred tax liabilities.

Section 2: Results for the year

2.2 Taxes (continued)

Goods and services tax (GST)

All revenues, 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 particular 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.

Section 3: Receivables and payables

This section highlights AMPGFS receivables and payables which mostly relate to intercompany loans.

- 3.1 Receivables
- 3.2 Payables

3.1 Receivables

	2017 $m	2016 $m
Intercompany loan receivables	**988.6**	1,544.7
Receivables-other	**0.3**	5.9
Total receivables	**988.9**	1,550.6

$Nil receivables (2016: $nil) are past due or impaired.

Accounting policy – recognition and measurement

Receivables – related
All loans to related parties are financial assets initially recognised at fair value, net of directly attributable incremental transaction costs. After initial recognition, loans are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income statement over the period of the contract using the effective interest rate method. Loans with no stated interest rates, which are held at call, are recorded at their nominal amount. Given the short-term nature of most receivables, the recoverable amount usually approximates fair value.

3.2 Payables

	2017 $m	2016 $m
Intercompany loan payables	**790.3**	1,387.0
Payables- other	**0.6**	0.7
Total payables	**790.9**	1,387.7

Accounting policy – recognition and measurement

Payables
Payables include mainly loans from related parties and interest payable on derivative financial instruments. These are measured at the nominal amount payable. Given the short-term nature of most payables, the nominal amount approximates fair value. Given the short-term nature of most payables, the nominal amount payable usually approximates fair value.

Section 4: Capital structure and financial risk management

This section provides information relating to:

- AMPGFS capital management and equity and debt structure; and
- exposure to financial risks – how the risks affect financial position and performance and how the risks are managed, including the use of derivative financial instruments.

The capital structure of the AMPGFS consists of equity and debt. AMPGFS determines the appropriate capital structure in order to finance the current and future activities of the AMPGFS. The capital position of the entity is managed as part of the broader AMP Group's enterprise risk management framework.

- 4.1 Contributed equity
- 4.2 Borrowings and subordinated debt
- 4.3 Financial risk management
- 4.4 Capital management
- 4.5 Fair value information

4.1 Contributed equity

	2017	2016
Total issued capital		
1 (2016: 1) fully paid ordinary share	One dollar	One dollar
Balance at the end of the year	**One dollar**	**One dollar**

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.

Accounting policy – recognition and measurement

Issued capital
Issued capital in respect of ordinary shares is recognised as the fair value of consideration received. Incremental costs directly attributable to the issue of certain new shares are recognised in equity as a deduction, net of tax, from the proceeds.

Section 4: Capital structure and financial risk management

4.2 Borrowings and subordinated debt

(a) Borrowings and subordinated debt	2017 $m	2016 $m
6.875% GBP Subordinated Guaranteed Bonds (maturity 2022)	62.7	61.7
Syndicated loan facility[1]	497.3	499.9
Commercial paper	226.2	113.8
Total borrowings and subordinated debt	**786.2**	**675.4**

1 The facility was renegotiated effective 14 December 2017 and includes tranches of $300m and $200m (4.2.b.i) , maturing 22 March 2020 and 22 March 2022 respectively.

(b) Financing arrangements

Loan facilities and note programs

In addition to the facilities arranged through bond and note issues, financing facilities are provided through bank loans under normal commercial terms and conditions.

	2017	2016
(i) Syndicated loan facilities		
- Available	900.0	750.0
- Used[1]	(500.0)	(500.0)
Unused	**400.0**	**250.0**

1 Syndicated loan facility outstanding balance in note 4.2a ($497.3m) is different from the used amount as it includes capitalised costs and accrued interest.

	2017	2016
(ii) Funding programs available:		
- Available	14,083.2	12,583.0
- Used[1]	(2,553.2)	(2,108.0)
Unused	**11,530.0**	**10,475.0**

1 Finance is available under funding programs in place for the Company and another company in the AMP group. The amounts used are used by the other company.

(c) Changes in liabilities arising from financing activities

	Borrowings and subordinated debt $m
1 January 2017	675.4
Cash flows	115.6
Foreign exhange movement	(4.8)
31 December 2017	786.2

Accounting policy – recognition and measurement

Borrowings and subordinated debt

All borrowings and subordinated debt are financial liabilities and are initially recognised at fair value net of directly attributable transaction costs. After initial recognition, borrowings and subordinated debt are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income statement over the period of the contract using the effective interest method.

Section 4: Capital structure and financial risk management

4.3 Financial risk management

Financial risk management (FRM) within AMPGFS is managed as part of the broader AMP Group Enterprise Risk Management Framework. The AMP Limited Audit Committee, supported by the Group Asset and Liability Committee (Group ALCO), is responsible for ensuring financial risks are appropriately managed.

(a) Risks and mitigation

Financial risks arising in AMPGFS include market risk (interest rate risk, foreign exchange currency risk); liquidity and refinancing risk; and credit risk. These risks are managed according to the AMP Group Enterprise Risk Management Policy and individual policies for each risk category. This financial risk management includes the use of derivative financial instruments such as cross-currency and interest rate swaps, forward rate agreements, futures, options and foreign currency contracts to hedge risk exposures arising from changes in interest rates and foreign exchange rates.

Market risk is the risk that the fair value of assets and liabilities, or future cash flows of a financial instrument will fluctuate due to movements in the financial markets. These movements include foreign exchange rates, interest rates and credit spreads. Market risk in AMPGFS arises from the management of corporate debt.

(b) Market risk sensitivity analysis

Sections (c) and (d) below show how the profit after tax, and equity, would have been impacted by changes in market risk variables including interest rate risk and currency risk as defined in AASB 7 Financial Instruments: Disclosures. AMP GFS primarily invests in a cash fund or in cash-like assets. The interest rate risk sensitivity analysis shows the direct impact on the profit after tax or equity of a reasonably possible change in factors which affect the carrying value of financial assets and financial liabilities held at the end of the reporting period.

The sensitivity is required to show the impact of a reasonably possible change in market rate (it is not intended to illustrate a remote, worst case, stress test scenario nor does it represent a forecast. In addition, it does not include the impact of any mitigating management actions) over the period to the subsequent reporting date. The categories of risks faced and methods used for deriving sensitivity information did not change from previous periods.

(c) Interest rate risk

Interest rate risk is the risk of an impact on AMPGFS'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.

Interest rate risk arises in relation to long-term borrowings and subordinated debt raised through a combination of Australian dollar and pound sterling denominated fixed-rate and floating-rate facilities. Interest rate risk is managed by entering floating-to-fixed interest rate swaps, which have the effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, AMPGFS agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

Interest rate risk sensitivity analysis

This analysis demonstrates the impact of a 100 basis point change in Australian and Great British Pounds, with all other variables held constant, on profit after tax and equity. It is assumed that all underlying exposures are included in the sensitivity analysis, that the 100 basis point change occurs as at the reporting date and that there are concurrent movements in interest rates and parallel shifts in the yield curves.

Section 4: Capital structure and financial risk management

4.3 Financial risk management (continued)

	2017		2016	
Change in variables	**Impact on profit and loss after tax Increase (decrease) $m**	**Impact on equity Increase (decease) $m**	**Impact on profit and loss after tax Increase (decrease) $m**	**Impact on equity Increase (decrease) $m**
-100 basis points	3.4	3.4	53.2	53.2
+100 basis points	(2.7)	(2.7)	(19.2)	(19.2)

(d) Currency risk

AMPGFS issues subordinated debt in pound sterling and foreign currency denominated commercial paper (typically US dollar or euro). The company manages its risk by entering into cross currency swaps. There is no other material exposure to currency risk.

(e) Liquidity and refinancing risk

Liquidity risk is the risk that the AMPGFS is not able to meet its debt obligations or other cash outflows as they fall due because of an inability to liquidate assets or obtain adequate funding when required. Refinancing risk is the risk that AMPGFS is not able to refinance the full quantum of its ongoing debt requirements on appropriate terms and pricing.

To ensure that AMPGFS has sufficient funds available, in the form of cash, liquid assets, borrowing capacity and un-drawn committed funding facilities to meet its liquidity requirements, Group Treasury maintains a defined surplus of cash plus six months of debt maturities to mitigate refinancing risk, satisfy regulatory requirements and protect against liquidity shocks in accordance with the liquidity risk management policy approved by the AMP Limited Board.

As set out in Note 5.4, AMPGH has entered into a Deed of Financial Support whereby AMPGH will provide financial support to the Company on the terms set out in the Deed to ensure that the Company is able to meet its financial obligations.

Section 4: Capital structure and financial risk management

4.3 Financial risk management (continued)

The following table summarises the maturity profiles of AMPGFS financial liabilities at the reporting date. The maturity profiles for Payables, Collateral deposits held, Borrowings and Subordinated debt are based on contractual undiscounted repayment obligations. Repayments that are subject to notice are treated as if notice were to be given immediately. The maturity profile for Derivative financial instruments are based on the instruments' fair value and contractual maturity at the reporting date, offset by collateral paid to counterparties.

Maturity profiles of undiscounted financial liabilities

31 December 2017	Up to 1 Year or no term $m	1 to 5 Years $m	Over 5 Years $m	Total $m
Financial liabilities				
Payables	790.9	-	-	790.9
Collateral deposits held	1.5	-	-	1.5
Borrowings	227.8	527.8	-	755.6
Subordinated debt	4.2	75.6	-	79.8
Derivative financial instruments				
Cross currency swaps:	0.7	2.4	-	3.1
Interest rate swaps	0.2	-	-	0.2
Forward contracts	1.0	-	-	1.0
Total undiscounted financial liabilities	1,026.3	605.8	-	1,632.1

31 December 2016	Up to 1 Year or no term $m	1 to 5 Years $m	Over 5 Years $m	Total $m
Financial liabilities				
Payables - related parties	1,387.0	-	-	1,387.0
Payables - other	0.7	-	-	0.7
Collateral deposits held	64.6	-	-	64.6
Borrowings	129.6	518.2	-	647.8
Subordinated debt	4.2	16.7	63.4	84.3
Derivative financial liability				
Cross currency swaps:	0.6	2.4	0.4	3.4
Interest rate swaps	0.8	2.7	-	3.5
Forward contracts	0.1	-	-	0.1
Total undiscounted financial liabilities	1,587.6	540.0	63.8	2,191.4

Footnote:

1 The balances in the above table will not agree directly to the balances in the Statement of Financial Position as the table incorporates all cash flows on an undiscounted basis, related to both principal and future interest payments.

Section 4: Capital structure and financial risk management

4.3 Financial risk management (continued)

(f) Credit risk

Credit risk includes both settlement credit exposures and traded credit exposures. Credit default risk is the risk of an adverse impact on results and asset values relative to expectations due to a counterparty failing to meet their contractual commitments in full and on time (obligator's 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 the value of a traded financial instrument as a result of changes in credit risk on that instrument.

The AMP concentration risk policy sets out the assessment and determination of what constitutes credit risk. The policy has set exposure limits for each external counterparty and credit rating. Compliance with this policy is monitored and exposures and breaches are reported to senior management through monthly and quarterly FRM reports. Concentration risk from related party counterparties is monitored on an ongoing basis to ensure the Company's exposures are within its risk appetite.

Credit risk directly and indirectly impacting shareholder capital is measured and managed by Group Treasury on a group basis, by aggregating risk from credit exposures taken in business units, as detailed below.

(i) Management of credit risk concentration

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. Concentration of credit risk is managed through both aggregate credit rating limits and individual counterparty limits, which are determined predominantly on the basis of the counterparty's credit rating.

At reporting date, there is no specific concentration of credit risk with a single counterparty arising from the use of financial instruments, other than the normal clearing-house exposures associated with dealings through recognised exchanges and amounts receivable from related parties.

In relation to financial assets, other than amounts receivable from related parties in the AMP Group, counterparties to non-exchange traded contracts are limited to companies with investment grade credit (BBB- or greater) at the time of entering those contracts. The credit risks associated with these counterparties are assessed under the same management policies as applied to direct investments in AMP group's portfolio.

Amounts receivable from related parties in the AMP group are managed as part of the broader AMP Group Enterprise Risk Management Framework. As set out in Note 5.4, AMPGH has entered into a Deed of Financial Support whereby AMPGH will provide financial support to the Company on the terms set out in the Deed to ensure that the Company is able to meet its financial obligations.

In relation to financial assets other than amounts receivable from related parties, compliance is monitored and exposures and breaches are reported to senior management and the AMP AC through the monthly and quarterly FRM Report. As at 31 December 2017 no intercompany receivables are past due or impaired.

(ii) Exposure to credit risk

The exposures on interest bearing securities and cash equivalents which impact the capital position are managed by AMP Treasury within limits set by the AMP Concentration Risk Policy.

Section 4: Capital structure and financial risk management

4.3 Financial risk management (continued)

(g) Derivative financial instruments

Derivative financial instruments are measured at fair value in the Statement of financial position as assets and liabilities. Asset and liability values on individual transactions are only netted if the transactions are with the same counterparty and the cash flows will be settled on a net basis. Changes in values of derivative financial instruments are recognised in the Statement of comprehensive income.

A description of each of these derivatives used by the Company from time to time is given below.

- Swaps – a swap transaction obliges the two parties to the contract to exchange a series of cash flows at specified payment or settlement dates. Swap transactions undertaken by the Company include interest-rate swaps, which involve the contractual exchange of fixed and floating interest rate payments in a single currency based on a notional amount and a reference rate (For example BBSW), and cross-currency swaps which involve the exchange of interest payments based on two different currency principal balances and reference interest rates, and generally also entail exchange of principal amounts at the start and/or end of the contract.

- Forward – these are agreements between two parties establishing a contractual interest rate on a notional principal over a specified period, commencing at a future date. Forward contracts are tailor-made agreements that are transacted between counter parties in the over-the-counter market (OTC), whereas futures are standardised contracts transacted on regulated exchanges.

- Option – an option contract gives the option buyer the right, but not the obligation, to buy or sell a specified amount of a financial instrument at a specified price during a certain period or on a specific date. The seller of the option contract is obliged to perform if the holder exercises the right contained therein. Options may be traded OTC or on a regulated exchange.

- Inflation Swap - an inflation swap is a contract between two parties used to transfer inflation risk from one party to another through an exchange of cash flows. One party pays a fixed rate cash flow on a notional principal amount, while the other party pays a floating rate linked to an inflation index. The party paying the floating rate pays the inflation adjusted rate multiplied by the notional principal.

Risks relating to derivative financial instrument is managed and controlled as an integral part of the financial risk of the AMP group. The credit risk of derivatives is also managed in the context of the AMP group's overall credit risk policies.

Collateral

AMPGFS has collateral arrangements in place with some counterparties in addition to collateral deposits held with respect to derivative contracts. Collateral generally consists of 11am loans and deposits and is exchanged between the counterparties to reduce the exposure from the net fair value of derivative assets and liabilities between the counterparties. As at 31 December 2017 there was $1.5m of collateral deposits due to other financial institutions (2016: $64.6m).

Master netting or similar agreements

Certain derivative assets and liabilities are subject to legally enforceable master netting arrangements, such as an International Swaps and Derivatives Association (ISDA) master netting agreement. In certain circumstances, for example, when a credit event such as a default occurs, all outstanding transactions under an ISDA master agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all such outstanding transactions under that ISDA master agreement.

An ISDA master agreement does not meet the criteria for offsetting in the Statement of financial position as the Company does not have any currently legally enforceable right to offset recognised amounts, as the right to offset is enforceable only on the occurrence of future events such as a default.

As at 31 December 2017, if these netting arrangements were applied to the derivative portfolio, the derivative assets of $0.9m would be reduced by $0.1m to the net amount of $0.8m and derivative liabilities of $43.4m would be reduced by $0.1m to the net amount of $43.3m (31 December 2016: derivative assets of $86.0m would be reduced by $17.9m to the net amount of $68.1m and derivative liabilities of $45.6m would be reduced by $17.9m to the net amount of $27.7m).

Section 4: Capital structure and financial risk management

4.4 Capital management

The Company manages its capital within the broader framework of the AMP Limited Group Capital Management Strategy. The primary capital management objective is to ensure the Company will be able to continue as a going concern while minimising excess capital through capital initiatives, such as dividends, where appropriate.

The Company's Board monitors the Company's capital position. As the Company forms part of the AMP Limited Group, the Company's capital management policies and processes are determined in line with AMP Limited Group's capital management strategy. The AMP Limited Group assesses the adequacy of its capital requirements against regulatory capital requirements. The AMP Limited Group's capital management strategy forms part of the AMP Limited Group's broader strategic planning process. In addition to managing the level of capital resources, the AMP Limited Group also attempts to optimise the mix of capital resources to minimise the cost of capital and maximise AMP Limited Group shareholder value. The AMP Limited Group holds a level of capital above its minimum regulatory capital requirements.

The Company's capital comprises issued capital, reserves and retained earnings and the movements in these balances are disclosed in the Statement of changes in equity.

To ensure that the Company has sufficient funds available, in the form of cash, liquid assets, borrowing capacity and undrawn committed funding facilities to meet its liquidity requirements, Group Treasury maintains a defined surplus of cash to mitigate refinancing risk, satisfy regulatory requirements and protect against liquidity shocks in accordance with the liquidity risk management policy approved by the AMP Limited Board.

As set out in Note 5.4, AMPGH has entered into a Deed of Financial Support whereby AMPGH will provide financial support to the Company on the terms set out in the Deed to ensure that the Company is able to meet its financial obligations.

The Company is not subject to any externally imposed capital requirements.

Section 4: Capital structure and financial risk management

4.5 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.

31 December 2017	Carrying amount $m	Level 1 $m	Level 2 $m	Level 3 $m	Total fair value $m
Investments in financial assets measured at fair value through profit or loss - related	-	-	-	-	-
Derivative financial assets	0.9	-	**0.9**	-	**0.9**
Total financial assets measured at fair value	**0.9**	**-**	**0.9**	**-**	**0.9**
Financial assets not measured at fair value					
Negotiable certificates of deposit	35.0	-	**35.0**	-	**35.0**
Receivables	258.4	-	**258.4**	-	**258.4**
Total financial assets not measured at fair value	**293.4**	**-**	**293.4**	**-**	**293.4**
Financial liabilities measured at fair value					
Derivative financial liabilities- other	43.4	-	**43.4**	-	**43.4**
Total financial liabilities measured at fair value	**43.4**	**-**	**43.4**	**-**	**43.4**
Financial liabilities not measured at fair value					
Borrowings	723.5	-	**729.4**	-	**729.4**
Collateral deposits held	1.5	-	**1.5**	-	**1.5**
Subordinated debt	62.7	-	**69.4**	-	**69.4**
Total financial liabilities not measured at fair value	**787.7**	**-**	**800.3**	**-**	**800.3**
31 December 2016					
Financial assets measured at fair value					
Investments in unlisted managed investment schemes	26.0	-	26.0	-	26.0
Derivative financial assets	86.0	-	86.0	-	86.0
Total financial assets measured at fair value	112.0	**-**	112.0	**-**	112.0
Financials assets not measured at fair value					
Negotiable certificates of deposit	109.5	-	109.5	-	109.5
Receivables	32.0	-	32.0	-	32.0
Total financial assets not measured at fair value	141.5	**-**	141.5	**-**	141.5
Financial liabilities measured at fair value					
Derivative financial liabilities	45.6	-	45.6	-	45.6
Total financial liabilities measured at fair value	45.6	**-**	45.6	**-**	45.6
Financial liabilities not measured at fair value					
Borrowings	613.7	-	614.7	-	614.7
Collateral deposits held	64.6	-	64.6	-	64.6
Subordinated debt	61.7	-	64.1	-	64.1
Total financial liabilities not measured at fair value	740.0	-	743.4	-	743.4

Section 4: Capital structure and financial risk management

4.5 Fair value information (continued)

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

Negotiable certificates of deposit (NCD)	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. For short term NCDs, the fair value is the par value plus any accrued interest. All NCDs held at 31 December 2017 were short term
Receivables and payables - related	Receivables / payables – related represents loans to / from entities within the AMP Limited Group which are not payable on demand. Fair value is estimated with reference to a discounted cash flow model using discount rates appropriate for the respective counterparties and the terms to maturity.
Unlisted managed investment schemes	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.
Derivative financial assets and liabilities	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, forward pricing, swap models, discounted cash flow methods and comparison to quoted market prices or dealer quotes for similar instruments. The models use a number of inputs, including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves of the underlying commodity. Some derivative contracts are significantly cash collateralised, thereby minimising both counterparty risk and the Group's own non-performance risk.
Borrowings	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. For short term borrowings, the par value is considered a reasonable approximation of the fair value.
Subordinated debt	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 year.

Section 5: Other disclosures

- This section includes disclosures other than those covered in the previous sections, required for AMPGFS to comply with the accounting standards and pronouncements.

5.1 Notes to the Statement of cash flows

	2017 $m	2016 $m
(a) Reconciliation of the net loss after income tax to cash flows from operating activities		
Net loss after income tax	(17.2)	(331.9)
Movement in tax asset / liability balances	(4.6)	1.6
Changes in operating assets and liabilities arising from cash flow movements incl Interest receivable and payable and amortisation of borrowing cost recognised as movements in receivables and payables.	(22.7)	520.3
Net cash flows from (used in) operating activities	(44.5)	190.0
(b) Reconciliation of cash and cash equivalents		
Cash balance comprises:		
- Cash at bank	94.5	12.2
- Short term deposits	146.5	54.6
Balance at end of the year	241.0	66.8

Section 5: Other disclosures

5.2 Employee disclosures

a) Key management personnel details

The following individuals were the key management personnel who held office during the year.

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

b) Transactions with key management personnel

The Company has no direct employees.

No director was paid any remuneration by the Company or on behalf of the Company in exchange for services rendered to the Company.

Section 5: Other disclosures

5.3 Transactions with related parties

The company has transactions with related parties including controlled entities and associated entities. Most of those related party activities are provision of inter-company loans to companies within the AMP group. Other related party transactions are in respect of administrative services provided by fellow controlled entities in the AMP group.

Fellow subsidiaries of AMP Limited		Interest and other income received from related parties $'000	Interest and other expense paid to related parties $'000	Amounts owed by related parties $'000	Amounts owed to related parties $'000
AMP Limited	2017	-	7,785	-	640,510
	2016	-	8,192	-	1,166,103
AMP Group Holdings Limited	2017	-	-	276	167
	2016	-	-	545,173	-
AMP Finance Services Limited	2017	-	-	7,281	-
	2016	16,891	322,011	504	-
AMP Services Limited	2017	-	-	472,548	507
	2016	-	-	927,071	48.08
AMP Financial Services Holding Limited	2017	-	-	159,775	-
	2016	-	-	-	91,099
AMP Advice Holdings Pty Limited	2017	1,534	-	88,462	-
	2016	462	-	40,428	-
AMP Life Limited	2017	-	-	271	-
	2016	-	-	-	-
AMP Capital Holdings Limited	2017	539	622	100,122	-
	2016	122	-	-	-
AMP Capital Finance Limited	2017	5,162	-	158,306	-
	2016	1,428	-	31,491	-
AMP Capital Investors Limited	2017	60	-	75	-
	2016	7	-	-	-
AMP Bank Limited	2017	-	-	1,448	-
	2016	-	-	-	23
AMP AAPH Limited	2017	-	2,814	-	149,067
	2016	-	137	-	129,741
AMP Group Services Limited	2017	-	-	-	-
	2016	-	-	-	81
AMP Lending Services Limited	2017	-	-	-	-
	2016	-	-	-	366.08
Total 2017		**7,295**	**11,221**	**98,856**	**790,251**

Section 5: Other disclosures

5.4 Financial support

The Company incurred an operating loss after tax for the financial year ended 31 December 2017 of $17.2m and at that date, had a net asset deficiency of $347.3m. 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.

5.5 Auditor's remuneration

Auditor's remuneration is paid on the Company's behalf by a controlled entity within the AMP Limited Group.

5.6 New accounting standards

Australian 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. 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 AMP group.

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. As permitted by AASB 9 the Company has chosen to continue to apply the hedge accounting requirements of AASB 139 Financial Instruments: Recognition and Measurement (AASB 139). The Company expects the main ongoing impact of AASB 9 will be the requirement to recognise expected credit losses on its related party receivable balances.

Using an expected credit loss model, which considers a number of factors including credit risk, counterparty liquidity and financial position, and availability of any credit enhancements, the Company has undertaken an assessment of the expected impact of the adoption of AASB 9. Based on the impact assessment undertaken, we expect an initial expected credit loss on related party receivable balances as at 31 December 2017 to be between $nil and $0.3m.

AASB 9 also requires entities to recognise a gain or loss from modifications of financial liabilities. This is inconsistent with the Company's current accounting policy under AASB 139. As the terms of the Company's syndicated loan facility were modified during 2017, on adoption of AASB 9 an adjustment will be made to reflect the treatment required under AASB 9. This is expected to result in a gain being recognised in the 1 January 2018 opening retained earnings balance.

5.7 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 year ended 31 December 2017

In accordance with a resolution of the directors of AMP Group Finance Services Limited, for the purposes of section 295(4) of the Corporations Act 2001, the directors declare that:

(a) in the opinion of the directors 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;

(b) in the opinion of the directors the financial statements and the notes of AMP Group Finance Services Limited for the financial year ended 31 December 2017 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 of AMP Group Finance Services Limited for the financial year ended 31 December 2017 include an explicit and unreserved statement of compliance with the International Financial Reporting Standards, as set out in note 1.1 to the financial statements.

....

Director

Sydney, 13 April 2018

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Independent Auditor's Report

To the Members of AMP Group Finance Services Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of AMP Group Finance Services Limited (the Company), which comprises the statement of financial position as at 31 December 2017, 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:

(i) giving a true and fair view of the Company's financial position as at 31 December 2017 and of its financial performance for the year ended on that date; and

(ii) 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 APES110Code 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial report.

Company's net liability position as at 31 December 2017

Why significant	How our audit addressed the key audit matter
As the Company was in a net liability position at 31 December 2017, to the value of $347.3 million, consideration of the Director's assessment as to the Company's ability to continue as a going concern was a key audit matter. Refer to the note 5.4 for disclosures relating to the Company's net liability position at 31 December 2017 and the Director's going concern assessment.	Our audit procedures included the following: ▶ Read and considered the Financial Support Deed between AMP Group Holdings Limited and the Company; ▶ Assessed the ability of AMP Group Holdings Limited to provide financial support to the Company in order to meet its liabilities (including contingent liabilities) from 12 months of the date of the financial statements; and ▶ Assessed the adequacy of the disclosure included in the financial report.

Information Other than the Financial Statements and Auditor's Report

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

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

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

If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, 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 related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or 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 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 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 entity's internal control.

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

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting in the preparation of the financial report. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial report about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial report. However, future events or conditions may cause an entity 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 statements represent 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.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young

Clare Sporle
Partner
Sydney
13 April 2018