

AMP Group Finance Services Limited

ABN 95 084 247 914

Directors' report and Financial report for the half year ended 30 June 2020

AMP Group Finance Services Limited
DIRECTORS' REPORT
for the half year ended 30 June 2020

Your directors present their report of AMP Group Finance Services Limited ("the Company") for the half year ended 30 June 2020.

Directors

The directors of the Company during the half year ended 30 June 2020 and up to the date of this report are shown below. Directors were in office for this entire period except where stated otherwise.

James Georgeson (Chairman)
Jason Bounassif
John O'Farrell

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 these activities during the half year.

Review of operations and results

The result for the half year ended 30 June 2020 was a net loss after tax of \$13.0m (2019: net loss after tax of \$34.0m).

Events occurring after the reporting date

At the date of this report, the directors are not aware of any matter or circumstance that have arisen since the reporting date 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 Company's state of affairs in future years.

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 2020.

Signed in accordance with a resolution of the directors.

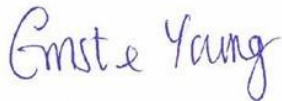

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Director

Sydney, 9 September 2020

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

As lead auditor for the review of the half-year financial report of AMP Group Finance Services Limited for the half-year ended 30 June 2020, 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
9 September 2020

AMP Group Finance Services Limited
ABN 95 084 247 914
Financial report
for the half year ended 30 June 2020

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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 2020

		30 Jun 2020 \$m	30 Jun 2019 \$m
	Note		
Interest income calculated using the effective interest method	2	9.1	10.2
Other interest income	2	23.5	11.0
Finance costs calculated using the effective interest method	2	(19.9)	(20.5)
Other finance costs	2	(22.3)	(30.4)
Net finance costs		(9.6)	(29.7)
Foreign exchange gains		3.1	4.2
Derivative (losses) ¹		(12.6)	(24.3)
Investment (losses)		(0.6)	-
Distributions and net gains on unlisted managed investment schemes		-	0.2
Other income		1.1	1.5
Operating expenses		-	(0.5)
Loss for the period before income tax		(18.6)	(48.6)
Income tax credit	3	5.6	14.6
Loss for the period		(13.0)	(34.0)

Other comprehensive income**Items that may be reclassified subsequently to profit or loss**

Cash flow hedges			
- net gain or loss on cash flow hedge		4.8	0.3
- tax effect on cash flow hedge gain or loss		(1.4)	(0.1)
Other comprehensive income (loss) for the period		3.4	0.2
Total comprehensive loss for the period		(9.6)	(33.8)

¹ Derivative (losses) include fair value and foreign currency movements on Borrowings and subordinated debt in effective hedging relationships.

Statement of financial position

as at 30 June 2020

	Note	30 Jun 2020 \$m	31 Dec 2019 \$m
Current assets			
Cash and cash equivalents		1,573.1	784.4
Other assets		0.3	0.6
Financial assets measured at amortised cost			
- Negotiable certificates of deposit		704.6	20.0
- Floating rate notes		102.0	30.1
- Receivables	4	1,465.1	103.3
Financial assets measured at fair value through profit and loss			
- Investments in unlisted managed investment schemes		0.1	0.1
- Derivative financial assets		94.1	66.1
- Debt Securities		515.6	-
Intercompany tax receivable from head entity		34.6	26.4
Total current assets		4,489.5	1,031.0
Non-current assets			
Financial assets measured at amortised cost			
- Receivables	4	422.5	2,014.5
Deferred tax assets	3	-	0.8
Total non-current assets		422.5	2,015.3
Total assets		4,912.0	3,046.3
Current liabilities			
Financial liabilities measured at amortised cost			
- Payables	5	3,187.0	1,792.4
- Borrowings and subordinated debt	6	13.0	8.6
- Collateral deposits held		83.6	78.6
Financial liabilities measured at fair value through profit and loss			
- Derivative financial liabilities		54.8	72.0
Total current liabilities		3,338.4	1,951.6
Non-current liabilities			
Financial liabilities measured at amortised cost			
- Borrowings and subordinated debt	6	1,393.9	1,088.6
Deferred tax liabilities	3	0.7	-
Total non-current liabilities		1,394.6	1,088.6
Total liabilities		4,733.0	3,040.2
Net assets		179.0	6.1
Equity			
Issued capital	7	582.5	400.0
Reserves		1.9	(1.5)
Accumulated losses		(405.4)	(392.4)
Total equity		179.0	6.1

Statement of changes in equity

for the half year ended 30 June 2020

	Issued capital \$m	Cash flow hedge reserve \$m	Retained earnings (accumulated losses) \$m	Total shareholder equity \$m
30 June 2020				
Balance at 31 December 2019	400.0	(1.5)	(392.4)	6.1
Loss for the period	-	-	(13.0)	(13.0)
Other comprehensive income	-	3.4	-	3.4
Total comprehensive loss	-	3.4	(13.0)	(9.6)
Shares issued	182.5	-	-	182.5
Balance at 30 June 2020	582.5	1.9	(405.4)	179.0
30 June 2019				
Balance at 31 December 2018	400.0	(3.1)	(339.6)	57.3
Loss for the period	-	-	(34.0)	(34.0)
Other comprehensive loss	-	0.2	-	0.2
Total comprehensive loss	-	0.2	(34.0)	(33.8)
Balance at 30 June 2019	400.0	(2.9)	(373.6)	23.5

Statement of cash flows

for the half year ended 30 June 2020

	30 Jun 2020 \$m	30 Jun 2019 \$m
Cash flows from operating activities		
Interest and other items of a similar nature received	35.5	12.8
Interest paid and other finance costs	(40.7)	(38.2)
Other items	0.7	(0.7)
Cash flows used in operating activities before changes in operating assets and liabilities	(4.5)	(26.1)
Changes in operating assets and liabilities arising from cashflow movements		
Decrease (increase) in receivables - related	257.4	(364.1)
Increase (decrease) in payables - related	1,394.6	146.7
Net receipt of collateral deposits	(22.0)	(0.9)
Net movement in derivative financial assets and liabilities	(15.3)	(3.3)
Net movement in other payables	0.3	0.1
Cash flows (used in) from operating activities	1,610.5	(247.6)
Cash flows from investing activities		
Net proceeds from sale of (payments to acquire):		
- investments in financial assets measured at fair value through profit or loss - related	(0.0)	128.6
- negotiable certificate of deposit	(684.7)	37.8
- floating rate notes	(71.9)	92.1
- debt securities	(521.3)	-
Cash flows from (used in) investing activities	(1,277.9)	258.5
Cash flows from financing activities		
Repayments of borrowing - syndicated loan facility	-	(500.0)
Net redemption of commercial paper	-	(61.9)
Proceeds from issue of share capital	182.5	-
Proceeds from borrowings - medium term notes	273.6	633.3
Cash flows from financing activities	456.1	71.4
Net increase (decrease) in cash and cash equivalents	788.7	82.3
Cash and cash equivalents at the beginning of the period	784.4	181.1
Cash and cash equivalents at the end of the period	1,573.1	263.4

Notes to the financial statements (continued)

for the half year ended 30 June 2020

1. Basis of preparation and summary of significant accounting policies

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.

This general purpose financial report has been prepared in accordance with the *Corporations Act 2001* and AASB 134 *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 2019 annual financial report of the Company.

Comparative information has been reclassified where required for consistency with the current half year's presentation. Apart from the policy detailed below the principal accounting policies and methods of computation adopted in the preparation of the 2020 half year financial report are consistent with the accounting policies and methods of computation adopted in the preparation of the 2019 annual financial report.

During the period a portfolio of fixed rate bonds was purchased utilising the proceeds from the sale of the Australian and New Zealand wealth protection and mature businesses. In conjunction a portfolio of derivatives was purchased against these fixed rate bonds, however, the portfolios have not been designated in a hedge relationship. Under applicable accounting standards the derivative portfolio is required to be measured at fair value through profit or loss, which could create an accounting mismatch if the fixed rate bonds were classified as measured at amortised cost. However, an entity may, at initial recognition, irrevocably designate a financial asset or liability that would otherwise have to be measured at amortised cost or fair value through other comprehensive income to be measured at fair value through profit or loss if doing so would eliminate or significantly reduce a measurement or recognition inconsistency. The Company has elected to apply this irrevocable designation at fair value through profit or loss to the portfolio of debt securities and has adopted the below accounting policy.

Financial assets measured at fair value through profit or loss - debt securities

Debt securities can be irrevocably designated, at initial recognition, as measured at fair value through profit or loss where doing so would eliminate or significantly reduce a measurement or recognition inconsistency or otherwise results in more relevant information. Fair value on initial recognition is determined as the purchase cost of the asset, exclusive of any transaction costs. Transaction costs are expensed as incurred in profit or loss. Subsequent measurement is determined with reference to the bid price at the reporting date. Any realised and unrealised gain or losses arising from subsequent measurement at fair value are recognised in the Statement of Comprehensive Income in the period in which they arise.

COVID-19 impacts

The COVID-19 outbreak has had a significant impact on global financial markets to date. It is difficult to predict how long such conditions will persist and the extent to which the Company may be affected by such conditions. There was no material impact to the Company for the half year ended 30 June 2020.

Notes to the financial statements (continued)

for the half year ended 30 June 2020

2. Net finance costs

	30 Jun 2020 \$m	30 Jun 2019 \$m
Interest Income		
Interest income calculated using the effective interest method		
- related	6.9	6.0
- other	2.2	4.2
Other interest income		
- Derivative interest income	23.5	11.0
Total interest income	32.6	21.2

Finance costs on borrowings and subordinated debt

Finance costs calculated using the effective interest method		
- related	(4.7)	(5.7)
- other	(15.2)	(14.8)
Other finance costs		
- Derivative and other finance costs	(22.3)	(30.4)
Total finance costs	(42.2)	(50.9)

3. Income tax

	30 Jun 2020 \$m	30 Jun 2019 \$m
(a) Relationship between income tax and accounting profit or loss		
Loss from continuing operations before income tax	(18.6)	(48.6)
Prima facie tax credit at 30% (2019: 30%)	5.6	14.6
Income tax credit per Statement of comprehensive income	5.6	14.6

	30 Jun 2020 \$m	31 Dec 2019 \$m
(b) Analysis of deferred tax assets/(liabilities)		
Expenses deductible in future years	0.1	0.1
Unrealised movements on borrowings	(0.8)	0.7
Total deferred tax assets/(liabilities)	(0.7)	0.8

	30 Jun 2020 \$m	30 Jun 2019 \$m
(c) Amounts recognised directly in equity		
Deferred income tax (expense) credit related to items taken directly to equity during the current period	(1.4)	(0.1)

Notes to the financial statements (continued)

for the half year ended 30 June 2020

4. Receivables

	30 Jun 2020 \$m	31 Dec 2019 \$m
Intercompany loan receivables	1,754.1	2,014.5
Receivables-other ¹	133.5	103.3
Total receivables²	1,887.6	2,117.8

¹ Includes collateral deposits of \$119.1m (2019: \$94.2m).² The receivables are presented net of ECL of \$0.2m (2019: \$0.2m).**5. Payables**

	30 Jun 2020 \$m	31 Dec 2019 \$m
Intercompany loan payables	3,183.4	1,788.8
Payables- other	3.6	3.6
Total payables	3,187.0	1,792.4

6. Borrowings and subordinated debt

	30 Jun 2020 \$m	31 Dec 2019 \$m
(a) Borrowings and subordinated debt		
6.875% GBP Subordinated Guaranteed Bonds (maturity 2022)	67.3	68.0
USD Medium Term Notes ¹	456.9	437.1
CHF Medium Term Notes ²	882.7	592.1
Total borrowings and subordinated debt	1,406.9	1,097.2

¹ USD 300m 4 per cent Notes were issued on 14 March 2019 and mature 14 September 2021.² CHF 110m and CHF 50m Senior Unsecured Fixed Rate Bonds were issued on 19 June 2018 and 19 September 2018 respectively, and mature 19 December 2022. CHF 140m and CHF 100m Senior Unsecured Fixed Rate Bonds were issued on 18 April 2019 and 3 December 2019 respectively, and mature 18 July 2023. CHF 175m Senior Unsecured Fixed Rate Bonds were issued 3 March 2020 and matures 3 June 2024.**(b) Financing arrangements**

	30 Jun 2020 \$m	31 Dec 2019 \$m
(i) Bilateral facilities		
- Available ¹	650.0	750.0
- Used	-	-
Unused	650.0	750.0
(ii) Funding programs available:		
- Available	15,224.2	14,992.9
- Used ²	(3,134.3)	(3,280.0)
Unused	12,089.9	11,712.9

¹ Bilateral facilities of \$650m includes \$250m maturing on 31 December 2020, \$250m maturing on 31 August 2021, and \$150m maturing on 31 December 2021. Subsequent to 30 June 2020, the credit rating of AMP Group Holdings Limited was downgraded which triggered an automatic review of these facilities. The review has not yet concluded.² Financing is available under funding programs in place for the Company and another company in the AMP group. The amount of the funding programs used by the Company is \$1,319m (2019: \$1,060m). The remainder of the used amount relates to the other company.

Notes to the financial statements (continued)

for the half year ended 30 June 2020

7. Issued capital

	30 Jun 2020	31 Dec 2019
	\$m	\$m
Total issued capital		
22 (2019: 2) fully paid ordinary share ¹	582.5	400.0
Balance at the end of the period	582.5	400.0

¹ On 26 Jun 2020, the Company issued 20 shares to its parent for \$182.5m.

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 2020

8. 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 \$m	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total fair value \$m
30 June 2020					
Financial assets measured at fair value					
<i>Financial assets measured at fair value through profit and loss</i>					
Investment in unlisted managed investment schemes	0.1	-	0.1	-	0.1
Debt Securities	515.6	-	515.6	-	515.6
Derivative financial assets	94.1	-	94.1	-	94.1
Total financial assets measured at fair value	609.8	-	609.8	-	609.8
Financial assets not measured at fair value					
<i>Financial assets measured at amortised cost</i>					
Negotiable certificates of deposit	704.6	-	704.6	-	704.6
Floating rate notes	102.0	-	102.0	-	102.0
Receivables	1,887.5	-	1,887.5	-	1,887.5
Total financial assets not measured at fair value	2,694.1	-	2,694.1	-	2,694.1
Financial liabilities measured at fair value					
<i>Financial liabilities measured at fair value through profit and loss</i>					
Derivative financial liabilities	54.8	-	54.8	-	54.8
Total financial liabilities measured at fair value	54.8	-	54.8	-	54.8
Financial liabilities not measured at fair value					
<i>Financial liabilities measured at amortised cost</i>					
Borrowings and subordinated debt	1,406.9	-	1,347.5	-	1,347.5
Collateral deposits held	83.6	-	83.6	-	83.6
Payables	3,187.0	-	3,187.0	-	3,187.0
Total financial liabilities not measured at fair value	4,677.5	-	4,618.1	-	4,618.1
31 December 2019					
Financial assets measured at fair value					
<i>Financial assets measured at fair value through profit and loss</i>					
Investment in unlisted managed investment schemes	0.1	-	0.1	-	0.1
Derivative financial assets	66.1	-	66.1	-	66.1
Total financial assets measured at fair value	66.2	-	66.2	-	66.2
Financial assets not measured at fair value					
<i>Financial assets measured at amortised cost</i>					
Negotiable certificates of deposit	20.0	-	20.0	-	20.0
Floating rate notes	30.1	-	30.1	-	30.1
Receivables	2,117.8	-	2,117.8	-	2,117.8
Total financial assets not measured at fair value	2,167.9	-	2,167.9	-	2,167.9
Financial liabilities measured at fair value					
<i>Financial liabilities measured at fair value through profit and loss</i>					
Derivative financial liabilities	72.0	-	72.0	-	72.0
Total financial liabilities measured at fair value	72.0	-	72.0	-	72.0
Financial liabilities not measured at fair value					
<i>Financial liabilities measured at amortised cost</i>					
Borrowings and subordinated debt	1,097.2	-	1,105.1	-	1,105.1
Collateral deposits held	78.6	-	78.6	-	78.6
Payables	1,792.4	-	1,792.4	-	1,792.4
Total financial liabilities not measured at fair value	2,968.2	-	2,976.1	-	2,976.1

Notes to the financial statements (continued)

for the half year ended 30 June 2020

8. Fair value information (continued)

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. For short term NCDs, the fair value is the par value plus any accrued interest. All NCDs held at 30 June 2020 were short term.
<i>Floating rate notes</i>	The fair value of floating rate notes represents the discounted amount of estimated future cash flows expected to be received, based on the maturity profile of the floating rate notes. For short term floating rate notes, the fair value is the par value plus any accrued interest.
<i>Receivables and payables</i>	Receivables/payables primarily represents loans to/from entities within the AMP Limited Group. For balances receivable/payable on demand, the fair value is the outstanding balance. For balances not receivable/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.
<i>Investments in 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 (e.g. 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 instruments. Some derivative contracts are significantly cash collateralised, thereby minimising both counterparty risk and the Company's own non-performance risk.
<i>Borrowings and subordinated debt</i>	Borrowings can comprise commercial paper, drawn liquidity facilities, various floating-rate and medium-term notes, and subordinated debt. The estimated fair value of borrowings and subordinated debt is determined with reference to quoted market prices at the reporting date. For borrowings and subordinated debt 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 and subordinated debt, the par value is considered a reasonable approximation of the fair value.
<i>Debt Securities</i>	Debt securities comprise a portfolio of government and semi-government bonds. The fair value of listed debt securities reflects the bid price at the reporting date. Listed debt securities that are not frequently traded are valued by discounting estimated recoverable amounts.

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 or liabilities;
- 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 2020 financial half year.

Notes to the financial statements (continued)

for the half year ended 30 June 2020

9. 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.

a) Incomes and expenses transactions with related parties

	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
	Interest income from related parties	Interest income from related parties	Other income from related parties	Other income from related parties	Distributions and net gains or losses on unlisted managed investment schemes	Distributions and net gains or losses on unlisted managed investment schemes	Interest expense to related parties	Interest expense to related parties
Related parties of AMP Limited	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
AMP Limited	-	-	-	-	-	-	2,797	3,387
AMP Wealth Management Holdings Pty Ltd	45	-	-	-	-	-	-	-
AMP Advice Holdings Pty Limited	2,690	609	-	-	-	-	-	-
AMP Capital Finance Limited	4,201	5,436	877	677	-	-	-	-
AMP AAPH Limited	-	-	-	-	-	-	1,874	2,330
AMP Capital Shareholders' Cash Fund	-	-	-	-	-	166	-	-
Total	6,936	6,045	877	677	-	166	4,671	5,717

b) Investments and balances with related parties

	30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019
	Amounts owed by related parties	Amounts owed by related parties	Amounts owed to related parties	Amounts owed to related parties	Intercompany tax receivable from head entity	Intercompany tax payable to head entity
Related parties of AMP Limited	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
AMP Limited	13,216	6,606	558,942	1,308,437	34,600	26,400
AMP Group Holdings Limited ¹	1,135,522	823,920	-	49,231	-	-
AMP Finance Services Limited	5,637	-	5,904	1,112	-	-
AMP Services Limited	61,192	797,443	294,412	-	-	-
AMP Holdings Limited ¹	-	-	2,034,348	-	-	-
AMP Wealth Management Holdings Pty Limited	116,013	-	196,454	122,717	-	-
AMP Advice Holdings Pty Limited	135,890	191,669	26,884	135,103	-	-
National Mutual Funds Management (Global) Limited	-	-	66,381	30,000	-	-
AMP Capital Finance Limited	286,604	194,853	100	-	-	-
AMP AAPH Limited	-	-	-	142,257	-	-
Total	1,754,074	2,014,491	3,183,425	1,788,857	34,600	26,400

¹ The AMP group completed its sale of its Australian and New Zealand wealth protection and mature businesses on 30 June 2020. The cash proceeds from the sale were received by the Company in its capacity as an AMP group treasury entity which resulted in a \$2,034.3m liability to AMP Holdings Limited (AMP Holdings) at 30 June 2020. Subsequent to 30 June 2020, this liability was settled in full. These funds were on lent by AMP Holdings to its parent, AMP Group Holdings Limited, who used the funds to settle its outstanding payable to the Company of \$1,135.5m and lend the residual funds of \$935.2m to the Company.

10. New accounting standards

A number of new accounting standards' amendments have been adopted effective 1 January 2020. These have not had a material effect on the financial position or performance of the Company other than as described below.

Interest Rate Benchmark Reform**Background**

Transition from Interbank Offered Rates (IBORs), primarily but not exclusively the London Interbank Offered Rate (LIBOR), to Alternative Reference Rates is an area of ongoing industry focus with regulators signalling the need to use alternative benchmark rates. As a result, existing benchmark rates are expected to be discontinued or the basis on which they are calculated may change. Some such developments have occurred in certain jurisdictions already such as the adoption of ESTR by the European Central Bank as the regulated Risk-Free Rate which replaced EONIA in 2019.

Notes to the financial statements (continued)

for the half year ended 30 June 2020

The transition to new interest rate benchmarks, given the extent of these changes, may affect the value of a broad array of financial products, including any IBOR-based securities, loans and other financial products and may impact the availability and cost of hedging such products in the future. Forthcoming changes will require amendments to existing financial contracts and investments with a substitution to a revised, replacement benchmark rate.

Approach to IBOR Transition

In response to the significant future changes that interest rate benchmark reforms pose, the Company has undertaken the following actions;

- The Company is monitoring local and international regulatory guidance and requests to prepare for transition from IBORs to Risk Free Rate benchmarks
- Maintaining continuous engagement with regulators on the Company's transition plans and potential impacts
- Working closely with industry bodies to understand and manage the impact of transition on our businesses and the markets in which we operate.
- The Company has established and resourced transition projects and a program of work to plan for, monitor and resource future transition needs
- Undertaken a detailed assessment to prepare for any potential customer, business, or operational impacts

Amendments to hedge accounting requirements

The Australian Accounting Standards Board issued amendments to hedge accounting requirements within Standards AASB 7, 9 and 139 in October 2019 to address Interest Rate Benchmark Reforms. The amendments to hedge accounting requirements provide relief from the potential effects of the uncertainty caused by the transition associated with interest rate benchmark reform and are effective for annual periods on or after 1 January 2020. Management have considered the impacts of IBOR Transition on existing hedge accounting arrangements and do not expect the changes to have a material financial impact on the Company. Currently the Company does not have any hedging relationships in which the hedging instrument refers to an IBOR benchmark.

Additional amendments have been prepared by the International Accounting Standards Board for IFRS 7, 9 and 139 which are expected to come into effect from 1 January 2021 subject to finalisation by the IASB in the later part of 2020. These amendments are in addition to the phase 1 amendments that were announced in October 2019. The Company will assess and reflect any impacts when the changes to IFRS are finalised.

11. Events occurring after the reporting date

Other than the matters within this report, 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.

Directors' declaration

for the half year ended 30 June 2020

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 2020 are in accordance with the *Corporations Act 2001*, including Section 304 (compliance with accounting standards) and Section 305 (true and fair view).


.....
Director

Sydney, 9 September 2020

Independent Auditor's Review Report to the Members of AMP Group Finance Services Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of AMP Group Finance Services Limited (the Company), which comprises the statement of financial position as at 30 June 2020, 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.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Company 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 2020 and of its financial 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*.

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 control as the directors determine is 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, anything has come to our attention that causes us to believe that the half-year 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 2020 and its financial 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 the Company, 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*.

A handwritten signature in blue ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in blue ink that reads 'Clare Sporle'.

Clare Sporle
Partner
Sydney
9 September 2020