

AMP Group Finance Services Limited

ABN 95 084 247 914

**Directors' report and Financial report
for the half year ended
30 June 2015**

AMP Group Finance Services Limited

Directors' report

for the half year ended 30 June 2015

Your directors present their report of AMP Group Finance Services Limited ("the Company") for the half year ended 30 June 2015.

Directors' details

The directors of the Company during the half year ended 30 June 2015 and up to the date of this report are shown below. Directors were in office for this entire period.

Gordon Lefevre - Chairman
David Rowe
James Georgeson

Operating and financial review

Principal activities

The Company is a wholly owned entity in the AMP Limited group (AMP). The principal activity of the Company during the period was to operate as a financing entity within AMP. There have been no significant changes in the nature of these activities during the period.

Review of operations and results

The result for the half year ended 30 June 2015 was a net loss after tax of \$6.1m (2014: net loss after tax of \$2.7m).

Events occurring after the reporting date

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

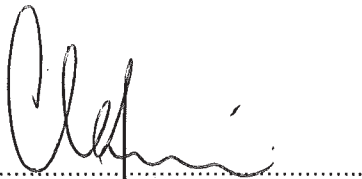
Rounding

In accordance with the Australian Securities and Investments Commission (ASIC) Class Order 98/100, 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 2015.

Signed in accordance with a resolution of the directors.



Gordon Lefevre
Director

Sydney, 26 August 2015



Ernst & Young
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

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

In relation to our review of the financial report of AMP Group Finance Services Limited for the half-year ended 30 June 2015 to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Darren Handley-Greaves
Partner
26 August 2015

AMP Group Finance Services Limited

ABN 95 084 247 914

Financial report for the half year ended 30 June 2015

Contents

STATEMENT OF COMPREHENSIVE INCOME	1
STATEMENT OF FINANCIAL POSITION	2
STATEMENT OF CHANGES IN EQUITY	3
STATEMENT OF CASH FLOWS	4
NOTES TO THE FINANCIAL STATEMENTS	5
1. BASIS OF PREPARATION	5
2. NET INTEREST INCOME	6
3. OTHER FINANCE COSTS	6
4. INCOME TAX	6
5. SUBORDINATED DEBT	7
6. ISSUED CAPITAL	7
7. FAIR VALUE INFORMATION	8
8. EVENTS OCCURRING AFTER THE REPORTING DATE	9
DIRECTORS' DECLARATION	10
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AMP GROUP FINANCE SERVICES LIMITED	11

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 2015

	Note	30 June 2015 \$m	30 June 2014 \$m
Interest income	2	25.8	44.9
Interest expense	2	(26.5)	(45.9)
Net interest income (expense)		(0.7)	(1.0)
Net foreign exchange gain (loss) on loans to related parties		5.1	(0.3)
Other income		0.2	0.8
Other finance costs	3	(13.2)	(3.1)
Operating expenses		(0.1)	(0.2)
Profit (loss) for the period before income tax		(8.7)	(3.8)
Income tax (expense) credit	4	2.6	1.1
Profit (loss) for the period		(6.1)	(2.7)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges			
- gains (losses) in fair value of cash flow hedges		-	(1.1)
- income tax (expense) credit		-	0.3
- transferred from / (to) profit for the period		-	3.4
- transferred from / (to) profit for the period - income tax (expense) credit		-	(1.0)
Other comprehensive income (loss) for the period		-	1.6
Total comprehensive income (loss) for the period		(6.1)	(1.1)

Statement of financial position

for the half year ended 30 June 2015

	Note	30 June 2015 \$m	31 December 2014 \$m
Current assets			
Cash and cash equivalents		195.8	61.8
Receivables - related parties		928.0	1,125.1
Receivables - other		4.8	0.6
Derivative financial assets - related parties		0.7	1.1
Derivative financial assets - other		96.2	0.3
Intercompany tax receivable from head entity		2.7	-
Total current assets		1,228.2	1,188.9
Total assets			
		1,228.2	1,188.9
Current liabilities			
Payables - related parties		207.9	46.8
Payables - other		0.3	0.1
Borrowings		-	204.7
Derivative financial liabilities- related parties		-	0.3
Derivative financial liabilities - other		16.0	1.1
Collateral deposits held		68.5	-
Intercompany tax payable to head entity		-	2.6
Total current liabilities		292.7	255.6
Non-current liabilities			
Borrowings		249.2	249.0
Subordinated debt	5	676.9	668.8
Total non-current liabilities		926.1	917.8
Total liabilities			
		1,218.8	1,173.4
Net assets			
		9.4	15.5
Equity			
Issued capital	6	One dollar	One dollar
Retained earnings		9.4	15.5
Total equity		9.4	15.5

Statement of changes in equity

for the half year ended 30 June 2015

	Issued Capital	Cash flow hedge reserve \$m	Retained earnings \$m	Total shareholder equity \$m
30 June 2015				
Balance at the beginning of the period	One dollar	-	15.5	15.5
Profit (loss)	-	-	(6.1)	(6.1)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(6.1)	(6.1)
Balance at the end of the period	One dollar	-	9.4	9.4
30 June 2014				
Balance at the beginning of the period	One dollar	(5.6)	22.4	16.8
Profit (loss)	-	-	(2.7)	(2.7)
Other comprehensive income	-	1.6	-	1.6
Total comprehensive income	-	1.6	(2.7)	(1.1)
Balance at the end of the period	One dollar	(4.0)	19.7	15.7

Statement of cash flows

for the half year ended 30 June 2015

	30 June 2015 \$m	30 June 2014 \$m
Cash flows from operating activities		
Interest and other items of a similar nature received	23.9	45.2
Interest paid and other finance costs	(23.5)	(46.2)
Other items	0.1	-
Receipts from (payable to) head entity for tax funding liabilities	(2.7)	0.6
Cash flows from operating activities before changes in operating assets and liabilities	(2.2)	(0.4)
Changes in operating assets and liabilities arising from cashflow movements		
Amounts received from related parties	359.0	189.7
Repayment of borrowings	(202.5)	-
Derivative financial asset / liabilities	(88.8)	(2.7)
Collateral deposits received	68.5	-
Repayment of subordinated debt	-	(280.0)
Cash flows from (used in) operating activities	134.0	(93.4)
Net increase (decrease) in cash and cash equivalents	134.0	(93.4)
Cash and cash equivalents at the beginning of the period	61.8	290.0
Cash and cash equivalents at the end of the period	195.8	196.6

Notes to the financial statements

for the half year ended 30 June 2015

1. Basis of preparation

The Company is an unlisted public company limited by shares, incorporated and domiciled in Australia. The Company conducts business in Australia.

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

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

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

These half year financial statements do not include all notes of the type normally included within the annual financial statements and therefore cannot be expected to provide as full an understanding of the financial position and financial performance of the Company as that given by the annual financial statements. As a result, these statements should be read in conjunction with the 2014 annual financial statements of the Company.

The principal accounting policies and methods of computation adopted in the preparation of the 2015 half year financial statements are consistent with the accounting policies and methods of computation adopted in the preparation of the 2014 annual financial statements with the exception of the application of new standards and changes in estimates as set out below.

Changes in accounting policy

A number of new accounting standards and amendments have been adopted effective 1 January 2015, but have not had any material effect on the financial position or performance of the AMP group.

The Company has elected to early adopt the following new accounting standards from 1 January 2015:

- AASB 2015-5 *Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception*.
- AASB 2014-9 *Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements*.

There is no material impact to the financial position or performance of the Company as a result of the early adoption of these amendments.

Australian Accounting Standards issued but not yet effective

A number of new accounting standards and amendments have been issued but are not yet effective. The AMP group has not elected to early adopt any of these new standards or amendments in this financial report. These new standards and amendments, when applied in future periods, are not expected to have a material impact on the financial position or performance of the AMP group, other than as set out below.

- *AASB 9 Financial Instruments*. This standard makes significant changes to the way financial assets are classified for the purpose of determining their measurement basis and also to the amounts relating to fair value changes which are to be taken directly to equity. This standard also makes significant changes to hedge accounting requirements and disclosures and introduces a new expected loss model when recognising expected credit losses on financial assets. This standard is mandatory for adoption by the AMP group for the year ending 31 December 2018. The financial impact to the AMP group of adopting AASB 9 *Financial Instruments* has not yet been quantified.

Notes to the financial statements (continued)

for the half year ended 30 June 2015

2. Net interest income

	30 June 2015 \$m	30 June 2014 \$m
Interest Income		
Interest received - related	24.5	42.4
Interest received - other	1.3	2.5
Total interest income	25.8	44.9
Interest expense on borrowings and subordinated debt		
Interest expense - related	(1.3)	(2.5)
Interest expense - other	(25.2)	(43.4)
Total interest expense	(26.5)	(45.9)

3. Other finance costs

	30 June 2015 \$m	30 June 2014 \$m
Foreign exchange losses on borrowings and subordinated debt	(5.1)	0.3
Derivatives gains (losses) - related	10.9	0.2
Derivatives gains (losses) - other	(19.0)	(3.6)
Total other finance costs	(13.2)	(3.1)

4. Income tax

	30 June 2015 \$m	30 June 2014 \$m
(a) Relationship between income tax and accounting profit		
Profit (loss) from continuing operations before income tax	(8.7)	(3.8)
Prima facie tax (expense) credit at 30% (2014: 30%)	2.6	1.1
Income tax (expense) credit per Income statement	2.6	1.1

Notes to the financial statements (continued)

for the half year ended 30 June 2015

5. Subordinated debt

	30 June 2015 \$m	31 December 2014 \$m
6.875% GBP Subordinated Guaranteed Bonds (maturity 2022)	76.7	69.0
Floating Rate Subordinated Unsecured Notes (first call date 2016, maturity 2021)	600.2	599.8
Total Subordinated debt	676.9	668.8

6. Issued capital

	30 June 2015	30 June 2014
Total issued capital		
1 (2014: 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.

Notes to the financial statements (continued)

for the half year ended 30 June 2015

7. Fair value information**a) Fair values**

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

	Carrying amount 30 June 2015 \$m	Aggregated fair value 30 June 2015 \$m	Carrying amount 31 December 2014 \$m	Aggregated fair value 31 December 2014 \$m
Financial assets				
Receivables	932.8	932.8	1,125.7	1,125.7
Total financial assets	932.8	932.8	1,125.7	1,125.7
Financial liabilities				
Payables - related	208.2	208.2	47.0	47.0
Borrowings	249.2	250.9	453.6	457.2
Subordinated debt	676.9	694.5	668.8	681.5
Total financial liabilities	1,134.3	1,153.6	1,169.5	1,185.7

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

(i) Borrowings

Borrowings comprise domestic 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.

(ii) Subordinated debt

Subordinated debt comprises listed securities and their fair value is determined with reference to the actual quoted market prices at reporting date.

b) Fair value measures

The company's assets and liabilities measured at fair value are categorised as Level 2 under the three level hierarchy, reflecting the availability of observable market inputs when estimating the fair value. If different levels of inputs are used to measure a financial instrument's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement.

Level 2: Valued using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices), including: quoted prices in active markets for similar assets or liabilities, quoted prices in markets in which there are few transactions for identical or similar assets or liabilities, and other inputs that are not quoted prices but are observable for the asset or liability, for example interest rate yield curves observable at commonly quoted intervals, currency rates, option volatilities, credit risks, and default rates.

Notes to the financial statements (continued)

for the half year ended 30 June 2015

8. Events occurring after the reporting date

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

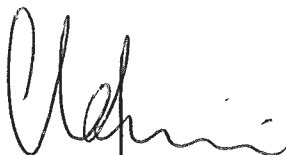
AMP Group Finance Services Limited

Directors' declaration

for the half year ended 30 June 2015

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

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



.....
Gordon Lefevre
Director

Sydney, 26 August 2015

AMP Group Finance Services Limited
Level 24, 33 Alfred Street
Sydney NSW 2000 Australia

26 August 2015

To the member of AMP Group Finance Services Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of AMP Group Finance Services Limited which comprises the statement of financial position as at 30 June 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 30 June 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of AMP Group Finance Services Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

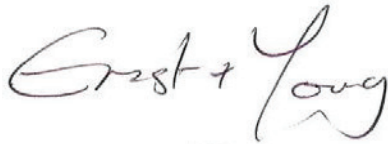
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration.

Conclusion

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

- a) Giving a true and fair view of the company's financial position as at 30 June 2015 and of its performance for the half-year ended on that date; and
- b) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young



Darren Handley-Greaves
Partner
Sydney
26 August 2015