

AMP Group Finance Services Limited

ABN 95 084 247 914

**Directors' report and Financial report
for the year ended
31 December 2021**

Directors' report

For the year ended 31 December 2021

Your directors present their report of AMP Group Finance Services Limited ("the Company" or "AMPGFS") for the year ended 31 December 2021.

Directors

The directors of the Company during the year ended 31 December 2021 and up to the date of this report are shown below. Directors were in office for this entire period unless otherwise stated.

James Georgeson (Chairman)

Jason Bounassif

Nicola Darnell

John O'Farrell

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 2021 was a net loss after tax of \$0.6m (2020: net loss after tax of \$26.8m).

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 contractual 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 2021 (2020: \$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 other matters or circumstances that have arisen since the end of the financial year that have significantly affected, or may significantly affect:

- the Company's operation in future years;
- the results of those operations in future years; or
- the Company's state of affairs in future financial 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. Disclosure of this information would likely 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.

Directors' report

For the year ended 31 December 2021

Indemnification and insurance of directors and officers

Under its Constitution, the Company indemnifies, to the extent permitted by law, all current and former officers of the Company (including the directors) against any liability (including the reasonable costs and expenses of defending proceedings 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 AMP Limited Board.

During, and since the end of the year ended 31 December 2021, AMP Limited (the Company's ultimate parent company) maintained, and paid the premium for directors' and officers' and company reimbursement insurance for the benefit of all of the officers of the AMP group (including each director, secretary and senior manager of the Company) against certain liabilities (including legal costs) as permitted by the *Corporations Act 2001*. The insurance policy prohibits disclosure of the nature of the liabilities covered, the amount of the premium payable and the limit of liability.

In addition, AMPGH and each of the current and former directors and secretaries of the Company are parties to deeds of indemnity, insurance and access. Those deeds provide that:

- these officers will have access to Board papers and specified records of the Company (and of certain other companies) for their period of office and for at least ten (or, in some cases, seven) years after they cease to hold office (subject to certain conditions);
- AMPGH indemnifies the relevant officers to the extent permitted by law, and to the extent and for the amount that the relevant officer is not otherwise entitled to be, and is not actually, indemnified by another person;
- the indemnity covers liabilities (including legal costs) incurred by the relevant officer in their capacity as a current or former director or secretary of the Company, or of another AMP group company or, an AMP representative of an external company; and
- the AMP group will maintain directors' and officers' insurance cover for those officers, to the extent permitted by law, for the period of their office and for at least ten years after they cease to hold office.

Indemnification of auditors

To the extent permitted by law, AMP Limited has agreed to indemnify the Company's auditors, Ernst & Young, as part of the terms of its audit engagement agreement, against claims by third parties arising from the audit, other than where the claim is determined to have resulted from any negligent, wrongful or wilful act or omission by or of Ernst & Young. No payment has been made to indemnify Ernst & Young during or since the financial year ended 31 December 2021.

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 2021.

Signed in accordance with a resolution of the directors.



.....
Director

Sydney, 23 March 2022



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Auditor's independence declaration to the directors of AMP Group Finance Services Limited

As lead auditor for the audit of the financial report of AMP Group Finance Services Limited for the financial year ended 31 December 2021, 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;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

Ernst & Young

Clare Sporle
Partner
23 March 2022

AMP Group Finance Services Limited
ABN 95 084 247 914

Financial report
for the year ended 31 December 2021

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Statement of comprehensive income

for the year ended 31 December 2021

	Note	2021 \$m	2020 \$m
Interest income calculated using the effective interest method	2.1	9.7	17.2
Other interest income	2.1	38.8	45.3
Finance costs calculated using the effective interest method	2.1	(26.2)	(34.4)
Other finance costs	2.1	(36.0)	(42.3)
Net finance costs		(13.7)	(14.2)
Foreign exchange (losses)/gains		(1.8)	0.6
Derivative gains/(losses) ¹		47.4	(21.2)
Losses on debt securities measured at fair value through profit or loss		(35.7)	(4.7)
Other income		3.0	2.1
Operating expenses		(0.1)	(0.9)
Loss for the year before income tax		(0.9)	(38.3)
Income tax credit	2.2	0.3	11.5
Loss for the year		(0.6)	(26.8)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges			
- net gains/(losses) on cash flow hedges		2.6	(1.3)
- tax effect on cash flow hedges gains/(losses)		(0.8)	0.4
Other comprehensive income/(loss) for the year		1.8	(0.9)
Total comprehensive income/(loss) for the year		1.2	(27.7)

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

Statement of financial position

for the year ended 31 December 2021

	Note	2021 \$m	2020 \$m
Current assets			
Cash and cash equivalents	5.1	112.7	748.2
Financial assets measured at amortised cost			
- Negotiable certificates of deposit		50.0	264.9
- Promissory notes		-	100.0
- Floating rate notes		-	50.1
- Receivables	3.1	321.6	304.1
Financial assets measured at fair value through profit or loss			
- Investments in unlisted managed investment schemes		0.1	0.1
- Derivative financial assets		23.5	1.4
- Debt Securities		109.3	5.3
Intercompany tax receivable from head entity		0.3	14.8
Total current assets		617.5	1,488.9
Non-current assets			
Financial assets measured at amortised cost			
- Floating rate notes		38.0	166.3
- Receivables	3.1	1,210.3	386.1
Financial assets measured at fair value through profit or loss			
- Debt Securities		432.4	572.4
- Derivative financial assets		34.3	25.1
Deferred tax assets	2.2	0.3	0.6
Total non-current assets		1,715.3	1,150.5
Total assets		2,332.8	2,639.4
Current liabilities			
Financial liabilities measured at amortised cost			
- Payables	3.2	702.9	1,049.3
- Borrowings and subordinated debt	4.2	301.4	401.2
- Collateral deposits held		38.8	23.5
Financial liabilities measured at fair value through profit or loss			
- Derivative financial liabilities		16.5	33.1
Total current liabilities		1,059.6	1,507.1
Non-current liabilities			
Financial liabilities measured at amortised cost			
- Borrowings and subordinated debt	4.2	624.5	906.8
Financial liabilities measured at fair value through profit or loss			
- Derivative financial liabilities		13.1	64.6
Total non-current liabilities		637.6	971.4
Total liabilities		1,697.2	2,478.5
Net assets		635.6	160.9
Equity			
Issued capital	4.1	1,056.0	582.5
Reserves		(0.6)	(2.4)
Accumulated losses		(419.8)	(419.2)
Total equity		635.6	160.9

Statement of changes in equity

for the year ended 31 December 2021

	Issued capital \$m	Cash flow hedge reserve \$m	Retained earnings (accumulated losses) \$m	Total shareholder equity \$m
31 December 2021				
Balance at the beginning of the year	582.5	(2.4)	(419.2)	160.9
Loss	-	-	(0.6)	(0.6)
Other comprehensive income	-	1.8	-	1.8
Total comprehensive loss	-	1.8	(0.6)	1.2
Shares issued	4.1	-	-	473.5
Balance at the end of the year	1,056.0	(0.6)	(419.8)	635.6
31 December 2020				
Balance at the beginning of the year	400.0	(1.5)	(392.4)	6.1
Loss	-	-	(26.8)	(26.8)
Other comprehensive income	-	(0.9)	-	(0.9)
Total comprehensive loss	-	(0.9)	(26.8)	(27.7)
Shares issued	182.5	-	-	182.5
Balance at the end of the year	582.5	(2.4)	(419.2)	160.9

Statement of cash flows

for the year ended 31 December 2021

	2021 \$m	2020 \$m
Cash flows from operating activities		
Interest and other items of a similar nature received	54.8	69.7
Interest paid and other finance costs	(62.1)	(77.4)
Other items	(2.1)	(3.0)
Cash flows used in operating activities before changes in operating assets and liabilities	(9.4)	(10.7)
Changes in operating assets and liabilities arising from cashflow movements		
(Increase)/decrease in receivables - related	(895.3)	1,445.9
Decrease in payables - related	(347.4)	(743.6)
Net proceeds/(payment) of collateral deposits	78.4	(54.7)
Net movement in derivative financial assets and liabilities	(2.1)	(5.7)
Net movement in other payables	1.4	0.2
Cash flows (used in)/from operating activities	(1,174.4)	631.4
Cash flows from investing activities		
Net proceeds from sale of/(payments to acquire):		
- negotiable certificate of deposit	215.0	(245.0)
- floating rate notes	178.6	(186.5)
- promissory notes	100.0	(100.0)
- debt securities	0.4	(582.4)
Cash flows from/(used in) investing activities	494.0	(1,113.9)
Cash flows from financing activities		
(Repayments of)/proceeds from borrowings and subordinated debt	(428.6)	263.8
Proceeds from issue of share capital	473.5	182.5
Cash flows from financing activities	44.9	446.3
Net decrease in cash and cash equivalents	(635.5)	(36.2)
Cash and cash equivalents at the beginning of the year	748.2	784.4
Cash and cash equivalents at the end of the year	112.7	748.2

Notes to the financial statements

for the year ended 31 December 2021

Section 1: About this report

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 2021 were authorised for issue on 23 March 2022 in accordance with a resolution of the directors.

COVID-19 impacts

The COVID-19 pandemic has resulted in significant disruptions to the global economy during the year ended 31 December 2021 and there remains substantial uncertainty over the ultimate duration and extent of the pandemic as well as the corresponding economic impacts. These uncertainties have been incorporated into the judgements and estimates used by management in the preparation of this report, including the carrying values of the assets and liabilities.

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 magnitude 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.

Notes to the financial statements

For the year ended 31 December 2021

Section 1: About this report (continued)

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.

Financial assets

The Company has a portfolio of fixed rate bonds and a portfolio of derivatives which 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 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.

Financial assets measured at fair value through profit or loss – investment in unlisted managed investment schemes

Investment in unlisted managed investment schemes 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 Statement of comprehensive income in the period in which they arise.

Financial assets measured at amortised cost – debt instruments (including loans and other receivables, negotiable certificate of deposit, promissory notes and floating rate notes).

Debt instruments are measured at amortised cost when both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortised cost are 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. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

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.

Notes to the financial statements

For the year ended 31 December 2021

Section 1: About this report (continued)

1.2 Significant accounting policies (continued)

Impairment of assets

Assets measured at fair value, where changes in value are reflected in the Statement of comprehensive income, 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.

An allowance for expected credit losses (ECLs) is recognised for financial assets not held at fair value through profit or loss. ECLs are probability weighted estimates of credit losses and are measured as the present value of all cash shortfalls discounted at the effective interest rate of the financial instrument.

The Company estimates these elements using appropriate credit risk models taking into consideration a number of factors including the internal and external credit ratings of the assets, nature and value of collaterals and forward looking macro-economic scenarios.

Derivative financial assets, derivative financial liabilities and hedging

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value exclusive of any transaction costs on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. All derivatives are recognised as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from the change in fair value of derivatives, except those that qualify as effective cash flow hedges, are immediately recognised in the Statement of comprehensive income.

Hedge accounting

Cash flow hedges

The effective portion of changes in the fair value of cash flow hedges are recognised (including related tax impacts) through Other comprehensive income and reflected in the Cash flow hedge reserve in equity. The ineffective portion is recognised immediately in profit or loss. The balance of the Cash flow hedge reserve in relation to each particular hedge is transferred to profit or loss in the period when the hedged item affects profit or loss. Hedge accounting is discontinued when a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting. The cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss.

Fair value hedges

Changes in the fair value of fair value hedges are recognised in profit or loss together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If a hedge no longer meets the criteria for hedge accounting, the cumulative gains and losses recognised on the hedged item will be amortised over the remaining life of the hedged item.

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.

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 at the reporting date, with exchange gains and losses being recognised in the Statement of comprehensive income.

Notes to the financial statements

For the year ended 31 December 2021

Section 1: About this report (continued)

1.2 Significant accounting policies (continued)

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 4.6.

Impairment of financial assets – ECL

The impairment provisions (individual and collective) are outputs of ECL models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting estimates and judgements include:

- the Company's internal grading which assigns PDs to the individual grades;
- the Company's criteria for assessing if there has been a significant increase in credit risk;
- development of ECL models, including the various formulas and choice of inputs; and
- determination of associations between macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

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 Company's ability to pay its debts as and when they fall due.

The Company had a net current asset deficiency of \$442.1m at 31 December 2021 (2020: \$57.7m). The majority of the Company's receivables are due from related parties and are payable on demand. However, for some of these receivables, the Company does not expect to demand payment within the next 12 months. Accordingly, these receivables have been classified as non-current, consistent with accounting standard requirements.

Consistent with the receivables, the majority of the Company's payables are due to related parties and are payable on demand. Although the Company does not expect to be required to settle these obligations in the next 12 months, it does not have the unconditional ability to defer payment beyond 12 months if repayment is demanded.

Notes to the financial statements

For the year ended 31 December 2021

Section 1: About this report (continued)

1.3 Critical judgements and estimates (continued)

Accordingly, consistent with accounting standard requirements, payables where the Company does not have the unconditional ability to defer payment beyond 12 months, regardless of expectation, are classified as current. This creates prima facie a net current asset deficiency. In the event that the Company requires liquidity to settle upcoming obligations, the intercompany receivables would be called.

In addition to the considerations above, AMP Group Holdings Limited (AMPGH) 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 the Company is able to meet its liabilities (including contingent liabilities) at the time they become due and payable.

Notes to the financial statements

For the year ended 31 December 2021

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 Net finance costs
- 2.2 Taxes

2.1 Net finance costs

	2021	2020
	\$m	\$m
Interest Income		
Interest income calculated using the effective interest method		
- related	6.8	11.9
- other	2.9	5.3
Other interest income		
- Debt securities interest income	22.1	11.2
- Derivative interest income	16.7	34.1
Total interest income	48.5	62.5
Finance costs on borrowings and subordinated debt		
Finance costs calculated using the effective interest method		
- related	(5.0)	(5.4)
- other	(21.2)	(29.0)
Other finance costs		
- Derivative and other finance costs	(36.0)	(42.3)
Total finance costs	(62.2)	(76.7)

Accounting policy – recognition and measurement**Interest income and finance cost**

Interest income and finance costs for all financial instruments measured at amortised cost are 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 finance cost 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. The interest component of the fair value is recognised as other interest income/other finance costs.

Notes to the financial statements

For the year ended 31 December 2021

Section 2: Results for the year (continued)**2.2 Taxes**

	2021 \$m	2020 \$m
(a) Relationship between income tax and accounting profit or loss		
Loss for the year before income tax	(0.9)	(38.3)
Prima facie tax credit at 30% (2020: 30%)	0.3	11.5
Income tax credit per Statement of comprehensive income	0.3	11.5
	2021 \$m	2020 \$m
(b) Analysis of deferred tax assets		
Unrealised movements on derivatives and borrowings	0.3	0.6
Total deferred tax assets	0.3	0.6
	2021 \$m	2020 \$m
(c) Amounts recognised directly in equity		
Deferred income tax (expense)/credit related to items taken directly to equity during the current period	(0.8)	0.4

Accounting policy – recognition and measurement**Tax consolidation**

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 assumed 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.

Notes to the financial statements

For the year ended 31 December 2021

Section 2: Results for the year (continued)

2.2 Taxes (continued)

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

Deferred tax assets and liabilities are recognised for temporary differences and are measured at the tax rates which are expected to apply when the assets are recovered or liabilities are settled, based on tax rates that have been enacted or substantively enacted for each jurisdiction at the reporting date. Deferred tax assets and liabilities are not discounted to present value.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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.

Notes to the financial statements

For the year ended 31 December 2021

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

	2021 \$m	2020 \$m
Intercompany loan receivables	1,501.6	592.0
Receivables-other ¹	30.3	98.2
Total receivables²	1,531.9	690.2

¹ Includes collateral deposits of \$28.5m (2020: \$91.6m).² Receivables are presented net of ECL of \$0.03m (2020: \$0.02m).**Accounting policy – recognition and measurement****Receivables – related**

All loans 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, less any allowance for expected credit losses (ECLs).

For intercompany loans, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

For other receivables measured at amortised cost, the Company has applied the AASB 9's simplified approach and has calculated ECLs based on lifetime expected credit losses.

The majority of receivables are payable on demand, accordingly, the recoverable amount approximates fair value.

3.2 Payables

	2021 \$m	2020 \$m
Intercompany loan payables	697.5	1,044.9
Payables- other	5.4	4.4
Total payables	702.9	1,049.3

Accounting policy – recognition and measurement**Payables**

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

Notes to the financial statements

For the year ended 31 December 2021

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 AMPGFS consists of equity and debt. AMPGFS determines the appropriate capital structure in order to finance the current and future activities of 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 Derivatives and hedge accounting
- 4.5 Capital management
- 4.6 Fair value information

4.1 Contributed equity

	2021 \$m	2020 \$m
Total issued capital		
32 (2020: 22) fully paid ordinary share	1,056.0	582.5
Balance at the end of the year	1,056.0	582.5

	2021 \$m	2020 \$m
Issued capital		
Balance at the beginning of the year	582.5	400.0
10 shares issued on 17 December 2021 (2020:20)	473.5	182.5
Balance at the end of the year	1,056.0	582.5

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.

Notes to the financial statements

For the year ended 31 December 2021

Section 4: Capital structure and financial risk management (continued)**4.2 Borrowings and subordinated debt**

	2021 \$m	2020 \$m
(a) Borrowings and subordinated debt		
6.875% GBP Subordinated Guaranteed Bonds (maturity 2022)	63.2	64.3
USD Medium Term Notes ¹	-	397.9
CHF Medium Term Notes ²	862.7	845.8
Total borrowings and subordinated debt	925.9	1,307.9

¹ USD 300m 4 per cent Bond principal and interest were paid on 14 September 2021.² CHF 110m Senior Unsecured Fixed Rate Bond was issued 19 June 2018 and matures 19 December 2022. This Bond was subsequently increased by CHF 50m on 19 September 2018. CHF 140m Senior Unsecured Fixed Rate Bond was issued 18 April 2019 and matures 18 July 2023. This Bond was subsequently increased by CHF 100m on 3 December 2019. CHF 175m Senior Unsecured Fixed Rate Bond was issued 3 March 2020 and matures 3 June 2024.**(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.

(b) Financing arrangements

	2021 \$m	2020 \$m
(i) Bilateral facilities		
- Available ¹	450.0	450.0
- Used	-	-
Unused	450.0	450.0
(ii) Funding programs available:		
- Available	14,642.5	14,086.8
- Used ²	(1,441.1)	(2,535.7)
Unused	13,201.4	11,551.1

¹ Bilateral facilities of \$450m mature on 30 April 2022.² 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 \$866.1m (2020: \$1,235.7m). The remainder relates to the other company.**(c) Changes in liabilities arising from financing activities**

	Borrowings and subordinated debt	
	2021 \$m	2020 \$m
1 January 2021	1,308.0	1,097.2
Cash flows from issuance (repayment) of commercial paper, medium-term notes and loan facilities	(428.6)	263.8
Foreign exchange (gain)/loss on subordinated debt not in a hedging relationship	4.8	(3.7)
(Gain)/loss on hedged medium term notes	49.7	(50.6)
Other	(8.0)	1.3
31 December 2021	925.9	1,308.0

Notes to the financial statements

For the year ended 31 December 2021

Section 4: Capital structure and financial risk management (continued)

4.2 Borrowings and subordinated debt (continued)

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 Statement of comprehensive income over the period of the contract using the effective interest method.

It is AMP's policy to hedge currency and interest rate risk arising on issued bonds and subordinated debt. When fair value hedge accounting is applied, the carrying amounts of borrowings and subordinated debt are adjusted for changes in fair value related to the hedged risk for the period that the hedge relationship remains effective. Any changes in fair value for the period are recognised in the Statement of comprehensive income. In cash flow hedge relationships, the borrowings are not revalued.

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 Limited board approved risk appetite statement 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.

(b) Market risk

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, credit spreads and other financial market variables. Market risk in AMPGFS arises from the management of long-term borrowings and subordinated debt.

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*. AMPGFS primarily invests in cash-like assets/short term deposits or debt securities. 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

The analysis below includes financial instruments measured at fair value through profit or loss as well as those measured at amortised cost. Interest rate risk is the risk of an impact on AMPGFS's profit after tax and equity arising from fluctuations in the fair value or future cash flows of financial instruments due to changes 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 primarily in relation to long-term borrowings, subordinated debt and senior medium-term notes raised through a combination of Australian dollar, Pound sterling and Swiss franc 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.

Notes to the financial statements

For the year ended 31 December 2021

Section 4: Capital structure and financial risk management (continued)**4.3 Financial risk management (continued)***Interest rate risk sensitivity analysis*

This analysis demonstrates the impact of a 100 basis point change in Australian and international interest rates, 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.

	2021	2021	2020	2020
	Impact on profit and loss after tax Increase (decrease)	Impact on equity Increase (decrease)	Impact on profit and loss after tax Increase (decrease)	Impact on equity Increase (decrease)
Change in variables	\$m	\$m	\$m	\$m
-100 basis points	1.3	1.3	1.1	1.1
+100 basis points	(1.3)	(1.3)	(1.1)	(1.1)

(d) Currency risk

AMPGFS issues subordinated debt in pound sterling and senior medium-term notes in Swiss franc. 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 to mitigate refinancing risk, satisfy regulatory requirements and protect against liquidity shocks in accordance with the liquidity risk management policy approved by the Group ALCO.

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.

Notes to the financial statements

For the year ended 31 December 2021

Section 4: Capital structure and financial risk management (continued)**4.3 Financial risk management (continued)****(e) Liquidity and refinancing risk (continued)**

The following table summarises the maturity profiles of AMPGFS undiscounted financial liabilities at the reporting date. The maturity profiles for payables, collateral deposits held, borrowings (senior medium-term notes) 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.

31 December 2021	Up to 1 Year or no term	1 to 5 Years	Over 5 Years	Total
	\$m	\$m	\$m	\$m
Financial liabilities				
Payables	702.9	-	-	702.9
Collateral deposits held	38.8	-	-	38.8
Borrowings	246.2	627.5	-	873.7
Subordinated debt	64.4	-	-	64.4
Derivative financial instruments				
Cross currency swaps	8.6	6.6	-	15.2
Interest rate swaps	8.1	26.1	4.0	38.2
Total undiscounted financial liabilities¹	1,069.0	660.2	4.0	1,733.2

31 December 2020	Up to 1 Year or no term	1 to 5 Years	Over 5 Years	Total
	\$m	\$m	\$m	\$m
Financial liabilities				
Payables	1,049.3	-	-	1,049.3
Collateral deposits held	23.5	-	-	23.5
Borrowings	412.5	853.6	-	1,266.1
Subordinated debt	4.3	66.4	-	70.7
Derivative financial instruments				-
Cross currency swaps	12.6	17.8	-	30.4
Interest rate swaps	-	-	-	-
Total undiscounted financial liabilities¹	1,502.2	937.8	-	2,440.0

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

(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 and Credit Default Risk Policy sets out the assessment and determination of what constitutes credit concentration risk. The policy sets exposure limits based on each external counterparty's credit rating (unless special considerations are defined). Compliance with this policy is monitored and exposures and breaches are reported to senior management through periodic financial risk management 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.

Notes to the financial statements

For the year ended 31 December 2021

Section 4: Capital structure and financial risk management (continued)

4.3 Financial risk management (continued)

(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 the 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.

(ii) Exposure to credit risk

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

(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, except those that qualify as effective cash flow hedges.

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.

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 cash 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 2021, there was \$38.8m of collateral deposits due to other financial institutions (2020: \$23.5m) and \$28.5m of collateral pledged due from other financial institutions (2020: \$91.6m)

Notes to the financial statements

For the year ended 31 December 2021

Section 4: Capital structure and financial risk management (continued)**4.3 Financial risk management (continued)***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 2021, if these netting arrangements were applied to the derivative portfolio, the derivative assets of \$57.8m would be reduced by \$13.4m to the net amount of \$44.4m and derivative liabilities of \$29.6m would be reduced by \$13.4m to the net amount of \$16.2m (31 December 2020: derivative assets of \$26.5m would be reduced by \$7.6m to the net amount of \$18.9m and derivative liabilities of \$97.7m would be reduced by \$7.6m to the net amount of \$90.1m).

4.4 Derivatives and hedge accounting

The Company is exposed to certain risks relating to its ongoing business operations. To mitigate the risks the Company uses derivative financial instruments such as cross-currency interest rate swaps. When the Company designates certain derivatives to be part of a hedging relationship, and they meet the criteria for hedge accounting, the hedges are classified as:

- Cash flow hedges; or
- Fair value hedges

Derivative financial instruments are held for risk and asset management purposes only and not for the purpose of speculation. Not all derivatives held are designated as hedging instruments. The Company's risk management strategy and how it is applied to manage risk is explained further in note 4.3.

a) Hedging instruments

The following table sets out the notional amount of derivative instruments designated in a hedge relationship by relationship type as well as the related carrying amounts:

		Notional amount	Fair value Assets	Fair value Liabilities
2021		\$m	\$m	\$m
Hedge type	Hedging instrument			
Fair value and cash flow	Cross-currency interest rate swaps	828.2	36.0	-
Total		828.2	36.0	-

		Notional amount	Fair value Assets	Fair value Liabilities
2020		\$m	\$m	\$m
Hedge type	Hedging instrument			
Fair value and cash flow	Cross-currency interest rate swaps	1,254.0	-	20.4
Total		1,254.0	-	20.4

Notes to the financial statements

For the year ended 31 December 2021

Section 4: Capital structure and financial risk management (continued)**4.4 Derivatives and hedge accounting (continued)****b) Hedged items**

The following table sets out the carrying amount of hedged items in fair value hedge relationships, and the accumulated amount of fair value hedge adjustments in these carrying amounts. The Company does not hedge its entire exposure to a class of financial instruments, therefore the carrying amounts below do not equal the total carrying amounts disclosed in other notes.

2021	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items	
	Assets	Liabilities	Assets	Liabilities
	\$m	\$m	\$m	\$m
Medium Term Notes	-	787.7	-	34.0

2020	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items	
	Assets	Liabilities	Assets	Liabilities
	\$m	\$m	\$m	\$m
Medium Term Notes	-	1,171.7	15.6	-

Fair value hedge relationships resulted in the following changes in the values used to recognise hedge ineffectiveness for the year:

	2021	2020
Gain/(loss) on hedging instrument	54.3	(56.6)
(Loss)/gain on hedged items attributable to the hedged risk	(49.7)	50.6
Hedge ineffectiveness recognised in the Statement of comprehensive income	4.6	(6.0)

Derivative instruments accounted for as fair value hedges

Fair value hedges are used to protect against changes in the fair value of financial assets and financial liabilities due to movements in exchange rates and interest rates.

Hedge effectiveness is assessed by comparing the overall changes in the fair value of the hedging instrument against the changes in the fair value of the hedged items attributable to the hedged risks. The main potential source of ineffectiveness on fair value hedges is currency basis spread, which is included in the valuation of the hedging instrument but excluded from the value of the hedged item.

Derivative instruments accounted for as cash flow hedges

The Company is exposed to variability in future interest cash flows on non-trading assets and liabilities which bear interest at fixed and variable rates. The Company uses interest rate swaps to manage interest rate risks and many of the swaps are cash flow hedges for accounting purposes.

Methods used to test hedge effectiveness and establish the hedge ratio include regression analysis, and for some portfolio hedge relationships, a comparison to ensure the expected interest cash flows from the portfolio exceed those of the hedging instruments. The main potential source of hedge ineffectiveness from cash flow hedges is mismatches in the terms of hedged items and hedging instruments, for example the frequency and timing of when interest rates are reset.

During the year the Company recognised \$nil (2020: \$nil) due to ineffectiveness on derivative instruments designated as cash flow hedges.

Notes to the financial statements

For the year ended 31 December 2021

Section 4: Capital structure and financial risk management (continued)**4.4 Derivatives and hedge accounting (continued)**

The following table sets out the maturity profile of derivative instruments in a hedge relationship:

	0 to 3 months \$m	3 to 12 months \$m	1 to 5 years \$m	Over 5 years \$m	Total \$m
2021					
Cross-currency interest rate swaps	-	218.0	610.2	-	828.2
	0 to 3 months \$m	3 to 12 months \$m	1 to 5 years \$m	Over 5 years \$m	Total \$m
2020					
Cross-currency interest rate swaps	-	426.0	828.0	-	1,254.0

4.5 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.

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.

Notes to the financial statements

For the year ended 31 December 2021

Section 4: Capital structure and financial risk management (continued)**4.6 Fair value information**

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

	Carrying amount \$m	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total fair value \$m
31 December 2021					
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	541.7	-	541.7	-	541.7
Derivative financial assets	57.8	-	57.8	-	57.8
Total financial assets measured at fair value	599.6	-	599.6	-	599.6
Financial assets not measured at fair value					
<i>Financial assets measured at amortised cost</i>					
Negotiable certificates of deposit	50.0	-	50.0	-	50.0
Floating rate notes	38.0	-	38.2	-	38.2
Promissory notes	-	-	-	-	-
Receivables	1,531.9	-	1,531.9	-	1,531.9
Total financial assets not measured at fair value	1,619.9	-	1,620.1	-	1,620.1
Financial liabilities measured at fair value					
<i>Financial liabilities measured at fair value through profit and loss</i>					
Derivative financial liabilities	29.6	-	29.6	-	29.6
Total financial liabilities measured at fair value	29.6	-	29.6	-	29.6
Financial liabilities not measured at fair value					
<i>Financial liabilities measured at amortised cost</i>					
Borrowings and subordinated debt	925.9	-	939.2	-	939.2
Collateral deposits held	38.8	-	38.8	-	38.8
Payables	702.9	-	702.9	-	702.9
Total financial liabilities not measured at fair value	1,667.6	-	1,680.9	-	1,680.9
31 December 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	577.7	-	577.7	-	577.7
Derivative financial assets	26.5	-	26.5	-	26.5
Total financial assets measured at fair value	604.3	-	604.3	-	604.3
Financial assets not measured at fair value					
<i>Financial assets measured at amortised cost</i>					
Negotiable certificates of deposit	264.9	-	265.0	-	265.0
Floating rate notes	216.4	-	218.1	-	218.1
Promissory notes	100.0	-	100.0	-	100.0
Receivables	690.2	-	690.2	-	690.2
Total financial assets not measured at fair value	1,271.5	-	1,273.3	-	1,273.3
Financial liabilities measured at fair value					
<i>Financial liabilities measured at fair value through profit and loss</i>					
Derivative financial liabilities	97.7	-	97.7	-	97.7
Total financial liabilities measured at fair value	97.7	-	97.7	-	97.7
Financial liabilities not measured at fair value					
<i>Financial liabilities measured at amortised cost</i>					
Borrowings and subordinated debt	1,308.0	-	1,326.2	-	1,326.2
Collateral deposits held	23.5	-	23.5	-	23.5
Payables	1,049.3	-	1,049.3	-	1,049.3
Total financial liabilities not measured at fair value	2,380.8	-	2,399.0	-	2,399.0

Notes to the financial statements

For the year ended 31 December 2021

Section 4: Capital structure and financial risk management (continued)**4.6 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), Floating rate notes and Promissory notes</i>	The fair value of NCDs, floating rate notes and promissory notes represents the discounted amount of estimated future cash flows expected to be received, based on the maturity profile of the respective NCDs, floating rate notes and promissory 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 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 2021 financial year.

Notes to the financial statements

For the year ended 31 December 2021

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
- 5.2 Employee disclosures
- 5.3 Transactions with related parties
- 5.4 Auditor's remuneration
- 5.5 New accounting standards
- 5.6 Events occurring after the reporting date

5.1 Notes to the Statement of cash flows

	2021 \$m	2020 \$m
(a) Reconciliation of cash and cash equivalents		
Cash balance comprises:		
- Cash at bank	45.4	22.0
- Short term deposits	67.3	726.2
Balance at end of the year	112.7	748.2

5.2 Employee disclosures**a) Key management personnel details**

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

James Georgeson (Chairman)
 Jason Bounassif
 Nicola Darnell
 John O'Farrell

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.

Notes to the financial statements

For the year ended 31 December 2021

Section 5: Other disclosures (continued)**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.

(a) Investments and balances with related parties

	2021	2020	2021	2020
	Amounts owed by related parties		Amounts owed to related parties	
Related parties of AMPGFS	\$'000	\$'000	\$'000	\$'000
AMP Limited	171,479	-	138	569,591
AMP Group Holdings Limited	-	-	368,781	88,754
AMP Finance Services Limited	-	2,199	7,378	5,904
AMP Services Limited	1,038,820	203,693	-	149,684
AMP Wealth Management Holdings Pty Limited	-	-	211,866	187,210
AMP Advice Holdings Pty Limited	44	13,829	41,305	13,712
National Mutual Funds Management (Global) Limited	-	-	-	30,000
AMP Capital Finance Limited	290,207	372,259	-	-
NMFM Limited	-	-	67,987	-
AMP Bank Limited	1,114	-	-	-
AMP New Zealand Holdings Limited	-	49	-	-
Total	1,501,664	592,029	697,455	1,044,855

(b) Incomes and expenses transactions with related parties

	2021	2020	2021	2020	2021	2020	2021	2020
	Interest income from related parties		Other income from related parties		Distributions and net gains or losses on unlisted managed investment schemes		Interest expense to related parties	
Related parties of AMPGFS	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
AMP Limited	-	-	-	-	-	-	4,994	5,362
AMP Wealth Management Holdings Pty Ltd	-	217	-	-	-	-	-	-
AMP Advice Holdings Pty Limited	154	3,082	-	-	-	-	-	-
AMP Capital Finance Limited	6,636	8,534	2,250	1,954	-	-	-	-
NMFM Limited	-	-	-	-	-	-	126	-
AMP Bank Limited	-	-	1,170	-	-	-	-	-
AMP New Zealand Holdings Limited	-	49	-	-	-	-	-	-
Total	6,790	11,882	3,420	1,954	-	-	5,120	5,362

5.4 Auditor's remuneration

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

Notes to the financial statements

For the year ended 31 December 2021

Section 5: Other disclosures (continued)

5.5 New accounting standards

New and amended accounting standards

A number of new accounting standards' amendments have been adopted effective 1 January 2021. 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

Transition from Interbank Offered Rates (IBORs), primarily but not exclusively the London Interbank Offered Rate (LIBOR), to Alternative Reference Rates (ARR) has been an area of ongoing industry focus with regulators signalling the need to use alternative benchmark rates. A number of benchmark rates have been discontinued requiring transition to alternate benchmarks across a broad array of financial products, including any IBOR-based securities, loans and other financial products. The Company has successfully completed its IBOR transition activities during the year ended 31 December 2021.

Key activity included:

- transitioning impacted financial contracts utilising International Swaps and Derivative Association fall back protocols and via bilateral re-negotiation,
- monitoring local and international regulatory guidance for the transition from IBORs to Risk Free Rate benchmarks,
- engaging with regulators on the group's transition plans and contributing to industry wide forums, and
- working closely with industry bodies to understand and manage the risks and impacts of transition on our businesses.

The most significant interest rate benchmark to which the group is exposed is the Bank Bill Swap Rate (BBSW). As a result, the IBOR reforms, in conjunction with the practical expedients provided for in the applicable accounting standards, have had an insignificant financial impact on the group. Presently, there are no indications that regulators of jurisdictions in which the group operates intend to discontinue the use of BBSW in the way that the Financial Conduct Authority discontinued the use of LIBOR.

New accounting standards issued but not yet effective

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

5.6 Events occurring after the reporting date

At the date of this report, the directors are not aware of any matters or circumstances that have arisen since the end of the financial year that have significantly affected, or may significantly affect:

- the Company's operation in future years;
- the results of those operations in future years; or
- the Company's state of affairs in future financial years.

Directors' declaration

For the year ended 31 December 2021

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 2021 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 2021 include an explicit and unreserved statement of compliance with International Financial Reporting Standards as issued by International Accounting Standards Board.



.....
Director

Sydney, 23 March 2022

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 2021, the 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:

- a. Giving a true and fair view of the Company's financial position as at 31 December 2021 and of its financial performance for the year ended on that date; and
- b. 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 APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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 each 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 matters below, provide the basis for our audit opinion on the accompanying financial report.

Company's net current liability position as at 31 December 2021

Why significant	How our audit addressed the key audit matter
<p>As the Company was in a net current liability position at 31 December 2021, to the value of \$442.1 million, consideration of the Director's assessment as to the Company's ability to continue as a going concern was a key audit matter.</p> <p>Refer to the Note 1.3 for disclosures relating to the Company's net current liability position at 31 December 2021 and the Director's going concern assessment.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> ▶ 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) for 12 months from the date of the financial statements; and ▶ Assessed the adequacy of the disclosure included in the financial report.

Hedge Accounting

Why significant	How our audit addressed the key audit matter
<p>To manage risks such as interest rate risk and foreign currency risk, to which the Company is exposed through its ongoing business operations, the Company uses derivative financial instruments. Some of these derivatives are designated to be a part of a hedge relationship and hedge accounting is applied.</p> <p>As there is inherent complexity related to accounting for hedge relationships and determining their effectiveness, hedge accounting was considered to be a key audit matter.</p> <p>Refer to Note 4.4 for disclosures relating to the derivatives and hedge accounting.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> ▶ Considered whether the Company's hedge accounting documentation was compliant with the requirements of Australian Accounting Standards; ▶ Assessed the Company's conclusion as to the effectiveness of established hedge accounting relationships; and ▶ Assessed the adequacy of the disclosures included in the financial report.

Information other than the financial report and auditor's report thereon

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

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

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

If, based on the work we have performed, 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 relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to 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 the 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 the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

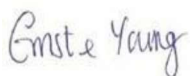
- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a 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 Company'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 and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company 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 report represents 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, actions taken to eliminate threats or safeguards applied.

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
23 March 2022