

AMP Group Holdings Limited

ABN 88 079 804 676

**Directors' report and Financial report
for the year ended
31 December 2020**

Your directors present their report on the consolidated entity consisting of AMP Group Holdings Limited ("the Company" or "AMPGH") and the entities it controlled at the end of or during the year ended 31 December 2020.

Directors

The directors of the Company during the year ended 31 December 2020 up to the date of this report are shown below.

James Georgeson (Chairman)
Jason Bounassif
Nicola Darnell (appointed 30 September 2020)
John O'Farrell

Operating and financial review

Principal activities

AMP Group Holdings Limited (AMPGH group) is a wholly owned controlled entity of AMP Limited and is the holding company of the majority of the controlled entities of the AMP Limited group (AMP group or AMP). AMP Bank is wholly owned by AMP Limited and is not part of the AMPGH group. However, AMP Group Holdings Limited provides an unconditional and irrevocable guarantee over AMP Bank Limited (AMP Bank).

The AMPGH group is Australia and New Zealand's leading wealth management group offering clients financial advice and superannuation, retirement income and investment products across our portfolio of businesses. The AMPGH group also provide corporate superannuation products and services for workplace super and self-managed superannuation funds (SMSFs).

The AMPGH group holds several strategic partnerships including:

- 19.62% equity interest in Resolution Life NOHC Pty Ltd (Resolution Life Australasia) subsequently reduced to 19.13% on 22 January 2021
- 14.97% equity interest in China Life AMP Asset Management Company Ltd (CLAMP), a funds management company which offers retail and institutional investors in China access to leading investment solutions
- 24.9% equity interest in US real estate investment manager, PCCP LLC

On 1 September 2020, the AMPGH group completed the repurchase of Mitsubishi UFJ Trust and Banking Corporation's (MUTB) 15% shareholding in AMP Capital Holdings Ltd, a subsidiary of AMPGH, and its controlled entities (AMP Capital). This resulted in 100% ownership of AMP Capital and the conclusion of the existing business and capital alliances between MUTB, AMPGH and AMP Capital. AMP Capital and MUTB continue to cooperate strategically, building on their mutually beneficial business relationship in Japan with AMP Capital continuing to deliver its investment products through MUTB's network.

For the purpose of this report, our business is divided into three areas: Australian wealth management, AMP Capital and New Zealand wealth management.

Description of business units

Australian wealth management provides financial advice services (through aligned and owned advice businesses), platform administration (including SMSF), unit linked superannuation, retirement income and managed investment products.

AMP Capital is a diversified investment manager across major asset classes including infrastructure debt, infrastructure equity, real estate, equities, fixed interest, diversified and multi-manager and multi-asset funds. AMP Capital's aspiration is to build the best global private markets platform in the world, underpinned by real assets. Simultaneously, AMP Capital's public markets business will be refocused to support its key strategic partners.

The *New Zealand wealth management* business encompasses the wealth management, financial advice and distribution business in New Zealand. It provides clients with a variety of wealth management solutions including KiwiSaver, corporate superannuation, retail investments, a wrap investment management platform and general insurance.

COVID-19 Impacts

The AMPGH group's earnings in 2020 have been materially impacted by market volatility in Australian wealth management, AMP Capital (including negative valuation movements) and New Zealand wealth management.

The AMPGH group has prioritised servicing clients throughout the pandemic, which has resulted in additional servicing costs as well as impacting the pace of investment spend, including the cost reduction program.

Sale of Australian and New Zealand wealth protection and mature businesses

On 1 July 2020, AMP announced the completion of the sale of the Australian and New Zealand wealth protection and mature businesses to Resolution Life Australia Pty Ltd (Resolution Life).

The gross sale proceeds were \$3.0 billion comprising:

- \$2.5 billion cash; and
- \$500.0 million equity interest in Resolution Life Australasia, a new Australian-domiciled, Resolution Life-controlled holding company that is now the owner of the Australian and New Zealand wealth protection and mature businesses.

Resolution Life was on risk for all experience and lapse losses from 1 July 2018 until 30 June 2020 and was entitled to all Australian and New Zealand wealth protection and mature businesses net earnings during that period. The sale completed on 30 June 2020. The AMPGH group has reported the results of the Australian and New Zealand wealth protection and mature businesses through to 30 June 2020.

Client remediation

The AMPGH group's client remediation program remains on track for completion in 1H 2021. The program was 80% complete by the end of 2020.

Total program spend to 31 December 2020 is \$404.7 million including program costs and money repaid to clients. An additional provision of \$68.1 million in 2020 relates to recognition of additional lost earnings and recognition of other legacy advice matters. Overall remediation costs remain in line with the original estimate provided in November 2018.

Portfolio review

On 2 September 2020, AMP Limited announced it would undertake a portfolio review of the AMP group's assets and businesses. On 26 February 2021, AMP Limited and Ares Management Corporation (Ares) announced that they have entered into a non-binding Heads of Agreement (with a 30-day period of exclusivity to work towards a binding agreement) to pursue the formation of a strategic partnership for AMP Capital's private markets businesses of infrastructure equity and infrastructure debt, real estate and other minority investments (Private Markets), all of which are businesses of the AMPGH group.

Under the proposed transaction, Ares would acquire 60 per cent of Private Markets and assume management control, with AMPGH group retaining 40 per cent.

This partnership would facilitate an acceleration of the growth of Private Markets, while unlocking immediate value for AMPGH group shareholders. Ares, with a current market capitalisation of more than US\$13 billion, has a global footprint and capabilities in credit, private equity and real estate which are highly complementary to Private Markets.

The proposed transaction will mark the conclusion of AMP Limited's portfolio review.

2020 performance

The profit attributable to shareholders of AMPGH for the year ended 31 December 2020 was \$36.1 million (2019: loss of \$2,636.0 million).

Operating results by business area

The operating results of each business area¹ for 2020 were as follows:

Australian wealth management – NPAT (underlying) declined from \$195.2 million in 2019 to \$110.2 million in 2020. The decline in NPAT (underlying) was driven by lower revenue predominantly from weaker investment markets and the impact of pricing and legislative changes, offset by lower investment management expenses from weaker markets and lower variable and controllable cost reduction initiatives.

AMP Capital – 2020 NPAT (underlying) of \$139.2 million declined 32% from 2019 reflecting lower performance and transaction fees which were adversely impacted by COVID-19.

New Zealand wealth management – 2020 NPAT (underlying) of \$35.5 million declined \$8.6 million (19.5%) from 2019 due to the proactive closure of two legacy schemes in 2019 and the impact of COVID-19.

Capital management and dividend

Equity and reserves of the AMPGH group attributable to shareholders of AMPGH group increased to \$2.9 billion at 31 December 2020 from \$2.6 billion at 31 December 2019.

The board has resolved not to declare a final 2020 dividend.

¹ Operating results have been re-presented to align to the FY 2020 Investor Report.

Strategy and prospects

First outlined in 2019, AMP's three-year transformation strategy will transform the companies within the AMPGH group into a simpler, client-led, growth-oriented business.

The AMPGH group remained agile and our people showed resilience as they adapted to a new way of working. Servicing clients throughout the pandemic was a priority but a disciplined approach and focus on the delivery of key objectives of the strategy was also maintained. Despite the challenges and disruptions faced in 2020, a significant majority of 2020 market commitments have been delivered.

An update on the outcomes achieved is as follows:

Simplify portfolio

– Complete sale of Wealth Protection (WP) and mature businesses

The sale of Australian and New Zealand wealth protection and mature businesses was completed on 30 June 2020, de-risking AMPGH group and enabling a fundamental reset of the AMPGH group's capital framework. Our people delivered one of the largest successor fund transfers in Australian history with teams working remotely during COVID-19 lockdowns. The AMPGH group now retains a residual 19.13% equity interest in Resolution Life Australasia.

– Update on New Zealand wealth management (NZWM) divestment process at or before 1H 2020

A decision to retain and grow the New Zealand wealth management business was announced at AMP's 1H 2020 results. Significant progress has been made to further simplify the business, laying the foundation for future growth:

- The acceleration of digital releases to help clients manage their money
- The automation of client-facing technology and processes, including complete repatriation of all offshore processing
- A simplified distribution model with ~66%² of AUM managed via AMPGH group and AdviceFirst employed advisers

The business has maintained its position as one of the largest non-bank KiwiSaver providers and the largest provider of corporate superannuation with ~45% market share³.

NZWM announced it will move to a predominantly index-based investment approach in 1H 2021, providing a simpler and more cost-effective investment structure that aims to improve performance for clients.

Reinvent wealth management in Australia

Australian wealth management navigated an unprecedented period of market volatility and industry disruption but was able to significantly progress against its 2020 market commitments.

– Reshape advice

The reshape of advice is well advanced with practice exits delivered to plan in 2020 and the program is now 75% complete. During 2020 more than ~85,000 advice clients were transitioned to new Annual Advice and Service Agreements and the removal of all grandfathered commissions allowing benefits to be returned to clients. The business also consolidated and strengthened its advice practices from 942 (2019) to 595 practices (2020) improving productivity and the quality of advice.

– Building a best-in-class superannuation business

The business has delivered the next phase of its superannuation simplification program, reducing the number of MasterTrust products from approximately 70 to 11 to deliver better client outcomes. Simplification initiatives delivered reduced fees on MySuper and cash products and an uplift in processes and procedures also enhanced operational risk management in line with regulatory requirements.

– Growing a successful platform business

Functionality and products have continued to be enhanced on the North platform.

AMP Capital: Building the best global private markets platform

AMP Capital maintained momentum in real assets amid a challenging year in investment markets and significant internal change.

– Private markets

Momentum was maintained in real assets with \$600 million of capital deployed (and \$800 million of commitments) in quality infrastructure equity assets including energy transmission projects in India and electric public transportation vehicles in Chile. The divestment of assets - Alpha Trains, Adven and Axion achieved money multiples and IRR in excess of 2x and 20% for GIF I. The business also managed a resilient investment performance with 72% of AUM outperforming benchmarks over a three-year period.

² Based on 31 December 2020 data

³ Based on September 2020 market share data

AMP Capital: Refocusing public markets to support strategic partners

– Public markets

Delivered strong performance throughout a period of extreme market volatility with 94% of global equities and fixed income AUM outperforming benchmark over three years.

Create a simpler, leaner business

The organisation has been streamlined to three operating business units, Australian wealth management, AMP Capital and New Zealand wealth management with established end-to-end business accountabilities.

– Reshape cost base, delivering gross savings by 2022

Following a deliberate slowdown in 1H 2020 to focus on support for clients during COVID-19, the program is back on track following an acceleration of cost reduction initiatives in 2H 2020. The business has delivered \$121 million of cumulative gross cost savings by the end of 2020.

– Strengthen risk management, controls, and governance

Continued to deploy \$100 million (pre-tax) investment program to further strengthen risk management, internal controls and governance. Increased efficiency of the risk function including a refresh of risk management frameworks was also completed.

– Driving an inclusive and high-performance culture

Culture transformation is a core strategic priority for the AMPGH group and a critical enabler of its three-year transformation program. The AMPGH group progressed several initiatives to accelerate its culture transformation during 2H 2020, including:

- Invested to build inclusive leadership capability across all levels in AMPGH group; including senior leaders completed in 2H 2020
- Established an employee-led inclusion taskforce to develop a diversity framework and drive inclusion focus areas
- Recommitted to gender targets
- Instituted a Group Integrity Office, strengthening whistleblowing and conduct management
- Established a consequence management committee to ensure diversity, experience and consistency in decision-making
- Reviewed workplace conduct; assessed against five best practice pillars: reporting/measurement; inclusive leadership and culture; internal capability; confidentiality, transparency and risk; policy and process
- AMP Board culture working group formalised to set expectations on culture, governance and strategy; group now closed, with culture added as a standing board agenda item
- Updated performance management system linked to strategic priorities, risk leadership and conduct overlays

Key risks

Risk is inherent to our business and AMPGH group takes measured risks within our risk appetite to achieve our strategic objectives. We have a clear strategic plan to drive our business forward and an Enterprise Risk Management framework to identify, measure, control and report risks.

The Enterprise Risk Management (ERM) framework provides the foundation for how risks are managed across the AMPGH group. There are five key elements of the ERM framework including governance, strategy and appetite, people and culture, systems and data and the risk management process (encompassing how the AMPGH group identifies, measures, controls and reports risk).

The guiding principles assist with effective risk management practices and enable the AMPGH group to meet its legislative and regulatory requirements, codes and ethical standards, as well as internal policies and procedures.

AMP's ERM framework includes a risk management strategy which establishes the principles, requirements, roles and responsibilities for management of risk across the AMPGH group. It enables business leaders to make informed decisions and supports the AMPGH group in achieving its business strategy. The integrated framework details how risks are to be managed to fulfil the obligations to key stakeholders, clients, shareholders, policyholders and regulators to achieve financial and non-financial outcomes.

AMP's Risk Appetite Statement articulates the nature and level of risk the AMP Limited Board and management are willing to accept in the pursuit of delivering their strategic objectives. Alignment between the AMPGH group's corporate strategy and the risk appetite of the AMP Limited Board seeks to ensure that decisions are consistent with the nature and level of risk the board and management are willing to accept.

Further information can be found in AMP's Enterprise Risk Management Policy, available on our website at: amp.com.au/corporategovernance.

Key business challenges

Given the nature of our business environment, the financial services industry faced unprecedented challenges from the COVID-19 pandemic and other natural disasters. COVID-19 continues to have an adverse impact on the business but AMPGH group remains focused to deliver its transformational strategy. Significant business challenges (in alphabetical order) include but are not limited to the following:

Business, employee and business partner conduct

The conduct of financial institutions continues to be an area of significant focus for the financial services industry both globally and in Australia and New Zealand. The AMPGH group devotes significant effort to ensure that our business practices, management, staff or business partner behaviours adequately meet the expectations of regulators and customers, and safeguard our reputation and value proposition to customers.

Our code of conduct outlines how AMPGH group seeks to conduct its business and how it expects people to conduct themselves. The principles that define the high standards outline the behaviour and decision-making practices, including how we treat our employees, customers, business partners and shareholders. We are committed to ensuring the right culture is embedded in our everyday practices. The AMPGH group has commissioned an external review of its internal policies on managing conduct and continues to strengthen its risk culture by management led initiatives and driving a diverse and inclusive working environment.

The AMPGH group embraces a safe and respectful work environment that encourages our people to report issues or concerns in the workplace. Directors, employees (current and former), contractors, service providers or any relative or dependants of any of these people can utilise the Whistleblowing program to report misconduct or unethical behaviours.

Climate change

The AMPGH group, its clients and its external suppliers may be adversely affected by the physical and transitional risks of climate change. These effects may directly impact the AMPGH group and its customers on a range of physical, financial and legal risks to our business, the investments we manage on behalf of our clients and the wider community.

Initiatives to mitigate or respond to adverse impacts of climate change may in turn impact market and asset prices, economic activity, and customer behaviour, particularly in geographic locations and industry sectors adversely affected by these changes.

The AMPGH group's approach to managing climate related risks and opportunities includes, providing low carbon and green investment choices to clients, managing and disclosing investment risks, leveraging our influence as an investor and reducing our own operational impacts.

The AMPGH group remains committed to meeting the Task Force on Climate-related Financial Disclosures (TCFD) recommendations over time and it has long been reporting against other climate-related disclosure frameworks, aligned with the TCFD. In 2020, the AMPGH group retained an A- rating (second highest rating available) in the annual Carbon Disclosure Project (CDP) investor disclosure program, indicating leadership in our management of climate related risks and opportunities. The AMPGH group has been carbon neutral across its operations since 2013 to address the direct impacts of our business activities.

Competitor and customer environment

The financial services industry continues to face challenges from the COVID-19 pandemic but AMPGH group remains focused on supporting clients and employees during these unprecedented times.

Customer expectations are evolving which is intensifying competition within wealth management as COVID-19 causes market volatility, affecting the performance of its assets under management across the industry. The AMPGH group continues to adapt its capabilities and operating model in order to remain competitive and relevant to customers, but an on-going pandemic may impact on new business and retention of existing business. This could have a material adverse impact on the financial performance and position of the AMPGH group.

In 2020, the AMPGH group continued to reposition as a simpler, client-led, growth-oriented business. The strategy to reinvent the AMPGH group as a contemporary wealth manager is a three-year investment program to fund growth, reduce costs and fix legacy issues. The strategy builds on core strengths and market positions with whole-of-wealth solutions.

Cyber security threats

Cyber risk continues to be a threat in a rapidly changing technological environment as the magnitude of the costs of cybercrime vary depending on the nature of the attack. We are committed to enhancing our cyber security capability and control posture as we recognise the current environment of cybercrime activity has increased across the industry during this COVID-19 period.

The AMPGH group is investing in a three-year program to further uplift its cyber defences to mitigate malicious threats and cybercrime activities. Cyber risk will retain its position as a key risk as the AMPGH group continues to mature and evolve its cyber security operating model. This will assist in preventing, detecting and responding to cyber incidents, in order to protect the AMPGH group's assets and business operations.

Directors' Report

for the year ended 31 December 2020

Operational risk environment

Operational risk exposures, relevant to the industries in which AMPGH group operates, relate to losses resulting from inadequate or failed internal processes, people and systems or from external events. These include, but are not limited to, information technology, human resources, internal and external fraud, money laundering and counter-terrorism financing, bribery and corruption. High operational risks are driven by a complex operating environment associated with legacy products, systems and, in some cases, manual controls. This environment will be further stressed by the key business challenges included in this section.

We are committed to containing operational risk by reducing operational complexity and strengthening risk management, internal controls and governance. We continue to work towards remediating clients and reshaping the Adviser network and simplifying the superannuation product and investment options. The AMPGH group operational risk profile reflects these exposures and the financial statements of AMPGH group contain certain provisions and contingent liability disclosures for these risks in accordance with applicable accounting standards.

Organisational change

In 2020, the AMPGH group successfully separated and sold the Australian and New Zealand wealth protection and mature businesses to Resolution Life. This coincided with additional changes to simplify the internal operating model. The strategy continues to progress from 2020 and further changes are expected in 2021 to fully establish our target operating model and to achieve further operating cost savings.

There is a risk that business momentum is lost due to conflicting leader focus on organisational changes. The increase in volume of change may have an adverse impact to employees as they deliver on our strategy and transformation initiatives. These risks will be mitigated by maintaining leadership and performance focus on the business.

The AMPGH group continues to invest in adopting new ways of working to drive efficiency and improve our practices to increase accountability and build on core strengths. We recognise that failure to execute appropriately on the implementation of these changes can increase the risks of disruption to the AMPGH group's business operations.

Regulatory environment

The AMPGH group operates in multiple jurisdictions across the globe, including Australia and New Zealand, and each one of these jurisdictions has its own legislative and regulatory requirements. The financial services industry both globally and in Australia and New Zealand continues to face further challenges as temporary regulatory changes were introduced causing disruption to the wealth industry.

The AMPGH group continues to respond and adjust its business processes for these changes, however, failure to adequately anticipate and respond to future regulatory changes could have a material adverse impact on the performance of its businesses and achieving its strategic objectives. The AMPGH group's commitment to strengthen its risk management practices, its control environment and enhancing its compliance systems across the businesses, will address these legislative and regulatory requirements. AMPGH group's internal policies, frameworks and procedures seek to ensure any changes in our domestic and international regulatory obligations are complied with in each jurisdiction. Regulatory and compliance risk that results in reportable breaches are reported to group management committees and regulators in accordance with internal policies.

Regulatory consultations and interactions are reported and monitored as part of the AMPGH group's internal risk and compliance reporting process. The AMPGH group actively participates in these interactions and co-operates with all regulators to resolve such matters.

More information about our approach to these challenges can be found in the 2020 Sustainability Report.

The environment

In the normal course of its business operations, The AMPGH group is subject to a range of environmental regulations of which there have been no material breaches during the year. You can find further information about AMP's environmental policy and activities at amp.com.au/corporate-sustainability.

Significant changes to the state of affairs

Apart from elsewhere disclosed in this report, there were no significant changes in the state of affairs during the year.

Directors' Report

for the year ended 31 December 2020

Events occurring after the reporting date

On 26 February 2021, AMP Limited and Ares Management Corporation (Ares) announced that they have entered into a non-binding Heads of Agreement (with a 30-day period of exclusivity to work towards a binding agreement) to pursue the formation of a strategic partnership for AMP Capital's private markets businesses of infrastructure equity and infrastructure debt, real estate and other minority investments (Private Markets), all of which are businesses of the AMP GH group.

Under the proposed transaction, Ares would acquire 60 per cent of Private Markets and assume management control, with AMPGH group retaining 40 per cent.

As at the date of this report and except as otherwise disclosed, the directors are not aware of any other matters or circumstances that have arisen since the reporting date that have significantly affected, or may significantly affect, the group's operations; the results of those operations; or the group's state of affairs in future periods.

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 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 or on behalf of the AMP Limited Board.

During, and since the end of, the financial year ended 31 December 2020, AMP Limited (the Company's 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, the Company has entered into deeds of indemnity, insurance and access with current and former directors and secretaries of the Company, directors of other subsidiaries of AMP Limited and secretaries of other AMP group companies. Those deeds provide that:

- those officers will have access to board papers and specified records of any AMP group company of which they are an officer (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);
- the Company indemnifies the 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 an 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 AMPGH's auditor, 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 breach or 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 2020.

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

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 financial year ended 31 December 2020.

Rounding

In accordance with the Australian Securities and Investments Commission Corporations Instrument 2016/191, amounts in this directors' report and the accompanying financial report have been rounded off to the nearest hundred thousand Australian dollars, unless stated otherwise.

Signed in accordance with a resolution of the directors.



Director

Sydney, 23 March 2021



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

As lead auditor for the audit of the financial report of AMP Group Holdings Limited for the financial year ended 31 December 2020, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of AMP Group Holdings Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

APR

Andrew Price
Partner
23 March 2021

AMP GROUP HOLDINGS LIMITED
ABN 88 079 804 676
FULL YEAR FINANCIAL REPORT
31 DECEMBER 2020

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Registered office:
33 Alfred Street
Sydney NSW 2000 Australia

AMP Group Holdings Limited, a company limited by shares, is incorporated and domiciled in Australia.

Consolidated income statement

for the year ended 31 December 2020

		2020 ¹	2019 ^{1,3}
	Note	\$m	\$m
Fee revenue		2,406.8	2,861.9
Interest income using the effective interest method		18.1	21.2
Other investment income		32.4	87.6
Share of profit or loss from associates	5.3	48.2	72.1
Other income		273.9	227.9
Total revenue		2,779.4	3,270.7
Fee and commission expenses		(831.8)	(1,116.5)
Staff and related expenses		(1,161.3)	(1,144.4)
Finance costs		(45.6)	(63.3)
Other operating expenses	1.1	(830.7)	(3,177.2)
Total expenses		(2,869.4)	(5,501.4)
Loss before tax		(90.0)	(2,230.7)
Income tax credit	1.2	71.1	249.9
Loss after tax from continuing operations		(18.9)	(1,980.8)
Profit (loss) from discontinued operations	5.2	79.7	(602.8)
Profit (loss) for the year		60.8	(2,583.6)
Profit (loss) attributable to:			
Shareholders of AMP Group Holdings Limited ²		36.1	(2,636.0)
Non-controlling interests		24.7	52.4
Profit (loss) for the year		60.8	(2,583.6)

1 Results have been presented on a continuing basis and re-presented for the year ended 31 December 2019.

2 Profit (loss) attributable to shareholders of AMP Group Holdings Limited is comprised of \$43.6m loss (2019: \$2,033.2m loss) from continuing operations and \$79.7m profit (2019: \$602.8m loss) from discontinued operations.

3 Fee revenue and Fee and commission expenses have been restated. Refer to about this report (e) for further details.

Consolidated statement of comprehensive income

for the year ended 31 December 2020

	Note	2020 \$m	2019 \$m
Loss for the year from continuing operations		(18.9)	(1,980.8)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges			
- net (loss) gain on cash flow hedges		(0.6)	0.8
- tax effect on cash flow hedge gain or loss		-	-
- net amount transferred to profit or loss for the year		(29.5)	-
- tax effect on amount transferred to profit or loss for the year		8.8	-
		(21.3)	0.8
Translation of foreign operations and revaluation of hedge of net investments			
- losses recognised on translation of foreign operations and revaluation of hedge of net investments		(35.1)	0.6
		(35.1)	0.6
Items that will not be reclassified subsequently to profit or loss			
Defined benefit plans			
- actuarial gains (losses)	4.1	5.5	(23.4)
- tax effect on actuarial gains or losses		(1.0)	7.0
		4.5	(16.4)
Other comprehensive loss for the year from continuing operations		(51.9)	(15.0)
Total comprehensive loss for the year from continuing operations		(70.8)	(1,995.8)
Profit (loss) for the year from discontinued operations		79.7	(602.8)
Other comprehensive loss for the year from discontinued operations		(105.1)	(3.1)
Total comprehensive loss for the year		(96.2)	(2,601.7)
Total comprehensive loss attributable to shareholders of AMP Group Holdings Limited		(120.9)	(2,654.1)
Total comprehensive income attributable to non-controlling interests		24.7	52.4
Total comprehensive loss for the year		(96.2)	(2,601.7)

Consolidated statement of financial position

as at 31 December 2020

	Note	2020 \$m	2019 \$m
Assets			
Cash and cash equivalents	6.1	1,676.1	5,709.2
Receivables	2.4	566.9	2,403.4
Intercompany tax receivable		357.5	636.8
Current tax assets		11.1	36.7
Investments in other financial assets	2.1	2,240.9	112,667.4
Investment properties		-	161.1
Investments in associates	5.3	1,094.2	850.7
Right of use assets	6.3	174.3	245.2
Deferred tax assets	1.2	669.2	1,153.6
Reinsurance asset - ceded life insurance contracts		-	1,222.4
Intangibles	2.2	640.3	876.7
Other assets	2.3	173.9	171.0
Total assets¹		7,604.4	126,134.2
Liabilities			
Payables	2.5	825.9	3,734.3
Intercompany tax payable		65.4	204.9
Current tax liabilities		2.3	86.0
Employee benefits		348.7	386.6
Other financial liabilities	2.1	473.1	1,044.5
Provisions	6.4	1,053.7	972.3
Interest-bearing liabilities	3.2	1,306.3	1,855.0
Lease liabilities	6.3	210.6	266.3
Deferred tax liabilities	1.2	183.5	2,490.4
External unitholder liabilities		-	15,295.0
Life insurance and reinsurance contract liabilities		-	25,019.7
North guarantee liabilities		150.7	121.3
Investment contract liabilities		-	71,550.1
Defined benefit plan liabilities	4.1	97.5	100.7
Total liabilities¹		4,717.7	123,127.1
Net assets		2,886.7	3,007.1
Equity			
Contributed equity	3.1	9,054.5	7,941.0
Reserves		(2,488.4)	(1,973.9)
Retained earnings		(3,687.4)	(3,383.0)
Total equity of shareholders of AMP Group Holdings Limited		2,878.7	2,584.1
Non-controlling interests		8.0	423.0
Total equity of shareholders of AMP Group Holdings Limited and non-controlling interests		2,886.7	3,007.1

1 2019 comparatives include assets and liabilities relating to policyholders of AMPGH's wealth management and wealth protection businesses which have been sold.

Consolidated statement of changes in equity

for the year ended 31 December 2020

	Equity attributable to shareholders of AMP Group Holdings Limited									
	Share-based payment reserve ²					Foreign currency translation and hedge of net investments reserves				
	Contributed equity \$m	Demerger reserve ¹ \$m	Capital profits reserve ³ \$m	Cash flow hedge reserve \$m	Total reserves \$m	Retained earnings \$m	shareholder equity \$m	Non-controlling interest \$m	Total equity \$m	
2020										
Balance at the beginning of the year	7,941.0	(2,566.0)	320.5	18.2	169.4	(3,383.0)	2,584.1	423.0	3,007.1	
Profit (loss) from continuing operations	-	-	-	-	-	(43.6)	(43.6)	24.7	(18.9)	
Profit (loss) from discontinued operations ⁴	-	-	-	-	-	79.7	79.7	-	79.7	
Other comprehensive income (loss) from continuing operations	-	-	-	(21.3)	(35.1)	4.5	(51.9)	-	(51.9)	
Foreign currency translation reserve recycled ⁴	-	-	-	-	(105.1)	-	(105.1)	-	(105.1)	
Total comprehensive income	-	-	-	(21.3)	(140.2)	40.6	(120.9)	24.7	(96.2)	
Share-based payment expense	-	-	-	-	-	-	14.2	1.7	15.9	
Shares purchased	-	-	-	-	-	-	(7.0)	(1.8)	(8.8)	
Shares issued	1,113.5	-	-	-	-	-	1,113.5	-	1,113.5	
Disposal of WP and mature businesses	-	-	-	-	-	-	-	(305.0)	(305.0)	
Dividends paid	-	-	-	-	-	(345.0)	(345.0)	(24.7)	(369.7)	
Sales and acquisitions of non-controlling interests	-	-	(360.2)	-	-	-	(360.2)	(109.9)	(470.1)	
Balance at the end of the year	9,054.5	(2,566.0)	(39.7)	(3.1)	29.2	(3,687.4)	2,878.7	8.0	2,886.7	
2019										
Balance at the beginning of the year	7,941.0	(2,566.0)	328.6	17.4	171.9	(724.1)	5,251.5	411.2	5,662.7	
Impact of adoption new accounting standards	-	-	-	-	-	(6.5)	(6.5)	-	(6.5)	
Balance at the beginning of the year - restated	7,941.0	(2,566.0)	328.6	17.4	171.9	(730.6)	5,245.0	411.2	5,656.2	
Profit (loss) from continuing operations	-	-	-	-	-	(2,033.2)	(2,033.2)	52.4	(1,980.8)	
Profit (loss) from discontinued operations ⁴	-	-	-	-	-	(602.8)	(602.8)	-	(602.8)	
Other comprehensive income (loss) from continuing operations	-	-	-	0.8	0.6	(16.4)	(15.0)	-	(15.0)	
Other comprehensive income (loss) from discontinued operations ⁴	-	-	-	-	(3.1)	-	(3.1)	-	(3.1)	
Total comprehensive income	-	-	-	0.8	(2.5)	(2,652.4)	(2,654.1)	52.4	(2,601.7)	
Share-based payment expense	-	-	-	-	-	-	18.8	1.8	20.6	
Share purchases	-	-	-	-	-	-	(17.5)	0.0	(17.5)	
Dividends paid	-	-	-	-	-	-	-	(40.1)	(40.1)	
Sales and acquisitions of non-controlling interests	-	-	(8.1)	-	-	-	(8.1)	(2.3)	(10.4)	
Balance at the end of the year	7,941.0	(2,566.0)	320.5	18.2	169.4	(3,383.0)	2,584.1	423.0	3,007.1	

1 Reserve to recognise the additional loss and subsequent transfer from shareholders' retained earnings on the demerger of AMP's UK operations in December 2003. The loss was the difference between the pro-forma loss on demerger and the market-based fair value of the UK operations.

2 The Share-based payment reserve represents the cumulative expense recognised in relation to equity-settled share-based payments less the cost of shares purchased on market in respect of entitlements.

3 Capital profits reserve represents the difference between the acquisition or sale price of minority interest and the carrying value of net assets acquired or sold from or to entities outside the AMPGH group. On 1 September 2020, AMPGH repurchased Mitsubishi UFJ Trust and Banking Corporation's 15 per cent shareholding in AMP Capital, resulting in a \$360.2m reduction in Capital profits reserve.

4 \$96.2m relates to the deconsolidation of the WP and mature businesses.

Consolidated statement of cash flows

for the year ended 31 December 2020

	Note	2020 \$m	2019 \$m
Cash flows from operating activities¹			
Cash receipts in the course of operations		6,481.4	13,631.4
Interest received		499.0	1,105.2
Dividends and distributions received ²		668.2	2,104.8
Cash payments in the course of operations		(12,741.6)	(23,929.5)
Finance costs		(181.8)	(108.6)
Income tax paid		(574.1)	(434.7)
Cash flows used in operating activities	6.1	(5,848.9)	(7,631.4)
Cash flows from investing activities¹			
Net proceeds from sale of (payments to acquire):			
- investments in financial assets		1,487.1	7,665.0
- operating and intangible assets		(82.7)	(55.3)
- operating controlled entities and investments in associates accounted for using the equity method		236.2	99.0
- AMP Capital minority interest		(451.0)	-
Proceeds from sale of the WP and mature businesses		2,034.3	-
Cash flows from investing activities		3,223.9	7,708.7
Cash flows from financing activities			
Proceeds from borrowings ¹		264.8	870.6
Repayment of borrowings ¹		(507.4)	(790.6)
Lease payments		(63.4)	(66.7)
Repayment of subordinated debt		(250.0)	-
Dividends paid ³		(369.7)	(40.1)
Cash flows used in financing activities		(925.7)	(26.8)
Net decrease in cash and cash equivalents		(3,550.7)	50.5
Cash and cash equivalents at the beginning of the year		9,352.1	9,299.7
Effect of exchange rate changes on cash and cash equivalents		(3.9)	1.9
Cash and cash equivalents prior to the deconsolidation of WP and mature businesses¹		5,797.5	9,352.1
Cash and cash equivalents deconsolidated ⁴		(3,896.4)	-
Cash and cash equivalents at the end of the year	6.1	1,901.1	9,352.1

1 Cash flows and cash and cash equivalents include amounts attributable to shareholders' interests, policyholders' interests in AMP Life's statutory funds and controlled entities of those statutory funds, external unitholders' interests and non-controlling interests. Cash equivalents for the purpose of the Consolidated statement of cash flows includes short-term bills and notes.

2 Dividends and distributions received are amounts of cash received mainly from investments held by AMP life insurance entities' statutory funds and controlled entities of the statutory funds. Dividends and distributions reinvested have been treated as non-cash items.

3 Dividends paid includes dividends paid to minority interest holders.

4 The sale of the WP and mature businesses completed on 30 June 2020, resulting in the deconsolidation of cash and cash equivalents held by these businesses as at 30 June 2020.

About this report

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

(a) Understanding the AMPGH financial report

The AMPGH group is comprised of AMP Group Holdings Limited, a holding company incorporated and domiciled in Australia, and the entities it controls (subsidiaries or controlled entities). The consolidated financial statements of AMP Group Holdings Limited (AMPGH) include the financial information of its controlled entities. AMPGH group comprises the majority of the controlled entities in the AMP Limited consolidated economic entity (the AMP group/AMP).

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 with all values rounded to the nearest hundred thousand dollars, unless otherwise stated;
- has been prepared on a going concern basis generally using an historical cost basis; however where permitted under accounting standards a different basis may be used, including the fair value basis;
- presents assets and liabilities on the face of the Consolidated statement of financial position in decreasing order of liquidity and therefore does not distinguish between current and non-current items; and
- presents reclassified comparative information where required for consistency with the current year's presentation within the annual report.

AMP Group Holdings Limited is a for-profit entity and is limited by shares.

The financial statements for the year ended 31 December 2020 were authorised for issue on 23 March 2021 in accordance with a resolution of the directors.

Sale of wealth protection and mature businesses

The sale of the Australian and New Zealand wealth protection (WP) and mature businesses to Resolution Life Australia Pty Ltd (Resolution Life) completed on 30 June 2020 and these businesses have been deconsolidated from the AMPGH group at that date. The results of these businesses are presented as discontinued operations in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*. The comparative Consolidated Income statement and Statement of comprehensive income have been re-presented in order to present the results of the sold businesses as discontinued operations. Further details are provided in note 5.2 Discontinued operations.

COVID-19 impacts

The COVID-19 pandemic has resulted in significant disruptions to the global economy during the year ended 31 December 2020 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. Where the judgements and estimates are considered significant they have been disclosed in the notes to this report.

(b) Basis of consolidation

Entities are fully consolidated from the date of acquisition, being the date on which the AMPGH group obtains control, and continue to be consolidated until the date that control ceases. Control exists where the AMPGH group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Income, expenses, assets, liabilities and cash flows of controlled entities are consolidated into the AMPGH group financial statements, along with those attributable to the shareholders of the parent entity. All inter-company transactions are eliminated in full, including unrealised profits arising from intra-group transactions.

Materiality

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

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

About this report

(c) Significant accounting policies

The significant accounting policies adopted in the preparation of the financial report are contained in the notes to the financial statements to which they relate. All accounting policies have been consistently applied to the current year and comparative period, unless otherwise stated. Where an accounting policy relates to more than one note or where no note is provided, the accounting policies are set out below.

Fee revenue

Fee revenue represents revenue from contracts with customers which arises primarily from the provision of (i) investment management and (ii) financial advisory services. Revenue is recognised when control of services is transferred to the customer at an amount that reflects the consideration which AMPGH group is entitled to in exchange for the services provided. As the customer simultaneously receives and consumes the benefits as the service is provided, control is transferred over time. Accordingly, revenue is recognised over time.

Fee rebates provided to customers are recognised as a reduction in fee revenue.

(i) Investment management and related fees

Fees are charged to customers in connection with the provision of investment management and other related services. These performance obligations are satisfied on an ongoing basis, usually daily, and revenue is recognised as the service is provided.

(ii) Financial advisory fees

Financial advisory fees consist of commissions and fee-for-service revenue and are earned for providing customers with financial advice and performing related advisory services. These performance obligations are satisfied over time. Accordingly, revenue is recognised over time.

A substantial majority of the financial advisory fees received are paid to advisers. Financial advisory fees are presented gross of the related cost which is presented in Fees and commission expenses in the Consolidated income statement.

Interest, dividends and distributions income

Interest income measured at amortised cost is recognised in the Consolidated income statement using the effective interest method. Revenue from dividends and distributions is recognised when the AMPGH group's right to receive payment is established.

Foreign currency transactions

Transactions, assets and liabilities denominated in foreign currencies are translated into Australian dollars (the functional currency) using the following applicable exchange rates:

Foreign currency amount	Applicable exchange rate
Transactions	Date of transaction
Monetary assets and liabilities	Reporting date
Non-monetary assets and liabilities carried at fair value	Date fair value is determined

Foreign exchange gains and losses resulting from translation of foreign exchange transactions are recognised in the Consolidated income statement, except for qualifying cash flow hedges, which are deferred to equity.

On consolidation the assets, liabilities, income and expenses of foreign operations are translated into Australian dollars using the following applicable exchange rates:

Foreign currency amount	Applicable exchange rate
Income and expenses	Average exchange rate
Assets and liabilities	Reporting date
Equity	Historical date
Reserves	Reporting date

Foreign exchange differences resulting from translation of foreign operations are initially recognised in the foreign currency translation reserve and subsequently transferred to the Consolidated income statement on disposal of the foreign operation.

(d) Critical judgements and estimates

Preparation of the financial statements requires management to make judgements, estimates and assumptions about future events. Information on critical judgements and estimates considered when applying the accounting policies can be found in the following notes:

Accounting judgements and estimates	Note		Page
Tax	1.2	Taxes	10
Fair value of financial assets	2.1	Investments in other financial assets and liabilities	14
Impairment	2.1	Expected credit losses (ECLs)	14
Goodwill and acquired intangible assets	2.2	Intangibles	16
Consolidation	5.1	Controlled entities	43
Provisions and contingent liabilities	6.4	Provisions and contingent liabilities	53

(e) Restatement

Certain Investment management and related fees and Financial advisory fees recognised in the prior year were presented gross of related expenses of \$316m (\$96m and \$220m respectively), with no impact to profit. These items have been adjusted and reported on a net basis, in accordance with Australian Accounting Standards. After incorporating these adjustments and presenting comparative results on a continuing operations basis, Investment management and related fees has decreased by \$62m and Financial advisory fees have increased by \$17m. The related expenses have been adjusted accordingly, with no impact to reported profit.

Section 1: Results for the year

- 1.1 Other operating expenses
- 1.2 Taxes
- 1.3 Dividends

1.1 Other operating expenses

	2020 \$m	2019 \$m
Impairment of goodwill and other intangibles	(5.8)	(1,839.0)
Movement in expected credit losses	(6.7)	0.8
Movement in North guarantee liabilities	(29.5)	(6.6)
Information technology and communication	(234.8)	(287.6)
Professional and consulting fees	(285.4)	(291.1)
Amortisation of intangibles	(125.6)	(187.7)
Depreciation of property, plant and equipment	(74.2)	(73.7)
Other expenses	(68.7)	(492.3)
Total other operating expenses	(830.7)	(3,177.2)

Section 1: Results for the year

1.2 Taxes

This sub-section outlines the impact of income taxes on the results and financial position of AMPGH. In particular:

- the impact of tax on the reported result;
- amounts owed to/receivable from the tax authorities; and
- deferred tax balances that arise due to differences in the tax and accounting treatment of balances recorded in the financial report.

These financial statements include the disclosures relating to tax required under accounting standards. Further information on AMPGH group's tax matters can be found in the AMP Tax Report at amp.com.au/shares.

(a) Income tax credit

The following table provides a reconciliation of differences between prima facie tax calculated as 30% of the profit or loss before income tax for the year and the income tax expense recognised in the Consolidated income statement for the year.

	2020 ¹ \$m	2019 ¹ \$m
Loss before income tax	(90.0)	(2,230.7)
Tax at the Australian tax rate of 30% (2019: 30%)	27.0	669.2
Tax concessions including research and development and offshore banking unit	1.2	1.7
Non-deductible expenses	(17.9)	(26.1)
Non-taxable income	7.6	41.0
Other items	33.8	1.5
Goodwill impairment	-	(453.0)
Over provided in previous years	3.4	4.3
Differences in overseas tax rates	16.0	11.3
Income tax credit per Consolidated income statement	71.1	249.9

1 Results have been presented on a continuing basis and re-presented for the year ended 31 December 2019.

Section 1: Results for the year

1.2 Taxes (continued)

(b) Analysis of income tax credit

	2020 ¹	2019 ¹
	\$m	\$m
Current tax credit (expense)	52.6	(89.3)
(Decrease) increase in deferred tax assets	(2.4)	234.6
Decrease in deferred tax liabilities	20.9	104.6
Income tax credit	71.1	249.9

1 Results have been presented on a continuing basis and re-presented for the year ended 31 December 2019. The increase in deferred tax assets (DTA) and deferred tax liabilities (DTL) during the year arises primarily from the deconsolidation of DTA and DTL held in WP and mature businesses.

(c) Analysis of deferred tax balances

	2020	2019
	\$m	\$m
Analysis of deferred tax assets		
Expenses deductible and income recognisable in future years	439.6	1,002.4
Unrealised movements on borrowings and derivatives	0.6	0.1
Unrealised investment losses	-	6.4
Losses available for offset against future taxable income	-	0.2
Other	229.0	144.5
Total deferred tax assets	669.2	1,153.6
Analysis of deferred tax liabilities		
Unrealised investment gains	7.5	1,994.7
Other	176.0	495.7
Total deferred tax liabilities	183.5	2,490.4

(d) Amounts recognised directly in equity

	2020	2019
	\$m	\$m
Deferred income tax credit related to items taken directly to equity during the current year	7.9	7.0

Section 1: Results for the year

1.2 Taxes (continued)

Accounting policy – recognition and measurement

Income tax expense

Income tax expense is the tax payable on taxable income for the current period based on the income tax rate for each jurisdiction and adjusted for changes in deferred tax assets and liabilities. These changes are attributable to:

- temporary differences between the tax bases of assets and liabilities and their Consolidated statement of financial position carrying amounts;
- unused tax losses; and
- the impact of changes in the amounts of deferred tax assets and liabilities arising from changes in tax rates or in the manner in which these balances are expected to be realised.

Adjustments to income tax expense 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 that are 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, including amounts in respect of investment contracts and life insurance contracts, 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.

Tax consolidation

AMP Limited and its wholly-owned Australian controlled entities are part of a tax-consolidated group, with AMP Limited being the head entity. A tax funding agreement has been entered into by the head entity and the controlled entities in the tax-consolidated group and requires entities to fully compensate the company for current tax liabilities and to be fully compensated by the company for any current or deferred tax assets in respect of tax losses arising from external transactions occurring after 30 June 2003, the implementation date of the tax-consolidated group.

Critical accounting estimates and judgements:

The AMPGH group is subject to taxes in Australia and other jurisdictions where it has operations. The application of tax law to the specific circumstances and transactions of the AMPGH group 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.

Judgement is also applied by management in determining the extent to which the recovery of carried forward tax losses is probable for the purpose of meeting the criteria for recognition as deferred tax assets.

1.3 Dividends

Dividends paid and proposed during the year are shown in the table below:

	2020	2019
Dividend per share (cents)		
Interim	3.3	-
Final	-	-
Cost (in \$m)		
Interim	345.0	-
Final	-	-

Section 2: Investments, intangibles and working capital

This section highlights the AMPGH group's assets and working capital used to support the AMPGH group's activities.

- 2.1 Investments in other financial assets and liabilities
- 2.2 Intangibles
- 2.3 Other assets
- 2.4 Receivables
- 2.5 Payables
- 2.6 Fair value information

2.1 Investments in other financial assets and liabilities

	2020 \$m	2019 \$m
Financial assets measured at fair value through profit or loss		
Equity securities and listed managed investment schemes	25.9	57,746.3
Debt securities	1,131.6	29,823.8
Unlisted managed investment schemes	148.2	23,358.4
Derivative financial assets	353.6	1,693.8
Total financial assets measured at fair value through profit or loss	1,659.3	112,622.3
Other financial assets measured at amortised cost¹		
Debt securities	581.6	45.1
Total other financial assets measured at amortised cost	581.6	45.1
Total other financial assets	2,240.9	112,667.4
Other financial liabilities		
Derivative financial liabilities	264.6	788.5
AMP Bank indemnity ²	81.4	86.3
Collateral deposits held	127.1	169.7
Total other financial liabilities	473.1	1,044.5

1 Financial assets measured at amortised cost are presented net of immaterial expected credit losses.

2 On 4 February 2019, AMP Group Holdings Limited (AMPGH) entered into a deed of indemnity with AMP Bank under which AMPGH agreed to indemnify AMP Bank for up to \$546m for credit losses in excess of those provided for as at 31 January 2019 suffered in connection with loans provided to an authorised representative of an AMP licensee.

Section 2: Investments, intangibles and working capital

2.1 Investments in other financial assets and liabilities (continued)

Accounting policy – recognition and measurement

Recognition and derecognition of financial assets and liabilities

Financial assets and financial liabilities are recognised at the date the AMPGH group becomes a party to the contractual provisions of the instrument. At initial recognition, financial assets are classified as subsequently measured at fair value through profit or loss, and amortised cost. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the AMPGH group's business model for managing them.

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.

Financial assets measured at fair value through profit or loss

Financial assets measured 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 profit or loss in the period in which they arise.

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 gains or losses arising from subsequent measurement at fair value are recognised in the Consolidated income statement in the period in which they arise.

Financial assets measured at amortised cost – debt securities

Debt securities 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.

Impairment of financial assets

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 key elements in the measurement of ECLs are as follows:

- PD - The probability of default is an estimate of the likelihood of default over a given time horizon.
- EAD - The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date.
- LGD - Loss given default is an estimate of the loss arising in the case where default occurs at a given time. It is based on the difference between cash flows due to the group in accordance with the contract and the cash flows that the group expects to receive, including from the realisation of any collateral.

The AMPGH group estimates these elements using appropriate credit risk models taking into consideration the internal and external credit ratings of the assets, nature and value of collaterals, forward-looking macro-economic scenarios, etc.

Depending on the nature of the financial asset, the AMPGH group applies either a three-stage approach or a simplified approach to measure ECLs.

Critical accounting estimates and judgements:

Financial assets measured at fair value

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 value of financial instruments is set out in note 2.5.

Impairment

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

Section 2: Investments, intangibles and working capital

2.2 Intangibles

	Goodwill ¹ \$m	Capitalised costs ² \$m	Value of in-force business \$m	Distribution networks \$m	Other intangibles \$m	Total \$m
2020						
Balance at the beginning of the year	172.0	223.3	341.2	126.3	13.9	876.7
Additions through acquisitions of controlled entities	-	-	-	8.4	-	8.4
Additions through separate acquisitions	-	-	-	83.7	-	83.7
Additions through internal development	-	92.6	-	-	-	92.6
Reductions through disposal ²	(15.2)	(11.7)	(177.4)	(65.5)	-	(269.8)
Transferred to inventories	-	-	-	(2.7)	-	(2.7)
Amortisation expense ³	-	(64.2)	(49.6)	(26.5)	(2.5)	(142.8)
Impairment loss	-	(1.4)	-	(4.4)	-	(5.8)
Balance at the end of the year	156.8	238.6	114.2	119.3	11.4	640.3
2019						
Balance at the beginning of the year	2,130.0	505.5	419.8	138.3	14.9	3,208.5
Additions through acquisitions of controlled entities	10.2	1.8	-	54.6	-	66.6
Additions through separate acquisitions	-	-	-	32.6	-	32.6
Additions through internal development	-	112.1	-	-	-	112.1
Reductions through disposal	-	-	-	(7.6)	-	(7.6)
Transferred from inventories	-	-	-	0.9	-	0.9
Amortisation expense ³	-	(94.4)	(78.6)	(55.0)	(1.0)	(229.0)
Impairment loss ⁴	(1,968.2)	(301.7)	-	(37.5)	-	(2,307.4)
Balance at the end of the year	172.0	223.3	341.2	126.3	13.9	876.7

1 Total goodwill comprises amounts attributable to shareholders of \$156.8m (2019: \$156.8m) and amounts attributable to policyholders of \$nil (2019: \$15.2m).

2 Includes intangible assets derecognised as part of sale of the WP and mature businesses.

3 Amortisation expense includes amortisation related to the WP and mature businesses of \$17.2m (2019: \$41.3m).

4 Includes \$468.4m of impairment loss relating to the WP and mature businesses.

Section 2: Investments, intangibles and working capital

2.2 Intangibles (continued)

Accounting policy – recognition and measurement

Goodwill

Goodwill acquired in a business combination is recognised at cost and subsequently measured at cost less any accumulated impairment losses. The cost represents the excess of the cost of a business combination over the fair value of the identifiable assets acquired and liabilities assumed.

Capitalised costs

Costs are capitalised when the costs relate to the creation of an asset with expected future economic benefits which are capable of reliable measurement. Capitalised costs are amortised on a straight-line basis over the estimated useful life of the asset, commencing at the time the asset is first put into use or held ready for use, whichever is the earlier.

Value of in-force business

The value of in-force business represents the fair value of future business arising from existing contractual arrangements of a business acquired as part of a business combination. The value of in-force business is initially measured at fair value and is subsequently measured at fair value less amortisation and any accumulated impairment losses.

Distribution networks

Distribution networks such as customer lists, financial planner client servicing rights or other distribution-related rights, either acquired separately or through a business combination, are initially measured at fair value and subsequently measured at cost less amortisation and any accumulated impairment losses.

Amortisation

Intangible assets with finite useful lives are amortised on a straight-line basis over the useful life of the intangible asset. The estimated useful lives are generally:

Item	Useful life
Capitalised costs	Up to 10 years
Value of in-force business – wealth management and distribution businesses	Up to 20 years
Distribution networks	2 to 15 years

The useful life of each intangible asset is reviewed at the end of the period and, where necessary, adjusted to reflect current assessments.

Impairment testing

Goodwill and intangible assets that have indefinite useful lives are tested at least annually for impairment. Other intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). An impairment loss is recognised when the goodwill carrying amount exceeds the CGU's recoverable amount. When applicable, an impairment loss is first allocated to goodwill and any remainder is then allocated to the other assets on a pro-rata basis.

Composition of goodwill

The goodwill of \$157m (2019: \$157m) arose from historical acquisitions where the AMPGH group was the acquirer. Goodwill attributable to the relevant CGUs is presented in the table below.

\$m	2020 \$m	2019 \$m
New Zealand wealth management (NZ WM)	70.0	70.0
AMP Capital	86.8	86.8
	156.8	156.8

The annual impairment assessment for both NZ WM and AMP Capital resulted in significant headroom in both the CGUs. There was no reasonably possible change to a key assumption used in the impairment assessment that would result in an impairment at 31 December 2020.

Critical accounting estimates and judgements:

Management applies judgement in selecting valuation techniques and setting valuation assumptions to determine the:

- acquisition date fair value and estimated useful life of acquired intangible assets;
- allocation of goodwill to CGUs and determining the recoverable amount of CGUs; and
- assessment of whether there are any impairment indicators for acquired intangibles and, where required, in determining the recoverable amount.

Section 2: Investments, intangibles and working capital

2.3 Other assets

	2020	2019
	\$m	\$m
Planner registers held for sale	28.3	19.0
Prepayments	55.2	52.6
Property, plant and equipment	90.4	99.4
Total other assets	173.9	171.0
<i>Current</i>	69.4	62.6
<i>Non-current</i>	104.5	108.4

2.4 Receivables

	2020	2019
	\$m	\$m
Investment-related receivables	1.4	1,404.3
Life insurance contract premiums receivable	-	311.4
Reinsurance receivables	-	220.2
Client register receivables	62.0	17.2
Collateral receivables	91.6	92.0
Trade debtors and other receivables	411.9	358.3
Total receivables¹	566.9	2,403.4
<i>Current</i>	516.1	2,397.5
<i>Non-current</i>	50.8	5.9

1 Receivables are presented net of ECL of \$11.2m (2019: \$5.1m).

Accounting policy – recognition and measurement

Receivables

Trade debtors, client register, collateral, reinsurance and other receivables are measured at amortised cost, less an allowance for ECLs. Investment related receivables and Life insurance contract premium receivables backing investment contract liabilities and life insurance contract liabilities are financial assets measured at fair value through profit or loss.

The AMPGH group applies a simplified approach in calculating ECLs for receivables. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.5 Payables

	2020	2019
	\$m	\$m
Investment-related payables	11.5	1,108.1
Life insurance and investment contracts in process of settlement	-	341.0
Accrued expenses, trade creditors and other payables	244.9	934.8
Parent entity	569.5	1,311.0
Reinsurance payables	-	39.4
Total payables	825.9	3,734.3
<i>Current</i>	823.3	3,601.1
<i>Non-current</i>	2.6	133.2

Accounting policy – recognition and measurement

Payables

Payables are measured at the nominal amount payable. Given the short-term nature of most payables, the nominal amount payable approximates fair value.

Section 2: Investments, intangibles and working capital

2.6 Fair value information

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

	Carrying amount \$m	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total fair value \$m
2020					
Financial assets measured at fair value					
Equity securities and listed managed investment schemes	25.9	18.9	-	7.0	25.9
Debt securities	1,131.6	-	1,131.6	-	1,131.6
Unlisted managed investment schemes	148.2	-	106.9	41.3	148.2
Derivative financial assets	353.6	-	353.6	-	353.6
Total financial assets measured at fair value	1,659.3	18.9	1,592.1	48.3	1,659.3
Financial assets not measured at fair value					
Debt securities	581.6	-	581.6	-	581.6
Total financial assets not measured at fair value	581.6	-	581.6	-	581.6
Financial liabilities measured at fair value					
Derivative financial liabilities	264.6	-	264.6	-	264.6
AMP Bank indemnity	81.4	-	-	81.4	81.4
Collateral deposits held	127.1	-	127.1	-	127.1
North guarantee liabilities	150.7	-	-	150.7	150.7
Total financial liabilities measured at fair value	623.8	-	391.7	232.1	623.8
Financial liabilities not measured at fair value					
AMP Corporate entity borrowings	1,306.3	-	1,326.2	-	1,326.2
Total financial liabilities not measured at fair value	1,306.3	-	1,326.2	-	1,326.2
2019					
Financial assets measured at fair value					
Equity securities and listed managed investment schemes	57,746.3	54,538.3	692.7	2,515.3	57,746.3
Debt securities	29,823.8	1,770.0	27,927.0	126.8	29,823.8
Unlisted managed investment schemes	23,358.4	-	20,687.2	2,671.2	23,358.4
Derivative financial assets	1,693.8	70.9	1,622.9	-	1,693.8
Investment properties	161.1	-	-	161.1	161.1
Total financial assets measured at fair value	112,783.4	56,379.2	50,929.8	5,474.4	112,783.4
Financial assets not measured at fair value					
Debt securities - held to maturity	45.1	-	45.1	-	45.1
Total financial assets not measured at fair value	45.1	-	45.1	-	45.1
Financial liabilities measured at fair value					
Derivative financial liabilities	788.5	186.3	602.2	-	788.5
AMP Bank indemnity	86.3	-	-	86.3	86.3
Collateral deposits held	169.7	-	169.7	-	169.7
Investment contract liabilities	71,550.1	-	1,484.4	70,065.7	71,550.1
North guarantee liabilities	121.3	-	-	121.3	121.3
Total financial liabilities measured at fair value	72,715.9	186.3	2,256.3	70,273.3	72,715.9
Financial liabilities not measured at fair value					
AMP Corporate entity borrowings	1,382.5	-	1,389.8	-	1,389.8
Borrowings within investment entities controlled by AMP Life's statutory funds	472.5	-	472.5	-	472.5
Total financial liabilities not measured at fair value	1,855.0	-	1,862.3	-	1,862.3

Section 2: Investments, intangibles and working capital

2.6 Fair value information (continued)

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

<i>Listed equity securities and listed managed investment schemes</i>	The fair value of listed equity securities traded in an active market and listed managed investment schemes reflects the quoted bid price at the reporting date. In the case of equity securities and listed managed investment schemes where there is no active market, fair value is established using valuation techniques including the use of recent arm's length transactions, references to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.
<i>Debt securities</i>	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 fair value of unlisted debt securities is estimated using interest rate yields obtainable on comparable listed investments. The fair value of loans is determined by discounting the estimated recoverable amount using prevailing interest rates.
<i>Loans</i>	The estimated fair value of loans represents the discounted amount of estimated future cash flows expected to be received, based on the maturity profile of the loans. As the loans are unlisted, the discount rates applied are based on the yield curve appropriate to the remaining term of the loans. The loans may be measured at an amount in excess of fair value due to fluctuations on fixed rate loans. As the fluctuations in fair value do not represent a permanent diminution and the carrying amounts of the loans are recorded at recoverable amounts after assessing impairment, it is not appropriate to restate their carrying amounts.
<i>Unlisted managed investment schemes</i>	The fair value of investments in unlisted managed investment schemes is determined on the basis of published redemption prices of those managed investment schemes at the reporting date.
<i>Derivative financial assets and liabilities</i>	The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices (current bid price or current offer price) at the reporting date. The fair value of financial instruments not traded in an active market (eg over-the-counter derivatives) is determined using valuation techniques. Valuation techniques include net present value techniques, option pricing models, discounted cash flow methods and comparison to quoted market prices or dealer quotes for similar instruments. 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 derivatives contracts are significantly cash collateralised, thereby minimising both counterparty risk and the group's own non-performance risk.
<i>Corporate Borrowings</i>	Borrowings comprise commercial paper, drawn liquidity facilities, various floating-rate and medium-term notes and subordinated debt. The estimated fair value of borrowings is determined with reference to quoted market prices. For borrowings where quoted market prices are not available, a discounted cash flow model is used, based on a current yield curve appropriate for the remaining term to maturity. For short-term borrowings, the par value is considered a reasonable approximation of the fair value.
<i>North guarantee liabilities</i>	The fair value of the North guarantee liabilities is determined as the net present value of future cash flows discounted using market rates. The future cash flows are determined using risk neutral stochastic projections based on assumptions such as mortality rate, lapse rate and asset class allocation/correlation. The future cash flows comprise expected guarantee claims and hedging expenses net of expected fee revenue.

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); and
- 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 AMPGH group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There have been no significant transfers between Level 1 and Level 2 during the 2020 financial year. Transfers to and from Level 3 are shown in the Reconciliation of Level 3 values table later in this note.

Section 2: Investments, intangibles and working capital

2.6 Fair value information (continued)

Level 3 fair values

For financial assets measured at fair value on a recurring basis and categorised within Level 3 of the fair value hierarchy, the valuation processes applied in valuing such assets is governed by the AMP Capital asset valuation policy. This policy outlines the asset valuation methodologies and processes applied to measure non-exchange traded assets which have no regular market price, including investment property, infrastructure, private equity, alternative assets and illiquid debt securities. All significant Level 3 assets are referred to the appropriate valuation committee who meet at least every six months, or more frequently if required.

The following table shows the valuation techniques used in measuring Level 3 fair values of financial assets measured at fair value on a recurring basis, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs
Equity securities and listed managed investment schemes	Discounted cash flow approach utilising cost of equity as the discount rate.	Discount rate Terminal value growth rate Cash flow forecasts
Debt securities	Discounted cash flow approach.	Discount rate Cash flow forecasts Credit risk
Unlisted managed investment schemes	Published redemption prices.	Judgement made in determining unit prices
Investment contract liabilities	Published unit prices and the fair value of backing assets.	Fair value of financial instruments Cash flow forecasts Credit risk
North guarantee liabilities	Discounted cash flow approach	Discount rate Hedging costs
AMP Bank indemnity	Assessment of expected credit losses	Cash flow forecasts Credit risk Collateral value

Sensitivity analysis

The following table illustrates the impacts to profit before tax and equity resulting from reasonably possible changes in key assumptions.

	2020		2019 ¹	
	(+)	(-)	(+)	(-)
	\$m	\$m	\$m	\$m
Financial assets				
Equity securities and listed managed investment schemes	0.6	(0.6)	85.9	(85.9)
Unlisted managed investment schemes	4.1	(4.1)	134.0	(134.0)
Financial liabilities				
North guarantee liabilities	1.2	(2.6)	-	(6.5)
Investment contract liabilities	n/a	n/a	224.2	(224.0)
AMP Bank indemnity ²	4.1	(4.1)	4.3	(4.3)

1 In 2019, the investments in equity securities and listed managed investment schemes and unlisted managed investment schemes predominantly related to policyholder assets. Accordingly, any movements in the value of the assets were largely offset by a corresponding movement in Investment contract liabilities

2 The value of the AMP Bank indemnity is derived from AMP Bank's assessment of expected credit losses on loans subject to the indemnity. The sensitivity has been determined by increasing and decreasing the expected credit loss by 5%.

Notes to the financial statements

for the year ended 31 December 2020

Section 2: Investments, intangibles and working capital**2.6 Fair value information (continued)****Level 3 fair values (continued)****Reconciliation of Level 3 values**

The following table shows movements in the fair values of financial instruments measured at fair value on a recurring basis and categorised as Level 3 in the fair value hierarchy:

	Balance at the beginning of the period	FX gains or losses ¹	Total gains/ losses ¹	Purchases/ deposits	Sales/ withdrawals	Net transfers in/(out) ²	Balance at the end of the period	Total gains and losses on assets and liabilities held at reporting date
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
2020								
Assets classified as Level 3								
Equity securities and listed managed investment schemes	2,515.3	-	(11.0)	63.0	(2,567.3)	7.0	7.0	-
Debt securities	126.8	-	-	-	(126.8)	-	-	-
Unlisted managed investment schemes	2,671.2	-	2.0	158.0	(2,831.2)	41.3	41.3	3.9
Investment properties	161.1	-	3.0	-	(164.1)	-	-	-
Liabilities classified as Level 3								
North guarantee liabilities	121.3	-	34.9	3.9	(9.4)	-	150.7	34.9
Investment contract liabilities	70,065.7	(7.0)	(6,200.7)	2,008.0	(65,866.0)	-	-	-
AMP Bank indemnity	86.3	-	(4.9)	-	-	-	81.4	81.4
2019								
Assets classified as Level 3								
Equity securities and listed managed investment schemes	2,364.0	-	145.1	10.8	(4.6)	-	2,515.3	164.1
Debt securities	117.0	-	9.9	3.8	(1.8)	(2.1)	126.8	10.1
Unlisted managed investment schemes	1,898.0	-	60.8	566.6	(17.8)	163.6	2,671.2	94.7
Investment properties	145.1	-	16.0	-	-	-	161.1	16.0
Liabilities classified as Level 3								
North guarantee liabilities	115.0	-	18.2	1.4	(13.3)	-	121.3	18.2
Investment contract liabilities	66,817.0	2.3	10,242.0	7,042.4	(14,038.0)	-	70,065.7	10,240.0
AMP Bank indemnity	-	-	86.3	-	-	-	86.3	86.3

¹ Gains and losses are classified in Investment gains and losses or Change in policyholder liabilities in the Consolidated income statement.² The AMPGH group recognises transfers as at the end of the reporting period during which the transfer has occurred. Transfers are recognised when there are changes in the observability of the pricing of the relevant securities or where the AMPGH group ceases to consolidate a controlled entity.

Section 3: Capital structure and financial risk management

This section provides information relating to:

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

The capital structure of the AMPGH group consists of equity and debt. AMPGH determines the appropriate capital structure in order to finance the current and future activities of the AMPGH group and satisfy the requirements of the regulator. The directors review the group's capital structure and dividend policy regularly and do so in the context of the group's ability to satisfy minimum and target capital requirements, and to protect and meet the needs of the policyholders.

- 3.1 Contributed equity
- 3.2 Interest-bearing liabilities
- 3.3 Financial risk management
- 3.4 Derivatives and hedge accounting
- 3.5 Capital management

3.1 Contributed equity

	2020 \$m	2019 \$m
Issued capital		
10,373,884,662 (2019: 10,373,884,652) ordinary shares fully paid	9,054.5	7,941.0
Total contributed equity		
10,373,884,662 (2019: 10,373,884,652) ordinary shares fully paid	9,054.5	7,941.0
Issued capital		
Balance at the beginning of the year	7,941.0	7,941.0
10 (2019: nil) shares issued	1,113.5	-
Balance at the end of the year	9,054.5	7,941.0

Holders of ordinary shares have the right to receive dividends as declared and, in the event of the winding up of the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Fully paid ordinary shares carry the right to one vote per share. Ordinary shares have no par value.

Accounting policy – recognition and measurement

Issued capital

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

Section 3: Capital structure and financial risk management

3.2 Interest-bearing liabilities

(a) Interest-bearing liabilities

	2020			2019		
	Current \$m	Non- current \$m	Total \$m	Current \$m	Non- current \$m	Total \$m
Interest-bearing liabilities						
Corporate entity borrowings ¹						
- 6.875% GBP Subordinated Guaranteed Bonds (maturity 2022)	-	62.6	62.6	-	68.9	68.9
- AMP Notes 3 (first call 2023, maturity 2028) ²	-	-	-	-	250.0	250.0
- USD Medium Term Notes ³	397.9	-	397.9	-	437.1	437.1
- CHF Medium Term Notes ³	-	845.8	845.8	-	592.1	592.1
- Other	-	-	-	34.4	-	34.4
Borrowings within investment entities controlled by AMP Life statutory funds	-	-	-	463.7	8.8	472.5
Total interest-bearing liabilities	397.9	908.4	1,306.3	498.1	1,356.9	1,855.0

- The current/non-current classification of corporate entity borrowings is based on the maturity of the underlying debt instrument and related principal repayment obligations. The carrying value of corporate entity borrowings includes interest payable of \$8.8m (2019: \$9.4m) which is expected to settle within the next 12 months.
- AMP Notes 3 are floating rate subordinated unsecured notes issued on 15 November 2018. These funds were on-lent to AMP Life as Tier 2 capital in 2019. During the half-year ended 30 June 2020 AMP Life has repaid the full amount outstanding to AMP Limited.
- USD 300m 4 per cent Bond was issued 14 March 2019 and matures 14 September 2021. 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

Loan facilities and note programs comprise facilities arranged through bond and note issues, as well as financing facilities provided through bank loans under normal commercial terms and conditions.

	2020 \$m	2019 \$m
Available loan facilities ¹	1,450.0	2,015.0
Note program capacity	14,086.8	14,993.0
Used ²	(3,033.5)	(4,315.9)
Unused facilities and note programs at the end of the year	12,503.3	12,692.1

- Available loan facilities include bilateral facilities of \$450.0m which mature on 31 August 2021.
- Financing is available under funding programs in place for the entities in the AMPGH group and another company in the AMP group. The amount of the funding programs used by the entities within AMPGH group is \$1,235.7m (2019: \$1,039.0m). The remainder of the used amount relates to the other company in the AMP group.

Section 3: Capital structure and financial risk management

3.2 Interest-bearing liabilities (continued)

(c) Changes in liabilities arising from financing activities

	2020 \$m	2019 \$m
1 January	1,855.0	1,743.6
Cash flows	(492.6)	80.0
Other	(56.1)	31.4
31 December	1,306.3	1,855.0

Accounting policy – recognition and measurement

Interest-bearing liabilities are initially recognised at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest rate method.

It is AMPGH'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 Consolidated income statement. In cash flow hedge relationships the borrowings are not revalued.

Finance costs include:

- (i) borrowing costs:
 - interest on bank overdrafts, borrowings and subordinated debt;
 - amortisation of discounts or premiums related to borrowings;
- (ii) exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs; and
- (iii) changes in the fair value of derivative hedges together with any change in the fair value of the hedged assets or liabilities that are designated and qualify as fair value hedges, foreign exchange gains and losses and other financing-related amounts. Changes in the fair value of derivatives in effective cash flow hedges are recognised in the cash flow hedge reserve. The accounting policy for derivatives is set out in note 3.4.

Finance costs are recognised as expenses when incurred.

Section 3: Capital structure and financial risk management

3.3 Financial risk management

The AMP Limited Board has overall responsibility for the risk management framework including the approval of AMP's strategic plan, risk management strategy and risk appetite. Specifically, financial risk arises from the holding of financial instruments and financial risk management (FRM) is an integral part of the AMPGH group's enterprise risk management framework.

This note discloses financial risk in accordance with the categories in AASB 7 *Financial Instruments: Disclosures*:

- market risk;
- liquidity and refinancing risk; and
- credit risk.

These risks are managed in accordance with the board-approved risk appetite statement and the individual policies for each risk category and business approved by the Chief Financial Officer (CFO) under delegation from the AMP Group Asset and Liability Committee (Group ALCO).

(a) 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 including interest rates, foreign exchange rates, equity prices, property prices, credit spreads, commodity prices, market volatilities and other financial market variables.

The following table provides information on significant market risk exposures for the AMPGH group, which could lead to an impact on the AMPGH group's profit after tax and equity, and the management of those exposures.

Market risk	Exposures	Management of exposures and use of derivatives
Interest rate risk The risk of an impact on the AMPGH group's profit after tax and equity arising from fluctuations of the fair value or future cash flows of financial instruments due to changes in market interest rates. Interest rate movements could result from changes in the absolute levels of interest rates, the shape of the yield curve, the margin between yield curves and the volatility of interest rates.	the AMPGH group's long-term borrowings and subordinated debt.	Interest rate risk is managed by entering into floating-to-fixed interest rate swaps, which have the effect of converting borrowings from floating rate to fixed rate.
Currency risk The risk of an impact on the AMPGH group's profit after tax and equity arising from fluctuations of the fair value of a financial asset, liability or commitment due to changes in foreign exchange rates.	Foreign currency denominated assets and liabilities. Foreign equity accounted associates and capital invested in overseas operations. Foreign exchange rate movements on specific cash flow transactions.	The AMPGH group uses swaps to hedge the interest rate risk and foreign currency risk on foreign currency denominated borrowings but does not hedge the capital invested in overseas operations. The AMPGH group hedges material foreign currency risk originated by receipts and payments once the value and timing of the expected cash flow is known. In addition, the AMPGH group will at times pre-hedge any future (but not expected) foreign currency receipts and payments, subject to market conditions.
Equity price risk The risk of an impact on the AMPGH group's profit after tax and equity arising from fluctuations of the fair value or future cash flows of a financial instrument due to changes in equity prices.	Exposure for shareholders includes listed and unlisted shares and participation in equity unit trusts.	Group Treasury may, with Group ALCO approval, use equity exposures or equity futures or options to hedge other enterprise-wide equity exposures.

Section 3: Capital structure and financial risk management

3.3 Financial risk management (continued)

(a) Market risk (continued)

Sensitivity analysis

The table below includes sensitivity analysis showing how the profit after tax and equity would have been impacted by changes in market risk variables. The analysis:

- shows the direct impact of a reasonably possible change in market rate and is not intended to illustrate a remote, worst case stress test scenario;
- assumes that all underlying exposures and related hedges are included and the change in variable occurs at the reporting date; and
- 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.

Sensitivity analysis	Change in variables	2020		2019	
		Impact on profit after tax Increase (decrease)	Impact on equity ¹ Increase (decrease)	Impact on profit after tax Increase (decrease)	Impact on equity ¹ Increase (decrease)
		\$m	\$m	\$m	\$m
Interest rate risk	- 100bp	(0.4)	(0.4)	(1.5)	(1.5)
Impact of a 100 basis point (bp) change in Australian and international interest rates.	+100bp	(0.5)	(0.5)	(15.2)	(15.2)
Currency risk	10% depreciation of AUD	0.2	86.7	3.8	175.9
Impact of a 10% movement of exchange rates against the Australian dollar on currency sensitive monetary assets and liabilities.	10% appreciation of AUD	(0.5)	(71.3)	(4.4)	(145.1)
	10% increase in:				
Equity price risk	Australian equities	0.6	0.6	7.8	7.8
Impact of a 10% movement in Australian and international equities.	International equities	0.2	0.2	7.2	7.2
Any potential impact on fees from the AMPGH group's investment-linked business in is not included.	10% decrease in:				
	Australian equities	(0.4)	(0.4)	(8.6)	(8.6)
	International equities	(0.9)	(0.9)	(8.3)	(8.3)

1 Included in the impact on equity both the impact on profit after tax as well as the impact of amounts that would be taken directly to equity in respect of the portion of changes in the fair value of derivatives that qualify as cash flow hedges for hedge accounting.

(b) Liquidity and refinancing risk

Risk	Exposures	Management of exposures
Liquidity risk The risk that the AMPGH group is not able to meet its obligations as they fall due because of an inability to liquidate assets or obtain adequate funding when required.	the AMPGH group corporate debt portfolio and AMP Capital through various investment funds, entities or mandates that AMPGH manages or controls within the AMPGH group.	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.
Refinancing risk The risk that the AMPGH group is not able to refinance the full quantum of its ongoing debt requirements on appropriate terms and pricing.		

Section 3: Capital structure and financial risk management

3.3 Financial risk management (continued)

(b) Liquidity and refinancing risk (continued)

Maturity analysis

Below is a summary of the maturity profiles of the AMPGH group's undiscounted financial liabilities at the reporting date, based on contractual undiscounted repayment obligations. Repayments that are subject to notice are treated as if notice were to be given immediately.

	Up to 1 year \$m	1-5 years \$m	Over 5 years \$m	Not specified \$m	Total \$m
2020					
Non-derivative financial liabilities					
Payables	823.3	2.6	-	-	825.9
Borrowings	412.5	853.6	-	-	1,266.1
Lease liabilities	58.4	127.4	57.6	-	243.4
Subordinated debt	4.3	66.4	-	-	70.7
North guarantee liabilities	-	-	-	150.7	150.7
Derivative financial instruments					
Interest rate and cross-currency swaps	12.6	17.8	-	-	30.4
Off-balance sheet items					
Lease commitments	-	207.6	526.9	-	734.5
Buy-back arrangement commitments	89.1	-	-	-	89.1
Investment commitments	-	-	-	125.1	125.1
Total undiscounted financial liabilities and off-balance sheet items	1,400.2	1,275.4	584.5	275.8	3,535.9
2019					
Non-derivative financial liabilities					
Payables	3,601.1	133.2	-	-	3,734.3
Borrowings	529.4	1,071.7	-	-	1,601.1
Lease liabilities	57.8	165.4	87.2	-	310.4
Subordinated debt	13.8	111.7	287.4	-	412.9
North guarantee liabilities	-	-	-	121.3	121.3
Investment contract liabilities	350.0	834.0	849.0	69,583.7	71,616.7
External unitholders' liabilities	-	-	-	15,295.0	15,295.0
Derivative financial instruments					
Interest rate and cross-currency swaps	6.9	14.8	-	-	21.7
Off-balance sheet items					
Lease commitments	-	155.3	592.5	-	747.8
Buy-back arrangement commitments	228.1	7.1	-	-	235.2
Investment commitments	-	-	-	418.2	418.2
Total undiscounted financial liabilities and off-balance sheet items	4,787.1	2,493.2	1,816.1	85,418.2	94,514.6

Section 3: Capital structure and financial risk management

3.3 Financial risk management (continued)

(c) Credit risk

Credit risk management is decentralised in business units within the AMPGH group, with the exception of credit risk directly and indirectly impacting shareholder capital, which is measured and managed on an aggregate basis by Group Treasury at the AMPGH group level and reported to Group ALCO.

Risk	Exposures	Management of exposures and use of derivatives
Credit risk Credit default risk is the risk of financial or reputational loss due to a counterparty failing to meet their contractual commitments in full and on time. 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.	Wholesale credit risk, including portfolio construction, in the fixed income portfolios managed by AMP Capital.	Managed by individual investment teams. There is also a dedicated credit research team and a specific credit investment committee. The investment risk and performance team provides reports to the AMP Capital Investment Committee.

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 counterparty's credit rating (unless special considerations are defined). Additional limits are set for the distribution of the total portfolio by credit rating bands. Compliance with this policy is monitored and exposures and breaches are reported to portfolio managers, senior management and the AMP Board Risk Committee through periodic financial risk management reports.

Group Treasury also might enter into credit default swaps to hedge the concentration risk exposure against a specific issuer, or aggregated at the parent entity, when material exposures are over the authorised limit.

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

Collateral and master netting or similar agreements

The AMPGH group obtains collateral and utilises netting agreements to mitigate credit risk exposures from certain counterparties.

(i) Derivative financial assets and liabilities

The credit risk of derivatives is managed in the context of the AMPGH group's overall credit risk policies and includes the use of Credit Support Annexes to derivative agreements which facilitate the bi-lateral posting of collateral.

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 agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

An ISDA agreement does not automatically meet the criteria for offsetting in the Consolidated statement of financial position. This is because the AMPGH group, in most cases, does not have any current legally enforceable right to offset recognised amounts.

If these netting arrangements were applied to the derivative portfolio, the derivative assets of \$353.6m would be reduced by \$160.0m to the net amount of \$193.6m and derivative liabilities of \$264.6m would be reduced by \$160.0m to the net amount of \$104.6m (2019: derivative assets of \$1,693.8m would be reduced by \$192.0m to the net amount of \$1,501.8m and derivative liabilities of \$788.5m would be reduced by \$192.0m to the net amount of \$596.5m).

Section 3: Capital structure and financial risk management

3.3 Financial risk management (continued)

(c) Credit risk (continued)

(ii) Other collateral

The AMPGH group has collateral arrangements in place with some counterparties in addition to collateral deposits held with respect to repurchase agreements.

Collateral generally consists of 11am loans and deposits and is exchanged between the counterparties to reduce the exposure from the net fair value of derivative assets and liabilities between the counterparties. As at 31 December 2020 there was \$127.1m (2019:\$169.7m) of collateral deposits (due to other counterparties) and \$91.6m (2019: \$92.0m) of collateral loans (due from other counterparties) relating to derivative assets and liabilities.

3.4 Derivatives and hedge accounting

The AMPGH group is exposed to certain risks relating to its ongoing business operations. To mitigate the risks the AMPGH group uses derivative financial instruments such as cross-currency swaps and interest rate swaps. When the group 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;
- Fair value hedges; or
- Net investment 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 AMPGH group's risk management strategy and how it is applied to manage risk is explained further in note 3.3.

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	Fair value
			Assets	Liabilities
		\$m	\$m	\$m
2020				
Hedge type	Hedging instrument			
Fair value	Cross-currency swaps	83.4	-	21.8
Fair value	Interest rate swaps	62.7	5.9	-
Fair value and cash flow	Cross-currency interest rate swaps	1,254.0	-	20.4
Net investment	Foreign currency forward contract	389.8	23.0	0.9
Total		1,789.9	28.9	43.1
		Notional amount	Fair value	Fair value
			Assets	Liabilities
		\$m	\$m	\$m
2019				
Hedge type	Hedging instrument			
Fair value	Cross-currency swaps	83.4	-	18.8
Fair value	Interest rate swaps	66.8	7.4	-
Fair value and cash flow	Cross-currency interest rate swaps	988.3	37.1	-
Net investment	Foreign currency forward contract	366.0	8.7	1.8
Total		1,503.5	53.2	20.6

Section 3: Capital structure and financial risk management

3.4 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 AMPGH group 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.

2020	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items	
	Assets	Liabilities	Assets	Liabilities
	\$m	\$m	\$m	\$m
6.875% GBP Subordinated Guaranteed Bonds (maturity 2022)	-	62.6	15.9	-
Medium Term Notes	-	1,171.7	15.6	-

2019	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items	
	Assets	Liabilities	Assets	Liabilities
	\$m	\$m	\$m	\$m
6.875% GBP Subordinated Guaranteed Bonds (maturity 2022)	-	68.9	10.4	-
Medium Term Notes	-	951.5	-	35.0

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

	2020	2019
	\$m	\$m
(Loss) / Gain on hedging instrument	(62.1)	36.9
Gain / (loss) on hedged items attributable to the hedged risk	56.1	(35.0)
Hedge ineffectiveness recognised in the income statement	(6.0)	1.9

Derivative instruments accounted for as cash flow hedges

The AMPGH group is exposed to variability in future interest cash flows on non-trading assets and liabilities which bear interest at fixed and variable rates. The AMPGH group 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 AMPGH group recognised \$nil (2019: \$nil) due to ineffectiveness on derivative instruments designated as cash flow hedges.

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.

Hedges of net investments in foreign operations

The AMPGH group hedges its exposure to changes in exchange rates on the value of its foreign currency denominated seed pool investments. Hedge effectiveness is assessed based on the overall changes in the fair value of the forward contract, primarily using the cumulative dollar offset method.

The AMPGH group recognised \$nil (2019: \$nil) due to the ineffective portion of hedges relating to investments in seed pool foreign operations.

Section 3: Capital structure and financial risk management

3.4 Derivatives and hedge accounting (continued)

The following table sets out the maturity profile of the notional amount of derivative instruments in a hedge relationship.

	0 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
2020	\$m	\$m	\$m	\$m	\$m
Interest rate swaps	-	-	62.7	-	62.7
Cross-currency swaps	-	-	83.4	-	83.4
Cross-currency interest rate swaps	-	425.8	828.2	-	1,254.0
Foreign currency forward contract	389.8	-	-	-	389.8

	0 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
2019	\$m	\$m	\$m	\$m	\$m
Interest rate swaps	-	-	66.8	-	66.8
Cross-currency swaps	-	-	83.4	-	83.4
Cross-currency interest rate swaps	-	-	988.3	-	988.3
Foreign currency forward contract	366.0	-	-	-	366.0

Accounting policy – recognition and measurement

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 Consolidated income statement.

Hedge accounting

AMP continues to apply the hedge accounting requirements under AASB 139 Financial Instruments: Recognition and Measurement.

Cash flow hedges

The effective portion of changes in the fair value of cash flow hedges is recognised (including related tax impacts) through Other comprehensive income in the Cash flow hedge reserve in equity. The ineffective portion is recognised immediately in the Consolidated income statement. The balance of the Cash flow hedge reserve in relation to each particular hedge is transferred to the Consolidated income statement 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 the Consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Consolidated income statement.

Fair value hedges

Changes in the fair value of fair value hedges are recognised in the Consolidated income statement, 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.

Net investment hedges

The effective portion of changes in the fair value of net investment hedges is recognised (including related tax impacts) through Other comprehensive income in the Hedge of net investment reserve in equity. Any ineffective portion is recognised immediately in the Consolidated income statement. The cumulative gain or loss existing in equity remains in equity until the foreign investment is disposed.

Section 3: Capital structure and financial risk management

3.5 Capital management

AMPGH group holds capital to protect customers, creditors and shareholders against unexpected losses. There are a number of ways AMPGH group assesses the adequacy of its capital position. Primarily, AMPGH group aims to:

- maintain a sufficient level of surplus capital above minimum regulatory capital requirements (MRR) to reduce the risk of breaching MRR;
- hold enough liquidity to ensure that AMPGH group has sufficient access to liquid resources, even under a range of stress situations; and
- maintain the AMPGH group's credit rating within a targeted range.

These factors are considered when forming AMPGH group's risk appetite as approved by the AMP Limited Board.

Capital requirements

A number of the operating entities within the AMPGH consolidated group of companies are regulated and are required to meet minimum regulatory capital requirements (MRR). In certain circumstances, APRA or other regulators may require AMPGH group or its subsidiary entities within the AMPGH group to hold a greater level of capital to support its business and and/or require those entities not to pay dividends on their shares or restrict the amount of dividends that can be paid by them. Any such adjustments would be incorporated into the minimum regulatory requirements and/or capital policies as required.

The main minimum regulatory capital requirements for entities within the AMPGH group are:

Operating entity	Minimum regulatory capital requirement
N. M. Superannuation Pty Limited	Operational Risk Financial Requirements as specified under the APRA Superannuation Prudential Standards
ASIC-regulated entities operating with an Australian Financial Services License (AFSL)	Capital requirements imposed under AFS Licenses.

All of the regulated entities within the AMPGH group have at all times during the current and prior financial year complied with all externally imposed capital requirements.

Section 4: Employee disclosures

This section provides details on the various programs the AMPGH group uses to reward and recognise employees, including key management personnel.

- 4.1 Defined benefit plans
- 4.2 Share-based payments

4.1 Defined benefit plans

AMPGH contributed to defined benefit plans which provide benefits to employees, and their dependants, on resignation, retirement, disability or death of the employee. The benefits are based on years of service and an average salary calculation. All defined benefit plans are now closed to new members.

The characteristics and risks associated with each of the defined benefit plans are described below:

Plan details	Australia	New Zealand
Plan names	AMP Australia Plan I and AMP Australia Plan II.	AMP New Zealand Plan I and AMP New Zealand Plan II.
Entitlements of active members	A lump sum or pension on retirement. Pensions provided are lifetime indexed pensions with a reversionary spouse pension.	Accumulation benefits and a lump sum payment on retirement.
Governance of the plans	The trustees of the AMP Superannuation Savings Trust, of which the Australian plans are sub-funds – this includes administration of the plan, management and investment of the plan assets, and compliance with superannuation laws and other applicable regulations.	The plan's trustees - this includes administration of the plan, management and investment of the plan assets, and looking after the interests of all beneficiaries.
Valuations required	Every year.	Every three years.
Key risks	The risk of actual outcomes being different to the actuarial assumptions used to estimate the defined benefit obligation, investment risk and legislative risk.	
Date of valuation	31 March 2020.	31 December 2020.
Additional contributions required	10% to 15% of member's salaries plus plan expenses.	No additional contributions are required until 30 June 2021, at which point the requirement will be reassessed.

(a) Defined benefit liability

	2020	2019
	\$m	\$m
Present value of wholly-funded defined benefit obligations	(882.5)	(918.8)
Less: Fair value of plan assets	785.0	818.1
Defined benefit liability recognised in the Consolidated statement of financial position	(97.5)	(100.7)

Movement in defined benefit liability

Deficit at the beginning of the year	(100.7)	(77.4)
Plus: Total income (expenses) recognised in the Consolidated income statement	0.8	(2.0)
Plus: Employer contributions	1.0	1.5
Plus: Foreign currency exchange rate changes	(4.1)	-
Plus: Actuarial gains (losses) recognised in Other comprehensive income ¹	5.5	(23.4)
Defined benefit liability recognised at the end of the year	(97.5)	(100.7)

1 The cumulative net actuarial gains and losses recognised in the Statement of comprehensive income is a \$98.1m gain (2019: \$92.6m gain).

Section 4: Employee disclosures

4.1 Defined benefit plans (continued)

(b) Reconciliation of the movement in the defined benefit liability

	Defined benefit obligation		Fair value of plan assets	
	2020	2019	2020	2019
	\$m	\$m	\$m	\$m
Balance at the beginning of the year	(918.8)	(834.2)	818.1	756.8
Current service cost	(0.5)	(2.5)	-	-
Past service cost / curtailments	0.8	-	-	-
Interest (cost) income	(9.6)	(18.5)	10.1	17.3
Net actuarial gains and losses	(14.2)	(117.1)	19.7	93.7
Employer contributions	-	-	1.0	1.5
Contributions by plan participants	(0.2)	(0.4)	0.2	0.4
Foreign currency exchange rate changes	1.0	1.6	(5.1)	0.7
Benefits paid	59.0	52.3	(59.0)	(52.3)
Balance at the end of the year	(882.5)	(918.8)	785.0	818.1

(c) Analysis of defined benefit surplus (deficit) by plan

	Fair value of plan assets		Present value of plan obligation		Net recognised surplus (deficit)		Actuarial gains	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
AMP Australia Plan I	280.4	290.8	(334.2)	(339.2)	(53.8)	(48.4)	(4.7)	(3.0)
AMP Australia Plan II	400.1	416.1	(386.3)	(426.8)	13.8	(10.7)	23.7	(20.6)
AMP New Zealand Plan I	17.7	19.5	(24.2)	(24.6)	(6.5)	(5.1)	(1.6)	0.6
AMP New Zealand Plan II	86.8	91.7	(137.8)	(128.2)	(51.0)	(36.5)	(11.9)	(0.4)
Total	785.0	818.1	(882.5)	(918.8)	(97.5)	(100.7)	5.5	(23.4)

(d) Principal actuarial assumptions

The following table sets out the principal actuarial assumptions used as at the reporting date in measuring the defined benefit obligations of the Australian and New Zealand defined benefit funds:

	AMP Plan I				AMP Plan II			
	Australia		New Zealand		Australia		New Zealand	
	2020	2019	2020	2019	2020	2019	2020	2019
	%	%	%	%	%	%	%	%
Weighted average discount rate	2.1	2.8	0.9	1.5	2.4	3.0	1.4	2.2
Expected rate of salary increases	n/a	n/a	n/a	n/a	3.3	3.5	3.0	3.0

(e) Allocation of assets

The asset allocations of the defined benefit funds are shown in the following table:

	AMP Plan I				AMP Plan II			
	Australia		New Zealand		Australia		New Zealand	
	2020	2019	2020	2019	2020	2019	2020	2019
	%	%	%	%	%	%	%	%
Equity	41	46	38	38	15	25	46	46
Fixed interest	41	38	38	38	59	57	34	34
Property	8	10	4	4	6	7	4	4
Cash	4	1	14	14	8	1	14	14
Other	6	5	6	6	12	10	2	2

Section 4: Employee disclosures

4.1 Defined benefit plans (continued)

(f) Sensitivity analysis

The defined benefit obligation has been recalculated for each scenario by changing only the specified assumption as outlined below, whilst retaining all other assumptions as per the base case. The table below shows the increase (decrease) for each assumption change. Where an assumption is not material to the fund it has been marked as n/a.

2020	AMP Plan I				AMP Plan II			
	Australia		New Zealand		Australia		New Zealand	
	(+)	(-)	(+)	(-)	(+)	(-)	(+)	(-)
Assumption	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Discount rate (+/- 0.5%) ¹	(17.8)	20.3	n/a	2.1	(26.3)	29.1	n/a	17.6
Expected salary increase rate (0.5%)	n/a	n/a	n/a	n/a	0.5	n/a	n/a	n/a
Expected deferred benefit crediting rate (0.5%)	n/a	n/a	n/a	n/a	1.9	n/a	n/a	n/a
Pensioner indexation assumption (0.5%) ²	19.7	(18.4)	1.4	n/a	25.7	(22.6)	14.5	n/a
Pensioner mortality assumption (0.5%)	n/a	13.4	n/a	n/a	n/a	10.8	n/a	n/a
Life expectancy (additional 1 year)	n/a	n/a	1.2	n/a	n/a	n/a	4.4	n/a

1 (-1%) discount rate applied to AMP New Zealand Plan I and II.

2 1% indexation increase applied to AMP New Zealand Plan I and II.

2019	AMP Plan I				AMP Plan II			
	Australia		New Zealand		Australia		New Zealand	
	(+)	(-)	(+)	(-)	(+)	(-)	(+)	(-)
Assumption	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Discount rate (+/- 0.5%)	(19.8)	21.5	n/a	2.1	(31.8)	35.5	n/a	16.4
Expected salary increase rate (0.5%)	n/a	n/a	n/a	n/a	1.1	n/a	n/a	n/a
Expected deferred benefit crediting rate (0.5%)	n/a	n/a	n/a	n/a	2.7	n/a	n/a	n/a
Pensioner indexation assumption (0.5%)	21.9	(20.3)	1.4	n/a	30.3	(27.6)	13.5	n/a
Pensioner mortality assumption (0.5%)	n/a	13.3	n/a	n/a	n/a	12.3	n/a	n/a
Life expectancy (additional 1 year)	n/a	n/a	1.4	n/a	n/a	n/a	3.9	n/a

(g) Expected contributions and maturity profile of the defined benefit obligation

	AMP Plan I		AMP Plan II	
	Australia	New Zealand	Australia	New Zealand
Expected employer contributions (\$m)	-	-	0.6	-
Weighted average duration of the defined benefit obligation (years)	11	9	13	14

Accounting policy – recognition and measurement

Defined benefit plans

The AMPGH group recognises the net deficit or surplus position of each fund in the Consolidated statement of financial position. The deficit or surplus is measured as the difference between the fair value of the funds' assets and the discounted defined benefit obligations of the funds, using discount rates determined with reference to market yields on high quality corporate bonds at the end of the reporting period.

After taking into account any contributions paid into the defined benefit funds during the period, movements in the net surplus or deficit of each fund, except actuarial gains and losses, are recognised in the Consolidated income statement. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions over the period and the returns on plan assets are recognised (net of tax) directly in retained earnings through Other comprehensive income.

Contributions paid into defined benefit funds are recognised as reductions in the deficit.

Section 4: Employee disclosures

4.2 Share-based payments

AMPGH group has multiple employee share-based payment plans. Share-based payment plans help create alignment between employees participating in those plans (participants) and shareholders. Information on plans which AMPGH group currently offers is provided below.

The following table shows the expense recorded for AMPGH group share-based payment plans during the year:

	2020	2019
	\$'000	\$'000
Performance rights	9,218.4	4,195.6
Share rights and restricted shares - equity settled	5,199.7	14,530.8
Share rights - cash settled	1,544.0	1,873.0
Total share-based payments expense	15,962.1	20,599.4

(a) Performance rights

The AMP Group Executive Committee, as well as selected senior executives, receive their long-term incentive (LTI) awards in the form of performance rights. This is intended to further align the interests of those executives, who are able to most directly influence company performance, with the interests of shareholders.

Plan	LTI award plan
Overview	Performance rights give the participant the right to acquire one fully paid ordinary share in AMP Limited upon meeting specific performance hurdles. They are granted at no cost to the participant and carry no dividend or voting rights until they vest. This award may be settled through an equivalent cash payment, at the discretion of the board.
Vesting conditions	<u>2017 LTI award</u> The performance hurdles for rights granted in 2017 are: 100% subject to AMP's total shareholder return (TSR) performance relative to entities in the Comparator Group[^] (being the top 50 industrial companies in the S&P/ASX 100 Index, based on market capitalisation rank at the start of the applicable performance period) over four years. AMP's TSR performance against its peer comparator group was measured for the period 1 January 2017 up to 31 December 2020. The outcome resulted in nil vesting of the 2017 LTI award and the award will be lapsed in full. <u>2018 LTI award</u> No performance rights were granted under an LTI plan in 2018. <u>2019 LTI award (Transformation Incentive Award)</u> The vesting of the performance rights is subject to two separate gateways: - Risk and Conduct Gateway - if a participant's performance and conduct is not in line with AMP's expectations, the board has discretion to amend the vesting outcome (including to zero). - Performance Gateway and Hurdle - a performance gateway is included so that no awards will vest if both the Compound Annual Growth Rate (CAGR) is negative and the CAGR is below the benchmark index*. For risk and control roles i.e. Chief Risk Officer - the vesting outcome in relation to 25% of the award will be determined by the Remuneration Committee at its sole discretion. The other 75% of the award will be subject to the performance hurdle. The 2019 Transformation Incentive awards for the CFO and CRO were adjusted upon permanent appointment to their roles. <u>2020 LTI award</u> No performance rights were granted under an LTI plan in 2020. [^] In determining the Comparator Group, all entities other than those in the global industry classification standard (GICS) energy sector and GICS metals and mining industry are classified as industrial companies. * The benchmark index is constructed from an equal weighted index of ASX 100 financial services companies (excluding A-REITs).
Vesting period	2017 LTI award - 4 years for rights granted in 2017. 2019 LTI award - 3.5 years for rights granted in 2019.
Vested awards	Vested performance rights are automatically converted to shares on behalf of participants.
Unvested awards	Unvested awards are forfeited if the participant voluntarily ceases employment or is dismissed for misconduct.

Section 4: Employee disclosures

4.2 Share-based payments (continued)

(a) Performance rights (continued)

Valuation of performance rights

The values for performance rights are based on valuations prepared by an independent external consultant. The valuations are based on the 10-day volume weighted average share price over the 10-day trading period prior to the start of the award's valuation period. Assumptions regarding the dividend yield and volatility have been estimated based on AMP's actual historic dividend yield and volatility over an appropriate period.

In determining the share-based payments expense, the number of instruments expected to vest has been adjusted to reflect the number of employees expected to remain with AMP until the end of the performance period; this is revisited each reporting date.

The following table shows the factors considered in determining the value of the performance rights granted during the year:

Grant date	Share price	Contractual life (years)	Dividend yield	Volatility ¹	Risk-free rate ¹	TSR performance hurdle discount	TSR performance rights fair value
19/05/2017	\$5.08	4.0	5.2%	23%	1.8%	56%	\$2.24
12/09/2019	\$1.85	3.4	4.0%	33%	0.9%	35%	\$1.21

¹ Applies to performance rights subject to a relative TSR performance hurdle.

For the 2017 LTI (TSR) award granted on 19 May 2017, AMP's TSR performance against its peer comparator group was measured for the period 1 January 2017 up to 31 December 2020. The outcome resulted in nil vesting of the award and the award will be lapsed in full.

The following table shows the movement in performance rights outstanding during the year:

Grant date	Balance at 1 Jan 2020	Granted during the year ¹	Exercised during the year	Lapsed during the year	Balance at 31 Dec 2020
19/05/2017	1,700,700	-	-	-	1,700,700
12/09/2019	29,613,245	3,729,281	-	(10,788,729)	22,553,797
Total	31,313,945	3,729,281	-	(10,788,729)	24,254,497

¹ LTI awards in 2019 to the CFO and CRO were adjusted in 2020 upon permanent appointment to their roles.

(b) Share rights

- LTI participants below the AMP Group Executive Committee may be awarded share rights as part of their overall LTI award.
- Short-term Incentive Deferral Plan participants are nominated executives and selected senior leaders who have the ability to impact AMP's financial soundness. This requires a portion of the participant's annual short-term incentive outcome to be deferred and awarded as share rights.
- Transition Incentive award was made to select participants of AMP's Group Executive Committee in the form of share rights as a transitional award between remuneration arrangements and the finalisation of strategy.
- Enterprise Profit Share Plan supports AMP Capital's remuneration framework by aligning its strategic intent and rewarding behaviour that leads to sustainably increased profit and shareholder value. The participants are the AMP Capital Leadership Team whereby a portion of their annual profit share outcome is deferred into share rights.
- Deferred Bonus Equity Plan applies to selected AMP Capital participants whereby a portion of their annual short-term incentive outcome (above a specified threshold) is deferred into share rights.
- Retention awards were made to selected senior leaders who are critical to on-going operations and the delivery of AMP's strategy during the portfolio review and the completion of any subsequent corporate transactions.

Section 4: Employee disclosures

4.2 Share-based payments (continued)

(b) Share rights (continued)

Plan	Long-term Incentive Plan	Short-term incentive Deferral Plan, Transition Incentive award and Retention award	Enterprise Profit Share Plan and Deferred Bonus Equity Plan
Overview	Share rights give the participant the right to acquire one fully paid ordinary share in AMP Limited after a specified service period. They are granted at no cost to the participant and carry no dividend or voting rights until they vest. This award may be settled through an equivalent cash payment at the discretion of the board.		
Vesting conditions/ period	<u>AMP Group participants</u> Continued service of four years for the 2017 grant. No share rights under the LTI plan were granted in 2018, 2019 or 2020. <u>AMP Capital participants</u> Continued service for three years. Some awards may also vary where the share rights are awarded as a sign-on equity award or to retain an employee for a critical period. All awards are also subject to ongoing employment, compliance with AMP policies and the board's discretion.	<u>Short-term Incentive Deferral</u> Continued service for two or four years and subject to ongoing employment, compliance with AMP policies and the board's discretion. <u>Transition Incentive award</u> This 2019 grant is split into two tranches with continued service for approximately one and two years respectively. These are also subject to ongoing employment, compliance with AMP policies and the board's discretion. <u>Retention award</u> 40% of the award was granted in share rights and is subject to a one-year service condition and ongoing compliance with AMP policies and the board's discretion. After this period, an additional three-year holding period with vesting scheduled to occur in 2024.	<u>Enterprise Profit Share Plan</u> The grant is split into two tranches with continued service for two and three years respectively. These are also subject to ongoing employment, compliance with AMP policies and the board's discretion. For awards relating to the 2018 performance year, share rights were granted to select participants. The award was subject to a one-year service condition, ongoing compliance with AMP policies and the board's discretion. After this period, an additional three-year non-vesting holding period is applicable to participants except for the AMP Capital Chief Executive Officer where the non-vesting holding period is a further four years. <u>Deferred Bonus Equity Plan</u> The grant is split into two tranches with continued service for two and three years respectively. These are also subject to ongoing employment, compliance with AMP policies and the board's discretion.
Vested awards	Vested share rights are automatically converted to shares on behalf of participants.		
Unvested awards	Unvested awards are forfeited if the participant voluntarily ceases employment or is dismissed for misconduct.		

Valuation of share rights

The fair value of share rights has been calculated as at the grant date, by external consultants using a 'discounted cash flow' methodology. Fair value has been discounted for the present value of dividends expected to be paid during the vesting period to which the participant is not entitled. For the purposes of the valuation it is assumed share rights are exercised as soon as they have vested. Assumptions regarding the dividend yield have been estimated based on AMP's dividend yield over an appropriate period.

In determining the share-based payments expense, the number of instruments expected to vest has been adjusted to reflect the number of employees expected to remain with AMP until the end of the performance period.

Section 4: Employee disclosures

4.2 Share-based payments (continued)

(b) Share rights (continued)

The following table shows the factors which were considered in determining the independent fair value of the share rights granted during the year:

Grant date	Share price	Contractual life (years)	Dividend yield	Dividend discount	Fair value
01/04/2020	\$1.41	1.9	4.0%	7%	\$1.31
01/04/2020	\$1.41	3.9	4.0%	14%	\$1.21
01/04/2020	\$1.41	1.0	4.0%	14%	\$1.21
01/04/2020	\$1.41	3.9	0.0%	0%	\$1.41
01/04/2020	\$1.41	0.9	0.0%	0%	\$1.41
01/04/2020	\$1.41	1.9	0.0%	0%	\$1.41
01/04/2020	\$1.41	2.9	4.0%	11%	\$1.26
23/11/2020	\$1.71	4.0	5.0%	18%	\$1.40

The following table shows the movement in share rights outstanding during the year:

Grant date	Balance at 1 Jan 2020	Granted during the year	Exercised during the year	Lapsed during the year	Balance at 31 Dec 2020
27/04/2017	2,078,617	-	(1,038,904)	-	1,039,713
19/05/2017	1,570,713	-	(531,000)	(46,500)	993,213
02/04/2018	2,574,456	-	(1,440,645)	(165,623)	968,188
13/08/2018	106,382	-	(53,191)	-	53,191
03/12/2018	285,713	-	(142,856)	(102,041)	40,816
08/03/2019	23,166	-	(23,166)	-	-
25/03/2019	24,261	-	(24,261)	-	-
01/04/2019	2,381,625	-	-	(185,057)	2,196,568
10/05/2019	1,702,120	-	(851,096)	-	851,024
17/05/2019	773,997	-	-	-	773,997
24/05/2019	33,039	-	(33,039)	-	-
19/07/2019	144,927	-	(53,140)	-	91,787
20/09/2019	22,099	-	(13,812)	-	8,287
01/04/2020	-	7,740,327	-	(867,202)	6,873,125
23/11/2020	-	1,467,675	-	-	1,467,675
Total	11,721,115	9,208,002	(4,205,110)	(1,366,423)	15,357,584

Section 4: Employee disclosures

4.2 Share-based payments (continued)

(c) Restricted shares

AMP Capital Enterprise Profit Share Plan

The AMP Capital Leadership Team is comprised of a select group of senior executives who are eligible to participate in the Enterprise Profit Share Plan. This plan was designed to support AMP Capital's remuneration framework by aligning its strategic intent and rewarding behaviour that leads to sustainably increased profit and shareholder value. It is required that 40% of the participants' profit share outcomes be deferred. 50% of the deferred component is awarded in the form of restricted shares for participants who reside in Australia with the exception of the AMP Capital Chief Executive Officer. The objective of this was to create greater alignment with our shareholders. The equity component of this plan was granted in 2019.

Plan	Enterprise Profit Share Plan
Overview	The deferred component of the 2018 Enterprise Profit Share award was granted in the form of restricted shares. Restricted shares are fully paid ordinary shares in AMP Limited that are held in the AMP Employee Share Trust on behalf of the participant until the specified service/holding period has been met. They were granted at no cost to participants and carry the same dividend or voting rights as other fully paid ordinary shares. Any dividends paid on shares are received in the ordinary course on the dividend payment date(s).
Vesting conditions / period	The restricted shares will vest after one year and continue to be subject to a disposal restriction for an additional three-year period. Prior to each of the vesting date and the release date, the board will undertake a conduct/risk review to confirm that vesting and release of the award aligns with the conduct and risk outcomes of the Group.
Vested awards	On the relevant release dates, the restriction on the shares is released.
Unvested awards	Unvested awards are forfeited if the participant voluntarily ceases employment or is dismissed for misconduct.

AMP Executive Performance Incentive Plan

The Executive Performance Incentive (EPI) Plan was newly introduced for the 2018 performance year and takes a combined incentive approach, whereby a portion of the participant's annual EPI outcome is paid out in cash and the other part deferred into restricted shares. The objective of this plan is to create equity ownership across a select group of senior executives if performance objectives are met. The equity component of this plan was granted in 2019.

Plan	Executive Performance Incentive Plan
Overview	The deferred component of the Executive Performance Incentive Plan was granted in the form of restricted shares. Restricted shares are fully paid ordinary shares in AMP Limited that are held in the AMP Employee Share Trust on behalf of the participant until the specified service/holding period has been met. They were granted at no cost to participants and carry the same dividend or voting rights as other fully paid ordinary shares. Any dividends paid on shares are received in the ordinary course on the dividend payment date(s).
Vesting conditions / period	The restricted shares will vest after one year and continue to be subject to a disposal restriction for an additional three-year period. Prior to each of the vesting date and the release date, the board will undertake a conduct/risk review to confirm that vesting and release of the award aligns with the conduct and risk outcomes of the AMP group.
Vested awards	On the relevant release dates, the restriction on the shares is released. Some shares may be released early for participants who ceased employment to assist participants in managing their tax liability.
Unvested awards	Unvested awards are forfeited if the participant voluntarily ceases employment or is dismissed for misconduct.

No restricted share awards were granted under the above disclosed Plans in 2020.

2019 AMP Employee Share Plan – \$1,000 Tax Exempt Plan

AMP has given permanent employees the opportunity to become shareholders in AMP through the launch of the AMP Employee Share Plan (AESP). All permanent employees as at 12 December 2018 were offered a \$1,000 gift of shares subject to employment on the allocation date in March 2019. These shares are subject to a restriction on sale and transfer for up to three years from the date they are allocated. Any shares acquired as a gift will be released to the participant at the end of the three-year period or when they leave employment with AMP (whichever is earlier).

2020 AMP Employee Share Plan – \$1,000 Tax Exempt Plan

For the period from 1 April 2020, eligible participants may acquire \$1,000 fully paid ordinary shares in AMP by sacrificing \$1,000 of their 2019 short-term incentive (STI) award. These shares are subject to a restriction on sale and transfer for up to three years from the date they are allocated. Any shares acquired will be released to the participant at the end of the three-year period or when they leave employment with AMP (whichever is earlier).

The AMP \$1,000 Tax Exempt Plan will not be reoffered to employees in 2021 in its current format.

Section 4: Employee disclosures

4.2 Share-based payments (continued)

(c) Restricted shares (continued)

2019 and 2020 AMP Employee Share Plan - \$5,000 Salary Sacrifice Plan

AMP has given permanent employees the opportunity to become shareholders in AMP through the launch of the AMP Salary Sacrifice Share Plan (SSP). All permanent employees in Australia were offered the opportunity to salary sacrifice between \$2,500 to \$5,000 over a 12-month period to acquire shares in AMP. AMP offered a matching contribution on a 1:5 basis, meaning that employees who opted to salary sacrifice \$5,000 would receive an upfront matched allocation of \$1,000 in AMP shares. The salary sacrifice and matching shares are both held in an employee share plan trust on behalf of the employees and are subject to a restriction on sale and transfer for up to three years from the date they are allocated.

Any purchased and matching shares acquired during 2019 will be released to the participant at the end of the three-year period. Any purchased shares acquired during 2020 will be released at the end of the three-year period and matching shares will be released at the end of the two-year period or when they leave employment with AMP (whichever is earlier). Matching shares are forfeited if a participant voluntarily ceases employment before the end of the three-year holding period.

The AMP \$5,000 Salary Sacrifice Plan will not be reoffered to employees in 2021 in its current format.

Valuation of restricted shares and AMP Employee Share Plan

The restricted share awards are based on valuations prepared by an independent external consultant. The valuations are based on the 10-day volume weighted average share price over the 10-day trading period prior to the start of the award's valuation period. Assumptions regarding the dividend yield and volatility have been estimated based on AMP's dividend yield and volatility over an appropriate period.

For the AMP Employee Share Plan \$1,000 Tax Exempt Plan and \$5,000 Salary Sacrifice Plan, the fair value of the shares was determined as the market price of AMP ordinary shares on the grant date. As employees holding restricted shares are entitled to dividend payments, no adjustment has been made to the fair value in respect of future dividend payments.

In determining the share-based payments expense for the period, the number of instruments expected to vest has been adjusted to reflect the number of employees expected to remain with AMP until the end of the vesting period.

Grant date	Share price	Contractual life (years)	Vesting Date	Dividend yield	Fair value
17/05/2019	\$2.20	0.8	15/02/2020	4.2%	\$2.20
17/05/2019	\$2.20	1.0	15/05/2020	4.2%	\$2.20
28/04/2020	\$1.68	2.0	30/04/2022	n/a	\$1.68

The following table shows the movement in restricted shares outstanding for the year:

Grant date	Balance at 1 Jan 2020	Granted during the year	Released during the year	Forfeited during the year	Balance at 31 Dec 2020
14/03/2019	104,998		(29,533)	(20,576)	54,889
26/04/2019	25,964		-	(25,964)	-
17/05/2019	1,560,284		(52,761)	(554,448)	953,075
28/04/2020	-	331,512	(45,654)	(17,083)	268,775
Total	1,691,246	331,512	(127,948)	(618,071)	1,276,739

Section 4: Employee disclosures

4.2 Share-based payments (continued)

Accounting policy – recognition and measurement

Equity-settled share-based payments

The cost of equity-settled share-based payments is measured using their fair value at the date on which they are granted. The fair value calculation takes into consideration a number of factors, including the likelihood of achieving market-based vesting conditions such as total shareholder return (market conditions).

The cost of equity-settled share-based payments is recognised in the Consolidated income statement, together with a corresponding increase in the share-based payment reserve (SBP reserve) in equity, over the vesting period of the instrument. At each reporting date, the AMP group reviews its estimates of the number of instruments that are expected to vest and any changes to the cost are recognised in the Consolidated income statement and the SBP reserve, over the remaining vesting period.

Where the terms of an equity-settled share-based payment are modified and the expense increases as a result of the modification, the increase is recognised over the remaining vesting period. When a modification reduces the expense, there is no adjustment and the pre-modification cost continues to be recognised.

Where an equity-settled award does not ultimately vest, expenses are not reversed; except for awards where vesting is conditional upon a non-market condition, in which case all expenses are reversed in the period in which the award lapses.

Cash-settled share-based payments

Cash-settled share-based payments are recognised when the terms of the arrangement provide the AMP group with the discretion to settle in cash or by issuing equity instruments and it has a present obligation to settle the arrangement in cash. A present obligation may occur where the past practice has set a precedent for future settlements in cash.

Cash settled share-based payments are recognised, over the vesting period of the award, in the Consolidated income statement, together with a corresponding liability. The fair value is measured on initial recognition and re-measured at each reporting date up to and including the settlement date, with any changes in fair value recognised in the Income statement. Similar to equity-settled awards, number of instruments expected to vest are reviewed at each reporting date and any changes are recognised in the Consolidated income statement and corresponding liability. The fair value is determined using appropriate valuation techniques at grant date and subsequent reporting dates.

Section 5: Group entities

This section explains significant aspects of the AMPGH group structure, including significant investments in controlled operating entities and entities controlled by AMP Life's statutory funds, and investments in associates. It also provides information on business acquisitions and disposals made during the year.

- 5.1 Controlled entities
- 5.2 Discontinued operations
- 5.3 Investments in associates
- 5.4 Parent entity information
- 5.5 Related party disclosures

5.1 Controlled entities

Significant investments in controlled operating entities are as follows:

Operating entities Name of entity	Country of registration	Share type	%holdings	
			2020	2019
AMP AAPH Limited	Australia	Ord	-	100
AMP Advice Holdings Pty Ltd	Australia	Ord	100	100
AMP Capital Funds Management Limited	Australia	Ord	100	85
AMP Capital Holdings Limited	Australia	Ord	100	85
AMP Capital Investors (New Zealand) Limited	New Zealand	Ord	100	85
AMP Capital Investors Limited	Australia	Ord	100	85
AMP Capital Office and Industrial Pty Limited	Australia	Ord	100	85
AMP Capital Shopping Centres Pty Limited	Australia	Ord	100	85
AMP Financial Planning Pty Limited	Australia	Ord	100	100
AMP Group Finance Services Limited	Australia	Ord	100	100
AMP Life Limited	Australia	Ord	-	100
AMP Services (NZ) Limited	New Zealand	Ord	100	100
AMP Services Limited	Australia	Ord A	100	100
AMP Superannuation Limited	Australia	Ord	100	100
AMP Wealth Management New Zealand Limited	New Zealand	Ord	100	100
Hillross Financial Services Limited	Australia	Ord	100	100
ipac Group Services Pty Ltd	Australia	Ord	100	100
AMP Life Services Pty Ltd	Australia	Ord	-	100
AMP Wealth Management Holdings Pty Ltd	Australia	Ord	100	100
NM Superannuation Pty Ltd	Australia	Ord	100	100
National Mutual Funds Management (Global) Limited	Australia	Ord	100	100
National Mutual Funds Management Ltd	Australia	Ord	100	100
National Mutual Life Nominees Pty Limited	Australia	Ord	-	100
NMMT Limited	Australia	Ord	100	100
The National Mutual Life Association of Australasia Limited	Australia	Ord	-	100

Critical accounting estimates and judgements:

Judgement is applied in determining the relevant activities of each entity, whether AMP Group Holdings Limited has power over these activities and whether control exists. This involves assessing the purpose and design of the entity and identifying the activities which significantly affect that entity's returns and how decisions are made about those activities. In assessing how decisions are made, management considers voting and veto rights, contractual arrangements with the entity or other parties, and any rights or ability to appoint, remove or direct key management personnel or entities that have the ability to direct the relevant activities of the entity. Management also considers the practical ability of other parties to exercise their rights.

Judgement is also applied in identifying the variable returns of each entity and assessing AMP Group Holdings Limited's exposure to these returns. Variable returns include distributions, exposure to gains or losses and fees that may vary with the performance of an entity.

Section 5: Group entities

5.2 Discontinued operations

(a) Sale of wealth protection and mature business

Consideration for the sale comprised \$2,500m cash and non-cash consideration of 20% equity interest in Resolution Life NOHC Pty Ltd (Resolution Life Australasia), a new Australian-domiciled Resolution controlled holding company that became the owner of WP and mature businesses upon completion. The accounting fair value of AMPGH group's initial 20% equity interest in Resolution Life Australasia at 30 June 2020 was determined to be \$500m.

Under the terms of the sale agreement, certain purchase price adjustments were made to the cash consideration to determine the completion payment from Resolution Life. The adjustments included profits earned by the WP and mature businesses since 1 July 2018, profits emerging within AMP Life from businesses other than WP and mature, dividends paid by AMP Life since 1 July 2018, capital contributions made by AMPGH group since 1 July 2018 up to the completion date and some other adjustments, the majority of which have been finalised.

The sale of the WP and mature businesses resulted in an after-tax gain of \$91.6m (net of transaction cost and separation costs) recognised within the financial report for the year ended 31 December 2020. The gain includes estimates of purchase price adjustments as well as estimated provisions for future separations costs, warranties and indemnities under the sale agreement and onerous contracts resulting from the separation where reliable estimates can be made.

(a) Treatment of equity interest in Resolution Life Australasia

AMPGH group's initial 20% equity interest in Resolution Life Australasia is accounted for as an investment in associate using the equity method in accordance with AASB 128 *Investments in Associates and Joint Ventures*. AMPGH group's interest has subsequently reduced. Refer to note 5.3 for details related to the carrying value and ownership interest of AMPGH group's investment in Resolution Life Australasia.

(b) Profit or loss for the period from discontinued operations

The results of the WP and mature businesses included within the AMPGH group's Consolidated income statement are set out below, including comparative information.

Following the sale of the WP and mature businesses, certain service arrangements will continue between AMPGH group and those businesses; for example, investment management services. Where relevant, revenues and expenses attributable to continuing operations from such arrangements have been presented within continuing operations to reflect the ongoing nature of such arrangements. The results of the discontinued operations presented below have been adjusted for these arrangements.

	6 months to 30 June 2020	2019
	\$m	\$m
Total revenue of WP and mature businesses ¹	(23,391.4)	19,382.6
Total expense of WP and mature businesses ²	22,823.3	(18,985.5)
(Loss) profit before tax from WP and mature businesses	(568.1)	397.1
Income tax credit (expense)	556.2	(999.9)
Loss for the period from discontinued operations before disposal of WP and mature	(11.9)	(602.8)
Gain or loss on disposal of WP and mature before tax	(9.0)	-
Income tax credit resulting from the disposal of WP and mature	100.6	-
Gain on disposal of WP and mature after tax	91.6	-
Profit (loss) for the period from discontinued operations	79.7	(602.8)

1 Total revenue of WP and mature businesses includes investment losses of \$24.7b (2019: gains of \$16.9b).

2 Total expense of WP and mature businesses includes decreases in external unitholder liabilities of \$18.4b (2019: increases of \$2.1b) and decreases in investment contract liabilities of \$5.9b (2019: increases of \$11.1b).

Section 5: Group entities

5.2 Discontinued operations (continued)

(c) Cash flows from / (used in) discontinued operations

The cash flows from / (used in) discontinued operations for the period up to the loss of control (30 June 2020) included within the Consolidated statement of cash flows are set out below, including comparative information.

	2020 \$m	2019 \$m
Net cash used in operating activities	(5,410.0)	(8,423.6)
Net cash from investing activities	4,158.6	7,694.1
Net cash outflows from discontinued operations	(1,251.4)	(729.5)

Other than the sale of WP and mature businesses there were no individually or collectively significant acquisitions or disposals of controlled operating entities during the year.

Critical accounting estimates and judgements:

The gain/(loss) recognised on the sale of the WP and mature businesses includes management's judgements in relation to assumptions used to determine the fair value of AMPGH group's initial 20% interest in Resolution Life Australasia as well as estimates of purchase price adjustments, estimated provisions for future separation costs, warranties and indemnities under the sale agreement and onerous contracts resulting from the separation.

Section 5: Group entities

5.3 Investments in associates

Investments in associates accounted for using the equity method

Associate	Principal activity	Place of business	Ownership interest		Carrying amount ¹	
			2020 %	2019 %	2020 \$m	2019 \$m
Resolution Life NOHC Pty Ltd ^{2,3}	Life insurance company	Australia	19.62	n/a	514.1	-
China Life Pension Company	Pension company	China	n/a	19.99	-	325.1
China Life AMP Asset Management Company Ltd	Investment management	China	14.97	14.97	57.3	53.1
Global Infrastructure Fund Sponsor ⁴	Fund	Cayman Islands	4.74	4.74	79.6	101.4
Global Infrastructure Fund II ⁴	Fund	Cayman Islands	2.81	5.02	91.2	123.9
AMP Capital Infrastructure Debt Fund IV	Fund	Luxembourg	1.25	1.25	56.2	30.7
AMP Capital Infrastructure Debt Fund V	Fund	Luxembourg	3.08	n/a	65.8	-
PCCP LLC	Investment management	United States	24.90	24.90	137.0	144.3
Other (individually immaterial associates)			n/a	n/a	93.0	72.2
Total investments in associates accounted for using the equity method					1,094.2	850.7

- 1 The carrying amount is after recognising \$48.2m (2019: \$72.1m) share of current period profit or loss of associates accounted for using the equity method.
- 2 On 22 January 2021 AMPGH's ownership interest in Resolution Life NOHC Pty Ltd was diluted to 19.13%.
- 3 The AMPGH group has significant influence through representation on the entity's board.
- 4 Entities within the AMPGH group have been appointed investment manager, therefore the group is considered to have significant influence.

Accounting Policy – recognition and measurement

Investments in associates

Investments in associates accounted for using the equity method

Investments in entities, other than those backing investment contract liabilities and life insurance contract liabilities, over which the AMPGH group has the ability to exercise significant influence, but not control, are accounted for using the equity method of accounting. The investment is measured at cost plus post-acquisition changes in the AMPGH group's share of the associates' net assets, less any impairment in value. The AMPGH group's share of profit or loss of associates is included in the Consolidated income statement. Any dividend or distribution received from associates is accounted for as a reduction in carrying value of the associate.

Any impairment is recognised in the Consolidated income statement when there is objective evidence a loss has been incurred. It is measured as the amount by which the carrying amount of the investment in entities exceeds the recoverable amount.

Investments in associates measured at fair value through profit or loss

Investments in entities held to back investment contract liabilities and life insurance contract liabilities are exempt from the requirement to apply equity accounting and have been designated on initial recognition as financial assets measured at fair value through profit or loss.

Section 5: Group entities

5.4 Parent entity information

	2020 \$m	2019 \$m
(a) Statement of comprehensive income - AMP Group Holdings Limited entity		
Dividends and interest from controlled entities ¹	109.6	49.2
Other operating income	0.3	1.6
Other operating expense	1.3	(85.9)
Impairment of investments in controlled entities	(3,581.0)	(2,302.0)
Income tax credit	(0.5)	25.3
Loss for the year	(3,470.3)	(2,311.8)
Total comprehensive loss for the year	(3,470.3)	(2,311.8)
(b) Statement of financial position - AMP Group Holdings Limited entity		
Current assets		
Receivables	593.4	49.1
Current tax assets	1.9	-
Non-current assets		
Investments in controlled entities	4,737.0	6,619.4
Deferred tax assets	44.1	25.7
Total assets	5,376.4	6,694.2
Current liabilities		
Payables	2,214.8	823.5
Provisions	18.9	-
AMP Bank indemnity	81.4	86.3
Total liabilities	2,315.1	909.8
Net assets	3,061.3	5,784.4
Equity		
Contributed equity	9,054.5	7,941.0
Retained earnings	(5,993.2)	(2,156.6)
Total equity	3,061.3	5,784.4

1 Dividend income from controlled entities \$109.6m (2019: \$49.2m) is not assessable for tax purposes.

(c) Contingent liabilities of the AMP Group Holdings Limited entity

The AMP Group Holdings Limited entity has entered into deeds to provide capital maintenance and liquidity support to AMP Bank Limited. At the reporting date, the likelihood of any outflow in settlement of these obligations is considered to be remote.

(d) Parent entity and ultimate parent entity of AMP Group Holdings Limited

The parent entity and the ultimate parent entity of AMP Group Holdings Limited is AMP Limited.

Section 5: Group entities

5.5 Related party disclosures

(a) Key management personnel

Compensation of key management personnel

	2020	2019
	\$'000	\$'000
Short-term benefits	1,854	2,246
Post-employment benefits	79	70
Share-based payments	1,020	312
Other long-term benefits	229	32
Total	3,182	2,660

Compensation of the AMPGH group's key management personnel includes salaries, non-cash benefits and contributions to the post-employment defined benefit plans (refer to note 4.1). Executive officers also participate in share-based incentive programs (refer to note 4.2). The amounts disclosed in the table are recognised as an expense during the reporting period.

Loans to key management personnel

Loans to key management personnel and their related parties are provided by AMP Bank and are on similar terms and conditions generally available to other employees within the AMPGH group. No guarantees are given or received in relation to these loans. Loans have currently been made to one (2019: two) key management personnel and their related parties. Details of these loans are:

	2020	2019
	\$'000	\$'000
Balance as at the beginning of the year	991	2,364
Net repayments	(37)	(69)
Balance as at the end of the year	954	2,295
Interest charged	15	66

Key management personnel access to AMP's products

From time to time, key management personnel or their related entities may have had access to certain AMP products and services such as investment products, personal banking and financial investment services. These products and services are offered to key management personnel on the same terms and conditions as those entered into by other group employees or customers.

(b) Transactions with related parties

Transactions with non-executive directors

Some of the non-executive directors hold directorships or positions in other companies or organisations. AMPGH group may provide or receive services from these companies or organisations negotiated based on arm's length terms. None of the non-executive directors were, or are, involved in any procurement or board decision making regarding the companies or organisations with which they have an association.

Transactions with AMP Bank

AMP Bank provides the AMPGH group transactional and general banking services on normal commercial terms. These services include receiving short term deposits from AMPGH and its related parties and paying interest at market-related rates. AMP Bank has also issued loans to advisor practices within the AMPGH group on normal commercial terms.

The Company provides AMP Bank with an unconditional and irrevocable guarantee for a fee agreed under normal commercial terms. In addition to this, a deed of indemnity with AMP Bank was entered into to cover AMP Bank for certain credit losses incurred in connection with the above loans. Refer to note 2.1 for further details.

Transactions with Resolution Life Australasia

Transactions during the period involve activities in conjunction with the sale of the WP and mature businesses to Resolution Life Australasia. Refer to note 5.2 *Discontinued operations* for further details of this sale. To facilitate the transition of these businesses to new ownership, the AMPGH group provides operational services under a Transitional Services Agreement (TSA). Fees charged under the TSA are in accordance with negotiated terms equivalent to those that prevail in arm's length transactions.

The AMPGH group also provides Resolution Life Australasia with investment management and advice-related services in the normal course of business.

Transactions with other associates

The AMPGH group provides investment management services under general service level agreements with other associates as well as support to financial advice practices.

Dividends were received from associates during the year.

Section 5: Group entities

5.5 Related party disclosures (continued)

Transactions with investment entities

In conjunction with the establishment of new investment funds managed by AMP Capital or other group associates, the AMPGH group, from time to time, invests seed and sponsor capital. The structure of the fund or the AMPGH group's level of ownership may result in the fund being treated as an associate of the group. See note 5.3 for details of the AMPGH group's associates. Management fees are earned by the AMPGH group or its associates for managing and administering these investment funds.

All transactions between the AMPGH group, its associates and the funds are on an arm's length basis.

Accounting policy – recognition and measurement

Short-term benefits - Liabilities arising in respect of salaries and wages and any other employee entitlements expected to be settled within 12 months of the reporting date are measured at their nominal amounts.

Post-employment benefits - Defined contribution funds - The contributions paid and payable by the AMPGH group to defined contributions funds are recognised in the Consolidated income statement as an operating expense when they fall due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Share-based payments – refer to note 4.2.

Other long-term benefits - Other employee entitlements are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, discount rates are determined with reference to market yields at the end of the reporting period on high quality corporate bonds or, in countries where there is no deep market in such bonds, by using market yields at the end of the period on government bonds.

Section 6: Other disclosures

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

- 6.1 Notes to Consolidated statement of cash flows
- 6.2 Commitments
- 6.3 Right of use assets and lease liabilities
- 6.4 Provisions and contingent liabilities
- 6.5 Auditors' remuneration
- 6.6 New accounting standards
- 6.7 Events occurring after reporting date

6.1 Notes to Consolidated statement of cash flows

(a) Reconciliation of cash flow from operating activities

	2020 \$m	2019 \$m
Net (loss) profit after income tax	60.8	(2,583.6)
Depreciation of operating assets	74.2	73.7
Amortisation and impairment of intangibles	147.9	2,546.4
Investment gains and losses and movements in external unitholders' liabilities	7,854.1	(7,479.7)
Dividend and distribution income reinvested	(1,223.4)	(4,178.9)
Share-based payments	4.1	1.1
Decrease (increase) in receivables, intangibles and other assets	281.2	(560.5)
Increase (decrease) in net policy liabilities	(10,476.2)	3,315.0
Increase (decrease) in income tax balances	(1,734.4)	315.4
(Decrease) increase in other payables and provisions	(837.2)	919.7
Cash flows used in operating activities	(5,848.9)	(7,631.4)

(b) Reconciliation of cash

	2020 \$m	2019 \$m
Comprises:		
Cash and cash equivalents	1,676.1	5,709.2
Short-term bills and notes (included in Debt securities)	225.0	3,642.9
Cash and cash equivalents for the purpose of the Statement of cash flows	1,901.1	9,352.1

Accounting policy – recognition and measurement

Cash and cash equivalents

Cash and cash equivalents comprise cash-on-hand that is available on demand and deposits that are held at call with financial institutions. Cash and cash equivalents are measured at fair value, being the principal amount. For the purpose of the Consolidated statement of cash flows, Cash and cash equivalents also includes other highly liquid investments not subject to significant risk of change in value, with short periods to maturity, net of outstanding bank overdrafts. Bank overdrafts are shown within Interest-bearing liabilities in the Consolidated statement of financial position.

Section 6: Other disclosures

6.2 Commitments

(a) Commitments for leases not yet commenced

The future lease payments for which the group is committed but the leases have not yet commenced as at 31 December 2020 are \$734.5m (2019: \$747.7m). Lease commitments do not include non-lease components per AMPGH group's accounting policy based on AASB 16 *Leases*.

(b) Buy-back arrangements

AMPGH has contractual arrangements with financial advice businesses in the aligned AMP advice network to purchase their client registers at agreed multiples to revenue subject to certain conditions being met. These buy-back arrangements include arrangements known as Buyer of Last Resort (BOLR). Advice businesses must register their intention to invoke buy-back arrangements, which have six to 18-month lead times and are subject to audit prior to finalising the purchase price. The pipeline of buy-back arrangements where an intention to invoke has been registered is \$89.1m (2019: \$235.2m), all of which relates to arrangements expected to settle in the next 12 months. The commitment value has been disclosed as the unaudited value as advised by the advice businesses. AMPGH's experience is that the ultimate purchase price after audit is typically less than the initially advised value and not all of the buy-backs progress to completion. Over the 12 months ended 31 December 2020, \$155.2m was paid for executed buy-back arrangements.

Where a notice of intention to invoke the buy-back arrangement has been received or is considered likely to be received in future periods and AMPGH has concluded that the purchase price of the register exceeds the value of the client register to AMPGH, or where ongoing service arrangements would be unable to be serviced or sold, a provision has been raised for the difference. Refer to note 6.4 for further details.

(c) Investment commitment

At 31 December 2020 AMP Capital Finance Limited, a controlled entity of AMPGH group, had uncalled investment commitments of \$125.1m (2019: \$418.2m) in relation to certain funds managed by AMP Capital. Subsequent to the reporting date, \$nil of this committed capital was invested by AMP Capital Finance Limited into AMP Capital managed funds. These investment commitments will only be called when suitable investment opportunities arise, and the exact timeline could not be specified.

6.3 Right of use assets and lease liabilities

The AMPGH group adopted AASB 16 *Leases* (AASB 16) from 1 January 2019. Per AASB 16, the group recognises leases on balance sheet as lease liabilities except for short-term leases and leases of low value, with corresponding right of use assets being recognised on balance sheet as well.

(a) Right of use assets

The main type of ROU asset recognised by the AMPGH group is buildings. The following table details the carrying amount of the ROU assets at 31 December 2020 and the movements during the year.

	2020 \$m	2019 \$m
Opening balance	245.2	199.4
(Derecognitions) additions during the year	(5.2)	96.1
Impairment expense ¹	(11.2)	-
Depreciation expense	(50.9)	(50.3)
Foreign currency exchange rate changes and other	(3.6)	-
Closing balance	174.3	245.2

1 This relates to the impairment of ROU assets arising from the sale of WP and mature businesses. This expense has been recognised within the gain/loss from the discontinued operations.

Section 6: Other disclosures

6.3 Right of use assets and lease liabilities (continued)

(b) Lease liabilities

The following table details the carrying amount of lease liabilities at 31 December 2020 and the movements during the year.

	2020 \$m	2019 \$m
Opening balance	266.3	209.4
(Derecognitions) additions during the year	(7.3)	99.4
Interest expense	9.5	10.2
Payments made	(53.8)	(52.7)
Foreign currency exchange rate changes and other	(4.1)	-
Closing balance	210.6	266.3

The AMPGH group paid \$8.1m (2019: \$13.1m) in relation to short-term leases and \$0.5m (2019: \$1.0m) in relation to variable lease payments. The total cash outflow for leases in 2020 was \$63.4m (2019: \$66.7m).

Accounting policy – recognition and measurement

At inception, the AMPGH group assesses whether a contract is or contains a lease. Such assessment involves the application of judgement as to whether:

- the contract involves the use of an identified asset;
- the group obtains substantially all the economic benefits from the asset; and
- the group has the right to direct the use of the asset.

It is AMPGH group's policy to separate non-lease components when recognising the lease liability.

The AMPGH group recognises a right of use (ROU) asset and a lease liability at the lease commencement date. The ROU asset is initially measured as the present value of future lease payments, plus initial direct costs and restoration costs of the underlying asset, less any lease incentives received. The ROU asset is depreciated over the shorter of the lease term and the useful life of the underlying asset. The ROU asset is tested for impairment if there is an indicator, and is adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of future lease payments discounted using the group's incremental borrowing rate. Lease payments generally include fixed payments and variable payments that depend on an index, eg CPI. A lease liability is remeasured when there is a change in future lease payments from a change in an index, or if the group's assessment of whether an option will be exercised changes.

Interest expense on lease liabilities is recognised within finance costs in the Consolidated income statement.

The group has elected not to recognise ROU assets and lease liabilities for leases where the lease term is less than or equal to 12 months. Payments for such leases are recognised as an expense on a straight-line basis over the lease term.

Section 6: Other disclosures

6.4 Provisions and contingent liabilities

	2020 \$m	2019 \$m
(a) Provisions		
Restructuring ¹	18.0	27.0
Customer remediation	578.6	651.7
Buy-back arrangements	66.7	115.6
Obligations relating to the sale of WP and mature	258.3	-
Other ²	132.1	178.0
Total provisions	1,053.7	972.3

	Restructuring ¹ \$m	Customer remediation \$m	Buy-back arrangements \$m	Obligations relating to the sale of WP and mature \$m	Other ² \$m	Total \$m
(b) Movements in provisions						
Balance at the beginning of the year	27.0	651.7	115.6	-	178.0	972.3
Additional provisions made during the year	27.6	67.6	22.1	293.9	165.2	576.4
Provisions used during the year	(36.6)	(140.7)	(71.0)	(35.6)	(118.0)	(401.9)
Provisions relating to discontinued operations	-	-	-	-	(93.1)	(93.1)
Balance at the end of the year	18.0	578.6	66.7	258.3	132.1	1,053.7

1 Restructuring provisions are recognised in respect of programs that materially change the scope of the business or the manner in which the business is conducted.

2 Other provisions are in respect of probable outgoings on client remediation projects and various other operational provisions. \$16.3m (2019: \$24.4m) is expected to be settled more than 12 months from the reporting date.

Accounting policy – recognition and measurement

Provisions

Provisions are recognised when:

- the AMPGH group has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. For provisions other than employee entitlements, the discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

A contingent liability is disclosed where a legal or constructive obligation is possible, but not probable or where the obligation is probable, but the financial impact of the event is unable to be reliably estimated.

Critical accounting estimates and judgements:

The AMPGH group recognises a provision where a legal or constructive obligation exists at the reporting date and a reliable estimate can be made of the likely outcome. Provisions are reviewed on a regular basis and adjusted for management's best estimates, however significant judgement is required to estimate likely outcomes and future cash flows. The judgemental nature of these items means that future amounts settled may be different from those provided for.

Section 6: Other disclosures

6.4 Provisions and contingent liabilities (continued)

From time to time, the AMPGH group may incur obligations or suffer financial loss arising from litigation or contracts entered into in the normal course of business, including guarantees issued by the parent for performance obligations of controlled entities within the AMPGH group. Legal proceedings threatened against AMPGH may also, if filed, result in AMPGH incurring obligations or suffering financial loss. A contingent liability exists in relation to actual and likely potential legal proceedings.

Where it is determined that the disclosure of information in relation to a contingent liability can be expected to seriously prejudice the position of the AMPGH group (or its insurers) in a dispute, accounting standards allow the AMPGH group not to disclose such information. It is AMPGH group's policy that such information is not disclosed in this note.

Industry and regulatory compliance investigations

AMPGH is subject to review from time to time by regulators, both in Australia and offshore. In Australia, AMPGH's principal regulators are APRA, ASIC and AUSTRAC, although other government agencies may have jurisdiction depending on the circumstances. The reviews and investigations conducted by regulators may be industry-wide or specific to AMPGH and the outcomes of those reviews and investigations can vary and may lead, for example, to the imposition of penalties, variations or restrictions to licences, the compensation of clients, enforceable undertakings or recommendations and directions for AMPGH to enhance its control framework, governance and systems.

AMPGH is undertaking additional reviews concurrently with these regulatory investigations to determine, amongst other things, where clients or other stakeholders, including employees, may have been disadvantaged. In some instances, compensation has been paid and where the results of our reviews have reached the point that compensation is likely and can be reliably estimated then a provision has been raised.

Client remediation

AMPGH is progressing with its customer review and remediation programs which are seeking to identify and compensate clients who have suffered loss or detriment as a result of either:

- inappropriate advice from their adviser; or
- where clients have been charged an advice service fee without the provision of financial advice services (or insufficient evidence of the provision of financial services).

Provisions have been raised for both of these items, inclusive of the costs to perform the review and implement the remediation process. The measurement of provisions is based on assumptions used to estimate the customer remediation payments, including evidence failure rates and compensation amounts, which require significant judgement. As the review progresses, additional information may arise or further issues may be identified, which could have a significant impact on the final compensation and the costs of the programs. Consequently, the total costs associated with this matter remain uncertain.

Provisions for client remediation do not include amounts for potential recoveries from advisers and insurers.

Inappropriate advice

AMPGH continues to progress with the identification and compensation of clients who have suffered loss or detriment as a result of receiving inappropriate advice from their adviser. The scope of the review includes the period from 1 January 2009 to 30 June 2015 specified by ASIC in Report 515 Financial advice: Review of how large institutions oversee their advisers. AMPGH has extended its review to 30 June 2017. The provision also includes any instances of inappropriate advice identified through ongoing monitoring and supervision activities.

Compensation has been and continues to be paid and a provision exists for further compensation payable as the review progresses and client reviews are completed. AMPGH has adjusted its provision estimate for future compensation based on the actual experience of remediating clients and the expected future costs of operating the program. The provision includes a component for advisers for whom a remediation review has yet to be completed and the determination of compensation for any given client is not known with certainty until immediately prior to payment.

Advice service fee (fees for no service)

AMPGH has progressed on the identification and compensation of clients of advisers who have been charged an ongoing service fee without the provision of financial advice services (or where there is insufficient evidence of the provision of financial advice services). This involves a large-scale review of fee arrangements from 1 July 2008 as specified by ASIC in Report 499 Financial advice: Fees for no service. Sampling of customer files has been conducted across AMP licensees and has identified instances in the review period where clients have paid fees and there is insufficient evidence to support that the associated service had been performed. In such instances, clients have been remediated.

AMPGH has developed a process for client review and remediation, which is expected to finish mid-2021. AMPGH has made significant progress in the execution of the remediation program, including agreeing major policies with ASIC. Throughout the program AMPGH continues to engage with ASIC on its progress and approach.

Section 6: Other disclosures

6.4 Provisions and contingent liabilities (continued)

The provision for advice service fee client compensation and the future costs of executing the remediation program is judgemental and has been estimated using multiple assumptions derived from the sampling conducted to date. Assumptions used include evidence failure rates, average fees to be refunded and compensation for lost earnings.

Other matters

In addition to the inappropriate advice and advice service fee reviews, other reviews in relation to fees charged to clients have been performed during the year. These reviews are ongoing and where the reviews have identified instances of clients having suffered loss or detriment, compensation has been paid. As at 31 December 2020, provisions of \$55m have been recognised for the estimated remaining compensation due to clients, including lost earnings, for these matters. The provisions are judgemental and the actual compensation to clients could vary from the amounts provided.

Buy-back arrangements

AMPGH has contractual arrangements with financial advice businesses in the aligned AMPGH advice network to purchase their client registers at agreed multiples to revenues subject to certain conditions being met. These buy-back arrangements include arrangements known as Buyer of Last Resort (BOLR). Advice businesses must register their intention to invoke buy-back arrangements, which have six to 18-month lead times and are subject to audit prior to finalising the purchase price. Client registers are either acquired outright by AMPGH or AMPGH facilitates a sale to an existing business within the aligned AMPGH advice network.

Where a notice of intention to invoke the buy-back arrangement has been received, or is considered likely to be received in future periods, and AMPGH has concluded that the purchase price of the register exceeds the value of the client register to AMPGH, or where ongoing service arrangements would be unable to be serviced or sold, a provision has been raised for the difference.

A contingent liability exists in relation to buy-back arrangements where a notice of intention could occur in future periods.

Litigation

Shareholder class actions

During May and June 2018, AMP Limited was served with five competing shareholder class actions, one filed in the Supreme Court of NSW and the others filed in the Federal Court of Australia. The actions follow the financial advice hearing block in the Royal Commission in April 2018 and allege breaches by AMP Limited of its continuous disclosure obligations. Each action is on behalf of shareholders who acquired an interest in AMP Limited shares over a specified time period. The claims are yet to be quantified and participation has not been determined. Subsequently, the four proceedings commenced in the Federal Court of Australia were transferred to the Supreme Court of NSW. The Supreme Court of NSW determined that a consolidated class action (of two of the class actions) should continue, and the other three proceedings were permanently stayed. An appeal against that decision was filed by one of the unsuccessful plaintiffs. Whilst that appeal was subsequently dismissed, that decision was subject to a further appeal to the High Court of Australia, which was heard in November 2020 and judgement was handed down on 10 March 2021. The High Court of Australia dismissed that appeal and, as result, the consolidated class action continues (as originally determined by the Supreme Court of New South Wales). AMP Limited has filed its defence to the proceedings. Currently it is not possible to determine the ultimate impact of these claims, if any, upon AMP. AMP Limited is defending these actions.

Superannuation class actions

During May and June 2019, certain subsidiaries of AMP Limited were served with two class actions in the Federal Court of Australia. The first of those class actions relates to the fees charged to members of certain of AMP superannuation funds. The second of those actions relates to the fees charged to members, and interest rates received and fees charged on cash-only fund options. The two proceedings were brought on behalf of certain superannuation clients and their beneficiaries. Subsequently, the Federal Court ordered that the two proceedings be consolidated into one class action, a consolidated claim was filed and defences were filed on behalf of the respondent AMP Limited subsidiaries. The claims are yet to be quantified and participation has not been determined. Currently, it is not possible to determine the ultimate impact of these claims, if any, upon AMP. The proceedings are being defended.

Financial adviser class action

In July 2020, a subsidiary of AMP Limited was served with a class action in the Federal Court of Australia, namely, AMP Financial Planning Pty Limited (AMPFP). The proceeding is brought on behalf of certain financial advisers who are or have been authorised by AMPFP. The claim relates to changes made by AMPFP to its Buyer of Last Resort policy in 2019. The claim is yet to be quantified and participation has not been determined. Currently it is not possible to determine the ultimate impact of this claim, if any, upon AMP. AMPFP is confident in the actions it took in 2019 and will defend the proceeding accordingly.

Insurance advice class action

In July 2020, certain subsidiaries of AMP Limited were served with a class action in the Federal Court of Australia, namely, AMPFP and Hillross Financial Services Limited (Hillross). The class action relates to advice provided by some aligned financial advisers in respect of certain life and other insurance products. The claim is yet to be quantified and participation has not been determined. Currently, it is not possible to determine the ultimate impact of this claim, if any, upon AMP. AMPFP and Hillross will defend the proceedings. In December 2020, the Federal Court ordered that this class action and the subsequent noted commissions for advice class action be consolidated. A statement of claim which consolidates the two class actions has not been served.

Section 6: Other disclosures

6.4 Provisions and contingent liabilities (continued)

Commissions for advice class action

In August 2020, AMP Limited, and certain subsidiaries of AMP Limited, were served with a class action in the Federal Court of Australia, namely, AMPFP, Hillross and Charter Financial Planning Limited (Charter). The class action primarily relates to the payment of commissions to some aligned financial advisers in respect of certain life insurance and other products and in respect of allegations of charging of fees where advice services were not provided. The claim is yet to be quantified and participation has not been determined. Currently, it is not possible to determine the ultimate impact of this claim, if any, upon AMP. AMP Limited, AMPFP, Hillross and Charter will defend the proceedings. In December 2020, the Federal Court ordered that this class action and the immediately preceding noted insurance advice class action be consolidated. A statement of claim which consolidates the two class actions has not been served.

Indemnities and warranties to Resolution Life

Under the terms of the sale agreement for the sale of the WP and mature businesses to Resolution Life, AMP has given certain covenants, warranties and indemnities in favour of Resolution Life in connection with the transaction. A breach of these covenants or warranties or the triggering of an indemnity, may result in AMP being liable for some future payments to Resolution Life. Management's best estimate of future payments for these indemnities and warranties has been recognised within these financial statements where these can be reliably estimated. There remain other indemnities and warranties for which no provision has been recognised and a contingent liability exists should such indemnities and warranties be called upon or where actual outcomes differ from management's expectations.

6.5 Auditors' remuneration

	2020	2019 ²
	\$'000	\$'000
Audit and review services		
- Group	1,443.9	1,766.9
- Controlled entities	3,740.9	4,777.4
Total audit and review services remuneration	5,184.8	6,544.3
Statutory assurance services	304.7	400.5
Other assurance services	1,030.1	1,523.9
Total assurance services remuneration	1,334.8	1,924.4
Total audit, review and assurance services remuneration	6,519.6	8,468.7
Other non-audit services		
- Taxation compliance services	84.3	498.7
- Other services	299.9	354.0
Total other non-audit services remuneration	384.2	852.7
Total auditors' remuneration¹	6,903.8	9,321.4

1 Total amount excludes fees paid or payable for Trust and Fund audit/non-audit and/or review services for entities not consolidated into the group. Total fees excluded are \$10,520k (2019: \$8,675k) of which \$579k (2019: \$218k) is for non-audit services.

2 Amounts for 2019 include \$1,289k related to WP and mature businesses audit and non-audit services.

Statutory assurance services relate to AFSL audits and certain APRA reporting assurance required to be performed by the statutory auditor. Other assurance services primarily relate to other compliance reporting, derivative risk statement assurance and internal controls reviews. Other services include transaction support and benchmarking services.

Section 6: Other disclosures

6.6 New accounting standards

a) New and amended accounting standards adopted by the AMPGH group

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

Interest Rate Benchmark Reform

Background

Transition from Interbank Offered Rates (IBORs), primarily but not exclusively the London Interbank Offered Rate (LIBOR), to Alternative Reference Rates (ARR) is an area of ongoing industry focus with regulators signalling the need to use alternative benchmark rates. As a result, existing benchmark rates are expected to be discontinued or the basis on which they are calculated may change.

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

Group Approach to IBOR Transition

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

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

Amendments to hedge accounting requirements

The Australian Accounting Standards Board issued amendments to hedge accounting requirements within Standards AASB 7, 9 and 139 in October 2019 (IBOR reform Phase I) to address Interest Rate Benchmark Reforms. The amendments to hedge accounting requirements provide relief from the potential effects of the uncertainty caused by the transition associated with interest rate benchmark reform and are effective for annual periods on or after 1 January 2020. IBOR reform Phase I provides reliefs which require the AMPGH group to assume that hedging relationships are unaffected by the uncertainties caused by IBOR reform. This includes assuming that hedged cash flows are not altered as a result of IBOR reform. Also, the reliefs allow the AMPGH group to not discontinue hedging relationships as a result of retrospective or prospective ineffectiveness. Management has considered the impacts of IBOR Transition on existing hedge accounting arrangements and other than as described below the changes have not had a material financial impact on the AMPGH group.

The most significant interest rate benchmark to which the AMPGH group is exposed is Bank Bill Swap Rate (BBSW). Locally, there has been no regulatory announcement indicating the discontinuation of BBSW similar to that from the Financial Conduct Authority concerning LIBOR and therefore the AMPGH group does not expect the current IBOR reforms to have a direct impact on its hedge accounting arrangements, apart from those discussed below.

Interest rate benchmarks to which the AMPGH group's hedging relationships are impacted by IBOR transition arise via the usage of interest rates swaps and cross currency swaps that reference the GBP LIBOR benchmark for both fair value and cash flow hedges. The most significant IBOR exposure for the AMPGH group's hedge accounting arrangements are for interest rate and cross-currency swaps which reference the GBP LIBOR benchmark. As at 31 December 2020, the notional amounts of the AMPGH group's interest rate swap exposures designated in hedge accounting relationships are \$146.1m representing \$83.4m of cross-currency swaps denominated in GBP and AUD and \$62.7m of interest rate swaps denominated in GBP, relating to the hedging of debt issuance activities. The carrying value of foreign currency denominated debt liabilities for which with interest rate hedging relationships apply is \$68.5m.

Phase II

Additional amendments have been issued by the Australian Accounting Standards Board in relation to interest rate benchmark reform for AASB 7, 9, 16 and 139. These amendments will come into effect for reporting periods beginning on or after 1 January 2021 and have not been early adopted by the AMPGH group. These amendments are in addition to the Phase I amendments that were announced in October 2019. The Phase II amendments focus on the effect of applying accounting standards when changes are made to contractual cash flows or hedging relationships because of the interest rate benchmark reform. The AMPGH group is currently assessing the impact of these amendment.

Section 6: Other disclosures

6.6 New accounting standards (continued)

b) 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 AMPGH group 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 AMPGH group, other than the potential impact from Phase II of interest rate benchmark reforms as discussed in note 6.6 (a).

6.7 Events occurring after reporting date

On 26 February 2021, AMP Limited and Ares Management Corporation (Ares) announced that they have entered into a non-binding Heads of Agreement (with a 30-day period of exclusivity to work towards a binding agreement) to pursue the formation of a strategic partnership for AMP Capital's private markets businesses of infrastructure equity and infrastructure debt, real estate and other minority investments (Private Markets), all of which are businesses of the AMP GH group.

Under the proposed transaction, Ares would acquire 60 per cent of Private Markets and assume management control, with AMPGH group retaining 40 per cent.

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

Directors' declaration

for the year ended 31 December 2020

In accordance with a resolution of the directors of AMP Group Holdings 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 Holdings 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 notes of AMP Group Holdings Limited and the consolidated entity for the financial year ended 31 December 2020 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 Holdings Limited and the consolidated entity for the financial year ended 31 December 2020 include an explicit and unreserved statement of compliance with the International Financial Reporting Standards.



.....
Director

Sydney, 23 March 2021

Independent Auditor's Report to the Shareholders of AMP Group Holdings Limited

Opinion

We have audited the financial report of AMP Group Holdings Limited (the Company) and its subsidiaries (collectively the Group or AMP), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated 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 Group is in accordance with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of their 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 Group 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.

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 we do not and will 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 on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Group'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 Group 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 Group'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 Group'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 Group 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.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.



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We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Ernst & Young

Ernst & Young

A handwritten signature in black ink, appearing to read 'APR', is written over the printed name 'Andrew Price'.

Andrew Price
Partner
Sydney
23 March 2021