

AMP Group Holdings Limited

ABN 88 079 804 676

**Directors' report and Financial report
for the half year ended
30 June 2023**

DIRECTORS' REPORT

For the half year ended 30 June 2023

This directors' report provides information on the structure and progress of our business, our 1H23 financial performance and our strategies and prospects for the future. It covers AMP Group Holdings Limited ("the Company" or "AMPGH") and the entities ("the AMPGH group") it controlled during the half-year ended 30 June 2023.

All figures are in Australian dollars (\$) unless otherwise stated.

Board of Directors

The directors of AMPGH during the half-year ended 30 June 2023 and up to the date of this report are listed below. Directors were in office for the entire period.

Blair Vernon	(Chairman, appointed on 2 June 2023)
David Cullen	(Director)
James Georgeson	(Chairman, resigned on 13 January 2023)
Jason Bounassif	(Director)
John O'Farrell	(Director)
Peter Fredricson	(Director, appointed on 13 January 2023 and resigned on 2 June 2023)

OPERATING AND FINANCIAL REVIEW

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

The AMPGH group provides superannuation, retirement and financial advice services in Australia and New Zealand.

For the purposes of this report, the AMPGH group is divided into four operating business units: Platforms, Master Trust, Advice and New Zealand Wealth Management.

AMPGH's Platforms business is a leading provider of superannuation, retirement and investment solutions, enabling advisers and their clients to build a personalised investment portfolio on AMPGH's flagship North platform.

AMPGH's Master Trust, SignatureSuper, is one of the largest retail Master Trusts in Australia, providing superannuation and pension solutions to individuals and through workplace super.

AMPGH's Advice business provides professional services to a network of aligned and Independent Financial Advisers (IFAs). These advisers provide financial advice and wealth solutions to their clients, including retirement planning, investments and financing. In addition to supporting this network of advisers, the Advice business partners with a number of aligned advice practices via equity ownership to support their growth.

AMPGH's New Zealand Wealth Management business encompasses wealth management, financial advice and distribution businesses 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.

In addition to these operating business units, AMPGH also holds several strategic partnerships and other retained interests including:

- 14.97% of China Life AMP Asset Management Company Ltd (CLAMP), and
- 23.73% in US real estate investment manager, PCCP.

SALE OF AMP CAPITAL AND SMSF BUSINESSES OWNED BY THE AMPGH GROUP

International infrastructure equity business

On 3 February 2023, AMP announced the completion of the sale and transfer of AMP Capital's international infrastructure equity business to DigitalBridge Group, Inc. (DigitalBridge). The completion supports the delivery of AMP's strategic objective to simplify its portfolio and focus on its core businesses in Australia and New Zealand. Total consideration received was \$520m.

Domestic real estate and infrastructure equity business

On 24 March 2023, AMP announced the first stage of completion (first completion) of the sale and transfer of the AMP Capital real estate and domestic infrastructure equity business to Dexus Funds Management Ltd (Dexus). First completion allowed the transfer to Dexus of most legal entities (holding the majority of AMP Capital domestic assets and management rights) as well as employees. The total consideration received for the first completion was \$335m.

Payment of the remaining \$50m of the base purchase price is contingent on the transfer of AMP's interest in China Life AMP Asset Management Company Limited (CLAMP) out of the sale perimeter by 30 September 2024. Following that transfer, the one remaining AMP Capital legal entity will move to Dexus, and final completion of the transaction will occur.

SMSF administration

On 8 June 2023, AMP announced an agreement to sell its SMSF administration and software business, SuperConcepts, to a private management group and Pemba Capital Partners. On 30 June 2023, the sale completed, and total consideration of approximately \$5m was received.

DIRECTORS' REPORT

For the half year ended 30 June 2023

REVIEW OF OPERATIONS AND RESULTS

The profit attributable to the shareholders of AMPGH for the half-year ended 30 June 2023 was \$157.6m (1H22: \$147.6m).

1H23 BUSINESS UNIT OVERVIEW

Platforms

NPAT (underlying) of \$44m increased by \$9m (25.7%) from 1H22 predominantly driven by favourable North Guarantee liability movements arising from higher interest rates reducing the present value of future claims, partly offset by higher controllable costs to support business growth.

Net cash inflows of \$741m (1H22: \$1.3b) were impacted by cyclical factors and economic conditions. This was particularly evident in the IDPS segment with cost-of-living pressures and higher interest rates impacting flows. AUM based revenue to average AUM bps of 47bps in 1H23 was down 2bps from 49bps in 1H22 reflecting pricing changes from simplification.

The strategic focus on Independent Financial Advisers (IFAs) continues, with 31% of inflows to North now from IFAs and IFA inflows 48% higher than 1H22. Average AUM of \$67.3b was materially in line with 1H22 at \$67.6b, with continued growth in managed portfolios where AUM now exceeds \$10b.

Master Trust

NPAT (underlying) of \$28m increased by \$2m from 1H22, driven by lower controllable costs, partly offset by the impact on margins due to simplification of investment menu and lower average AUM. Negative net cashflows improved 31% as a result of the ongoing focus on retention through improving the member proposition.

AUM based revenue to AUM bps of 63bps in 1H23 was down 4bps from 67bps in 1H22, driven by a simplified investment menu. Master Trust's ongoing simplification initiatives are driving a lower controllable cost base (down 10.6% on 1H22), as well as enabling competitive pricing for members.

Advice

The improvement of the Advice business continues, with NPAT losses (underlying) of \$25m reduced by \$5m (16.7%) from 1H22, driven by continued focus on cost efficiency with a \$6m (9.1%) reduction in controllable costs. An 88.9% improvement in variable costs from 1H22 was driven by factors including the restructuring of the equity portfolio.

The quality of the Advice Network remains high with 50% of practices generating over \$1m of revenue.

New Zealand Wealth Management

NPAT (underlying) of \$17m in 1H23 is in line with 1H22, with the impact of lower AUM based revenue offset by higher distribution revenue. Net cash outflows of \$67m have improved materially from net cash outflows of \$127m in 1H22, led by improved KiwiSaver cashflows reflecting new member growth. Controllable costs reduced by 5.6% to \$17m.

During the period, the acquisition of enable.me, a financial advice and coaching business, further diversified non-AUM based revenue in New Zealand.

Strategic partnerships

China Life AMP Asset Management Company continues to deliver in line with expectations, although strategic partnership revenue was impacted by sponsor valuation movements associated with PCCP which were down \$16m post-tax.

CAPITAL, LIQUIDITY AND DIVIDEND

Capital Management

Equity and reserves of the AMPGH attributable to shareholders of AMPGH was \$2,873.7m at 30 June 2023 (\$2,814.1m as at 31 December 2022).

Dividend and capital return

AMPGH paid dividends of \$84.2m during the period ended 30 June 2023 (nil as at 30 June 2022).

DIRECTORS' REPORT

For the half year ended 30 June 2023

STRATEGY AND FUTURE PROSPECTS

AMPGH continues to progress its strategy set out on 30 November 2021 for a path to a new AMPGH. Since then, AMPGH has made continued progress against this strategy, and priorities for FY23 – 25 are:

Reposition	Simplify	Explore
<ul style="list-style-type: none"> - Grow the North platform - New Zealand – continued revenue diversification - Transform Master Trust business 	<ul style="list-style-type: none"> - Right-size AMPGH for agility and efficiency - Drive efficiency in Advice; build services advisers genuinely value, rationalise IT and processes - Review portfolio of assets to ensure AMPGH is the right owner - Enhance shareholder value through operational efficiencies and disciplined capital management - Resolve legacy issues 	<ul style="list-style-type: none"> - Invest and support growth in direct-to-customer initiatives in select areas - Further develop leading position in retirement - Focus on growth in operating businesses

AMPGH provides the following outlook for key financial items for FY23:

Platforms	<ul style="list-style-type: none"> - FY23 AUM based revenue margins expected to be broadly in line with FY22 at ~48bps - Net cashflows (excluding pension payments) expected to be in line with 1H23
Master Trust	<ul style="list-style-type: none"> - FY23 AUM based revenue margins expected to be steady at ~63bps - Higher costs expected as a result of timing of technology spend in 2H23 - Previously announced mandate loss of ~\$4.3b AUM exited 4 August 2023
Advice	<ul style="list-style-type: none"> - Continued NPAT improvements from cost efficiency and ongoing scaling of practices
Controllable costs	<ul style="list-style-type: none"> - FY23 controllable costs expected \$611m-\$621m vs rebased \$622m in FY22
Transformation and separation costs	<ul style="list-style-type: none"> - 2H23 costs of \$45m post tax to complete previously announced transformation program and remaining AMP Capital separation costs
Strategic partnerships	<ul style="list-style-type: none"> - Strategic partnerships anticipating a combined ~10% p.a. return on investment, subject to market conditions - Retained interests (sponsor investments) remain subject to market movements

Litigation

On 5 July 2023, the Federal Court of Australia delivered its judgment in relation to the Financial Adviser class action, relating to changes made by AMP Financial Planning Pty Limited to its Buyer of Last Resort policy in August 2019. The Court ruled in favour of the claims of the lead applicant and sample group member. AMPGH has provided for \$50m in the 1H23 financial statements, in relation to those cohorts where it considers there is the potential for a liability. Other elements of the class action where there has been no judgement at this point continue to remain contingent. AMP is currently considering its position in relation to an appeal.

There are two further legacy class actions that have not yet been quantified and participation has not yet been determined. These are a Superannuation class action, and a class action relating to commissions for advice and insurance. Currently, it is not possible to determine the ultimate impact of these claims, if any, upon AMP and so they also continue to remain contingent.

SIGNIFICANT EVENTS OCCURRING AFTER BALANCE SHEET DATE

As at the date of this report, the directors are not aware of any matters or circumstances other than those described in the financial report, 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.

DIRECTORS' REPORT

For the half year ended 30 June 2023

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.

A handwritten signature in blue ink, appearing to read "Blair Vernon". The signature is written in a cursive style with a large initial 'B'.

Blair Vernon

Sydney, 6 September 2023



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working world**

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

As lead auditor for the review of the half-year financial report of AMP Group Holdings Limited for the half-year ended 30 June 2023, I declare to the best of my knowledge and belief, there have been:

- a) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;
- b) No contraventions of any applicable code of professional conduct in relation to the review; and
- c) No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Sarah Lowe
Partner
6 September 2023

AMP GROUP HOLDINGS LIMITED
ABN 88 079 804 676
HALF YEAR FINANCIAL REPORT
30 JUNE 2023

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Directors' declaration

Independent auditor's report

Registered office:
50 Bridge 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 half year ended 30 June 2023

		30 Jun 2023 \$m	30 Jun 2022 ¹ \$m
	Note		
Fee revenue		697.6	740.5
Interest income using the effective interest method		17.1	0.7
Share of profit or loss from associates	5.1	14.4	24.4
Movement in guarantee liabilities		23.4	8.2
Other income		14.1	11.0
Total revenue		766.6	784.8
Fee and commission expenses		(334.4)	(366.7)
Staff and related expenses		(245.0)	(244.5)
Finance costs		(26.6)	(10.9)
Other operating expenses		(223.5)	(222.0)
Other investment losses		(13.9)	(5.8)
Total expenses		(843.4)	(849.9)
Loss before tax		(76.8)	(65.1)
Income tax credit/(expense)	2.1(a)	25.5	(24.3)
Loss after tax from continuing operations		(51.3)	(89.4)
Profit after tax from discontinued operations	5.2(b)	208.9	237.0
Profit for the period		157.6	147.6
Profit attributable to:			
Shareholders of AMP Group Holdings Limited		157.6	147.6
Non-controlling interests		-	-
Profit for the period		157.6	147.6

1 Results for the period ended 30 June 2022 have been restated to be on a continuing operations basis and to correct a derivative valuation as disclosed in notes 5.2 and 1.1 respectively.

Consolidated statement of comprehensive income

for the half year ended 30 June 2023

	Note	30 Jun 2023 \$m	30 Jun 2022 ¹ \$m
Loss for the period from continuing operations		(51.3)	(89.4)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges			
- net (loss)/gain on cash flow hedges		(0.2)	0.6
- tax effect on net loss/(gain) from cash flow hedge		0.1	(0.2)
		(0.1)	0.4
Translation of foreign operations and revaluation of hedge of net investments			
- (loss)/gain recognised on translation of foreign operations and revaluation of hedge of net investments		(4.9)	9.5
		(4.9)	9.5
Items that will not be reclassified subsequently to profit or loss			
Defined benefit plans			
- actuarial gains		0.5	7.3
- tax effect on actuarial gains		(0.2)	(2.2)
		0.3	5.1
Other comprehensive (loss)/income for the period from continuing operations		(4.7)	15.0
Total comprehensive loss for the period from continuing operations		(56.0)	(74.4)
Profit for the period from discontinued operations	5.2(b)	208.9	237.0
Other comprehensive loss for the period from discontinued operations	5.2(b)	(8.0)	(9.5)
Total comprehensive income for the period		144.9	153.1
Total comprehensive income attributable to shareholders of AMP Group Holdings Limited		144.9	153.1
Total comprehensive loss attributable to non-controlling interests		-	-
Total comprehensive income for the period		144.9	153.1

1 Results for the period ended 30 June 2022 have been restated to be on a continuing operations basis and to correct a derivative valuation as disclosed in notes 5.2 and 1.1 respectively.

Consolidated statement of financial position

as at 30 June 2023

	Note	30 Jun 2023 \$m	31 Dec 2022 \$m
Assets			
Cash and cash equivalents		615.4	964.5
Receivables		1,254.4	1,081.3
Investments in other financial assets	3.1	1,845.8	1,238.4
Intercompany tax receivable		490.0	383.3
Current tax assets		7.6	7.2
Assets held for sale ¹		75.8	692.0
Investments in associates	5.1	335.4	323.5
Right of use assets	5.3(a)	361.8	395.6
Deferred tax assets	2.1(c)	267.2	293.3
Intangibles	3.2	188.9	186.0
Other assets		43.1	63.2
Defined benefit plan asset		12.9	12.4
Total assets		5,498.3	5,640.7
Liabilities			
Payables		493.2	441.3
Intercompany tax payable		139.7	106.5
Current tax liabilities		-	0.5
Employee benefits		109.8	161.2
Other financial liabilities	3.1	268.3	314.4
Liabilities held for sale ¹		21.1	138.3
Provisions	5.4	358.2	296.4
Interest-bearing liabilities	4.2	623.9	730.8
Lease liabilities	5.3(b)	553.2	568.8
Deferred tax liabilities	2.1(c)	16.2	4.0
Guarantee liabilities		41.0	64.4
Total liabilities		2,624.6	2,826.6
Net assets		2,873.7	2,814.1
Equity			
Contributed equity	4.1	9,157.7	9,157.7
Reserves		95.0	109.1
Retained earnings		(6,379.0)	(6,452.7)
Total equity of shareholders of AMP Group Holdings Limited		2,873.7	2,814.1
Non-controlling interests		-	-
Total equity of shareholders of AMP Group Holdings Limited and non-controlling interests		2,873.7	2,814.1

¹ Assets and liabilities held for sale for the period ended 30 June 2023 include certain assets and liabilities that formed part of the real estate and domestic infrastructure business that was sold to Dexus. (2022: Assets and liabilities held for sale include AMP Capital's real estate and infrastructure equity businesses).

Consolidated statement of changes in equity

for the half year ended 30 June 2023

	Equity attributable to shareholders of AMP Group Holdings Limited										
	Contributed equity \$m	Demerger reserve ¹ \$m	Share-based payment reserve \$m	Capital profits reserve ² \$m	Cash flow hedge reserve \$m	Foreign currency translation and hedge of net investments reserves \$m	Total reserves \$m	Retained earnings \$m	Total shareholder equity \$m	Non-controlling interest \$m	Total equity \$m
30 June 2023											
Balance at 1 January 2023	9,157.7	-	81.7	(31.5)	0.2	58.7	109.1	(6,452.7)	2,814.1	-	2,814.1
Loss from continuing operations	-	-	-	-	-	-	-	(51.3)	(51.3)	-	(51.3)
Profit from discontinued operations	-	-	-	-	-	-	-	208.9	208.9	-	208.9
Other comprehensive loss from continuing operations	-	-	-	-	(0.1)	(4.9)	(5.0)	0.3	(4.7)	-	(4.7)
Other comprehensive loss from discontinued operations	-	-	-	-	-	(8.0)	(8.0)	-	(8.0)	-	(8.0)
Total comprehensive income	-	-	-	-	(0.1)	(12.9)	(13.0)	157.9	144.9	-	144.9
Share-based payment expense	-	-	2.1	-	-	-	2.1	-	2.1	-	2.1
Share purchases	-	-	(3.2)	-	-	-	(3.2)	-	(3.2)	-	(3.2)
Dividends paid	-	-	-	-	-	-	-	(84.2)	(84.2)	-	(84.2)
Sales and acquisitions of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-
Balance at 30 June 2023	9,157.7	-	80.6	(31.5)	0.1	45.8	95.0	(6,379.0)	2,873.7	-	2,873.7
30 June 2022³											
Balance at 1 January 2022	9,527.7	(2,565.5)	96.3	(26.7)	(0.7)	44.6	(2,452.0)	(4,017.2)	3,058.5	3.3	3,061.8
Loss from continuing operations	-	-	-	-	-	-	-	(89.4)	(89.4)	-	(89.4)
Profit from discontinued operations	-	-	-	-	-	-	-	237.0	237.0	-	237.0
Other comprehensive income from continuing operations	-	-	-	-	0.4	9.5	9.9	5.1	15.0	-	15.0
Other comprehensive loss from discontinued operations	-	-	-	-	-	(9.5)	(9.5)	-	(9.5)	-	(9.5)
Total comprehensive income	-	-	-	-	0.4	-	0.4	152.7	153.1	-	153.1
Share-based payment expense	-	-	3.5	-	-	-	3.5	-	3.5	-	3.5
Share purchases	-	-	(3.5)	-	-	-	(3.5)	-	(3.5)	-	(3.5)
Sales and acquisitions of non-controlling interests	-	-	-	(4.8)	-	-	(4.8)	-	(4.8)	(3.3)	(8.1)
Balance at 30 June 2022	9,527.7	(2,565.5)	96.3	(31.5)	(0.3)	44.6	(2,456.4)	(3,864.5)	3,206.8	-	3,206.8

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. The demerger reserve was transferred to retained earnings in December 2022.

2 The Capital profits reserve represents gains and losses attributable to shareholders of AMPGH on the sale or acquisition of minority interests in controlled entities to or from entities outside the AMPGH.

3 Results for the period ended 30 June 2022 have been restated to be on a continuing operations basis and to correct a derivative valuation as disclosed in notes 5.2 and 1.1 respectively.

Consolidated statement of cash flows

for the half year ended 30 June 2023

	30 Jun 2023 \$m	30 Jun 2022 \$m
Cash flows from operating activities		
Cash receipts in the course of operations	545.5	1,000.3
Interest received	17.0	12.0
Dividends and distributions received	8.5	42.3
Cash payments in the course of operations	(877.7)	(1,482.4)
Finance costs	(24.4)	(46.1)
Income tax paid	(8.1)	(7.9)
Net cash used in operating activities	(339.2)	(481.8)
Cash flows from investing activities		
Net proceeds from sale of/(payments to acquire):		
- investments in financial assets ¹	(673.1)	(288.1)
- operating and intangible assets	(20.0)	(8.0)
- AMP Capital and SMSF businesses	859.5	-
- Resolution Life NOHC, AMP Capital's Global Equities and Fixed Income (GEFI) business and Infrastructure Debt platform	-	839.1
- other operating controlled entities and investments in associates accounted for using the equity method	-	(5.1)
Net cash provided by investing activities	166.4	537.9
Cash flows from financing activities		
Repayment of borrowings - non-banking operations	(146.6)	-
Payments for share purchases	(3.2)	(3.5)
Lease payments	(33.1)	(18.1)
Dividend payments	(84.2)	-
Net cash used in by financing activities	(267.1)	(21.6)
Net (decrease)/increase in cash and cash equivalents	(439.9)	34.5
Cash and cash equivalents at the beginning of the period ¹	1,179.5	1,189.9
Cash and cash equivalents prior to deconsolidation and transfers	739.6	1,224.4
Cash and cash equivalents deconsolidated	(114.2)	(7.0)
Cash and cash equivalents at the end of the period	625.4	1,217.4
Cash and cash equivalents transferred to assets held for sale	(10.0)	(163.9)
Cash and cash equivalents on the Consolidated statement of financial position	615.4	1,053.5

¹ Cash and cash equivalents at the beginning of the periods ended 30 June 2023 and 30 June 2022, have been restated to exclude \$134.0m and \$107.0m of debt securities, respectively, as they were previously included as cash equivalents for the purposes of the cash flow statement. For the period ended 30 June 2022, Net payments to acquire investments in financial assets has been restated to include the corresponding impact.

Section 1: About this report

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

1.1 Basis of preparation of the half year financial report

The AMPGH 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 comprise majority of the controlled entities in the AMP Limited consolidated economic entity (the AMP group/ AMP).

The half-year financial report:

- is a general purpose financial report;
- has been prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*;
- 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 half-year's presentation within the half-year report, including restated comparative information to reflect the impact of discontinued operations as detailed in note 5.2.

AMPGH is a for-profit entity and is limited by shares. The financial statements for the half year ended 30 June 2023 were authorised for issue on 6 September 2023 in accordance with a resolution of the directors.

This half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial position and financial performance of the AMPGH as that given by the annual financial report. As a result, this report should be read in conjunction with the 2022 annual financial report of the AMPGH group.

During the six months ended 31 December 2022, AMPGH identified an incorrect derivative valuation recognised in its 30 June 2022 interim financial report, resulting in an overstatement of both Profit after tax from continuing and discontinued operations of \$6.9m and \$5.3m respectively. The valuation was corrected during the 2022 financial year, resulting in no impact to the results or balances reported in AMPGH's Annual report for the year ended 31 December 2022. The comparative period results for the six months ended 30 June 2022 have been restated in this report accordingly.

Comparative information has been restated where required for consistency with the current half year's presentation. The principal accounting policies and methods of computation adopted in the preparation of the 2023 half year financial report are consistent with those applied to the 2022 annual financial report.

Sale of AMP Capital

International Infrastructure Equity business

On 3 February 2023, AMPGH's parent, AMP, announced the completion of the sale of AMP Capital's international infrastructure equity business to DigitalBridge Investment Holdco, LLC which had previously been announced on 28 April 2022. Total transaction value was \$582 million, comprising \$520 million cash, \$57 million of value from retained estimated future carry and performance fees and \$5 million of gains on foreign exchange hedges of the estimated consideration between signing and completion. In addition, AMPGH remains eligible for a further cash earn-out of up to \$180 million which is contingent on future fund raisings. The results of this business have been classified as discontinued operations in the Consolidated income statement (refer to note 5.2).

Domestic Real Estate and Infrastructure Equity businesses

On 24 March 2023, AMP also announced the first stage of completion of the sale and transfer of the AMP Capital real estate and domestic infrastructure equity business to Dexus, after both parties entered into a non-binding term sheet which contemplates a revised transaction structure with a two-stage completion process. In the first stage, the revised transaction structure allowed the transfer to Dexus of most legal entities (holding the majority of the AMP Capital domestic assets and management rights) as well as employees. The total consideration received for the first stage was \$335 million.

Payment of the remaining \$50 million of the base purchase price is contingent on the transfer of AMP's interest in China Life AMP Asset Management Company Limited (CLAMP) out of the sale perimeter by 30 September 2024. Following that transfer, the one remaining AMP Capital legal entity will move to Dexus, and final completion of the transaction will occur.

The results of the Domestic Real Estate and Infrastructure Equity businesses have been classified as discontinued operations in the Consolidated income statement (refer to note 5.2).

Sale of SuperConcepts Self-Managed Superannuation Fund (SMSF) administration and software business

On 8 June 2023, AMP further announced it had entered into an agreement to sell its SMSF administration and software business, SuperConcepts, to a private management group and Pemba Capital Partners. On 30 June 2023, the sale completed, and total consideration of approximately \$5 million was received. The results of this business have been classified as discontinued operations in the Consolidated income statement (refer to note 5.2).

Section 2: Results for the half year

- 2.1 Taxes
- 2.2 Dividends

2.1 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.

(a) Income tax credit/(expense)

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 half year and the income tax expense recognised in the Consolidated income statement.

	30 Jun 2023 \$m	30 Jun 2022 ¹ \$m
Loss before income tax from continuing operations	(76.8)	(65.1)
Tax at the Australian tax rate of 30% (2022: 30%)	23.0	19.5
Non-deductible expenses	(1.4)	(13.2)
Non-taxable income	2.5	4.4
Other items	(1.0)	(21.2)
Over/(Under) provided in previous years	1.9	(15.3)
Differences in overseas tax rates	0.5	1.5
Income tax credit/(expense) per Consolidated income statement	25.5	(24.3)

1 Results for the period ended 30 June 2022 have been restated to be on a continuing operations basis and to correct a derivative valuation as disclosed in notes 5.2 and 1.1 respectively.

(b) Analysis of income tax credit/(expense)

	30 Jun 2023 \$m	30 Jun 2022 ¹ \$m
Current tax credit	78.6	61.3
Decrease in deferred tax assets ²	(56.1)	(15.3)
Decrease/(Increase) in deferred tax liabilities	3.0	(70.3)
Income tax credit/(expense) per Consolidated income statement	25.5	(24.3)

1 Results for the period ended 30 June 2022 have been restated to be on a continuing operations basis and to correct a derivative valuation as disclosed in notes 5.2 and 1.1 respectively.

2 The total decrease in Deferred Tax Assets (DTAs) recognised in the Statement of financial position of \$41.3m is the result of a reduction in DTAs of \$56.3m related to continuing operations and \$0.1m recognised in Other comprehensive income, offset by increases in DTAs of \$15.1m in relation to discontinued operations.

Section 2: Results for the half year

2.1 Taxes (continued)

(c) Analysis of deferred tax balances

	30 Jun 2023 \$m	31 Dec 2022 \$m
Analysis of deferred tax assets		
Expenses deductible in the future years	195.2	225.6
Unrealised movements on borrowings and derivatives	-	(0.1)
Unrealised investment losses	-	0.4
Losses available for offset against future taxable income	-	3.4
Lease liabilities	164.0	169.1
Transferred to asset held for sale	-	(37.3)
Capitalised software expenses	58.8	98.1
Other	(0.1)	-
Total deferred tax assets	417.9	459.2
Offset tax	(150.7)	(165.9)
Net deferred tax assets	267.2	293.3
Analysis of deferred tax liabilities		
Unrealised investment gains	10.2	21.6
Right of use assets	107.1	117.9
Intangible asset	20.7	22.6
Unearned revenue	22.0	18.0
Transferred to liabilities held or sale	-	(13.5)
Other	6.9	3.3
Total deferred tax liabilities	166.9	169.9
Offset tax	(150.7)	(165.9)
Net Deferred tax liabilities	16.2	4.0

(d) Amounts recognised directly in equity

	30 Jun 2023 \$m	30 Jun 2022 \$m
Income tax expense related to items taken directly to equity during the period	(0.1)	(2.4)

Critical accounting estimates and judgements:

AMPGH 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 AMPGH 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 setting assumptions used to forecast future profitability in order to determine the extent to which the recovery of carried forward tax losses and deductible temporary differences are probable for the purpose of meeting the criteria for recognition as deferred tax assets (DTAs). Future profitability may differ from forecasts which could impact management's expectations in future periods with respect to the recoverability of DTAs and result in DTA impairments or reversals of prior DTA impairments.

Section 2: Results for the half year

2.2 Dividends

Dividends paid during the half year are shown in the table below:

	30 Jun 2023 \$m	30 Jun 2022 \$m
Dividends paid		
Dividends paid during the period (HY23: 0.81 cents per share, HY22: nil)	84.2	-
Total dividends paid	84.2	-

Section 3: Investments, intangibles and fair value information

This section highlights AMPGH's assets used to support AMPGH's business activities.

- 3.1 Investments in other financial assets and liabilities
- 3.2 Intangibles
- 3.3 Fair value information

3.1 Investments in other financial assets and liabilities

	30 Jun 2023 \$m	31 Dec 2022 \$m
Other financial assets measured at fair value through profit or loss		
Equity securities	7.4	6.0
Debt securities	438.4	250.6
Unlisted managed investment schemes	169.8	173.1
Derivative financial assets	192.5	209.3
Total other financial assets measured at fair value through profit or loss	808.1	639.0
Other financial assets measured at amortised cost		
Debt securities	1,037.7	599.4
Total other financial assets measured at amortised cost	1,037.7	599.4
Total other financial assets	1,845.8	1,238.4
Other financial liabilities		
Derivative financial liabilities	102.9	123.7
AMP Bank indemnity ¹	50.5	56.7
Collateral deposits held	114.9	134.0
Total other financial liabilities	268.3	314.4

1 On 4 February 2019, AMPGH entered into a deed of indemnity with AMP Bank under which AMPGH agreed to indemnify AMP Bank for up to \$546.0m for credit losses in excess of those provided for as at reporting date suffered in connection with loans provided to an authorised representative of an AMP licensee. As at 30 June 2023, total loans outstanding provided to authorised representatives was \$237.5m (2022: \$252.3m) and expected credit losses recognised on those loans for which AMPGH has indemnified AMP Bank totalled \$50.5m (2022: \$56.7m).

Section 3: Investments, intangibles and fair value information

3.2 Intangibles

	Goodwill \$m	Capitalised costs \$m	Distribution networks \$m	Other intangibles \$m	Total \$m
30 June 2023					
Balance at the beginning of the year	70.0	80.5	35.5	-	186.0
Additions through separate acquisitions ¹	14.8	-	6.6	-	21.4
Additions through internal development	-	8.0	-	-	8.0
Reductions through disposal	-	(8.6)	(0.8)	-	(9.4)
Transferred from other assets	-	-	-	-	-
Amortisation expense	-	(11.8)	(2.0)	-	(13.8)
Impairment loss	-	(3.3)	-	-	(3.3)
Transferred to assets held for sale	-	-	-	-	-
Balance at the end of the period	84.8	64.8	39.3	-	188.9
31 December 2022					
Balance at the beginning of the year	148.5	113.7	50.2	8.2	320.6
Additions through separate acquisitions	-	-	19.8	-	19.8
Additions through internal development	-	17.2	-	-	17.2
Reductions through disposal	-	(0.1)	(23.5)	(0.7)	(24.3)
Transferred from other assets	-	-	(5.3)	-	(5.3)
Amortisation expense	-	(41.3)	(5.7)	-	(47.0)
Impairment loss	-	(4.5)	-	-	(4.5)
Transferred to assets held for sale	(78.5)	(4.5)	-	(7.5)	(90.5)
Balance at the end of the year	70.0	80.5	35.5	-	186.0

¹ On 31 March 2023, AdviceFirst, a subsidiary of AMP New Zealand Holdings Limited acquired enable.me, a financial advisory and coaching business for upfront consideration of NZD 14.8m and contingent consideration of NZD 12.4m, subject to achieving certain revenue targets.

Section 3: Investments, intangibles and fair value information

3.3 Fair value information

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

	Carrying amount	Level 1	Level 2	Level 3	Total fair value
	\$m	\$m	\$m	\$m	\$m
30 June 2023					
Financial assets measured at fair value					
Equity securities	7.4	-	-	7.4	7.4
Debt securities	438.4	-	438.4	-	438.4
Unlisted managed investment schemes	169.8	-	37.4	132.4	169.8
Derivative financial assets	192.5	-	192.5	-	192.5
Total financial assets measured at fair value	808.1	-	668.3	139.8	808.1
Financial assets not measured at fair value					
Debt securities	1,037.7	-	1,038.7	-	1,038.7
Total financial assets not measured at fair value	1,037.7	-	1,038.7	-	1,038.7
Financial liabilities measured at fair value					
Derivative financial liabilities	102.9	-	102.9	-	102.9
AMP Bank indemnity	50.5	-	-	50.5	50.5
Collateral deposits held	114.9	-	114.9	-	114.9
Guarantee liabilities	41.0	-	-	41.0	41.0
Total financial liabilities measured at fair value	309.3	-	217.8	91.5	309.3
Financial liabilities not measured at fair value					
AMP Corporate borrowings	623.9	-	625.1	-	625.1
Total financial liabilities not measured at fair value	623.9	-	625.1	-	625.1
31 December 2022					
Financial assets measured at fair value					
Equity securities	6.0	-	-	6.0	6.0
Debt securities	250.6	-	250.6	-	250.6
Unlisted managed investment schemes	173.1	-	40.3	132.8	173.1
Derivative financial assets	209.3	-	209.3	-	209.3
Total financial assets measured at fair value	639.0	-	500.2	138.8	639.0
Financial assets not measured at fair value					
Debt securities	599.4	-	599.5	-	599.5
Total financial assets not measured at fair value	599.4	-	599.5	-	599.5
Financial liabilities measured at fair value					
Derivative financial liabilities	123.7	-	123.7	-	123.7
AMP Bank indemnity	56.7	-	-	56.7	56.7
Collateral deposits held	134.0	-	134.0	-	134.0
Guarantee liabilities	64.4	-	-	64.4	64.4
Total financial liabilities measured at fair value	378.8	-	257.7	121.1	378.8
Financial liabilities not measured at fair value					
AMP Corporate borrowings	730.8	-	734.9	-	734.9
Total financial liabilities not measured at fair value	730.8	-	734.9	-	734.9

Section 3: Investments, intangibles and fair value information

3.3 Fair value information (continued)

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

<i>Equity securities</i>	The fair value of equity securities 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>	<p>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.</p> <p>The fair value of unlisted debt securities is estimated using interest rate yields obtainable on comparable listed investments. For debt securities with a maturity of less than 12 months, par value is considered a reasonable approximation of fair value.</p>
<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 (e.g. 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>Guarantee liabilities</i>	The fair value of the 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);
- 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 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 period. Transfers to and from Level 3 are shown in the Reconciliation of Level 3 values table later in this note.

Section 3: Investments, intangibles and fair value information

3.3 Fair value information (continued)

Level 3 fair values

For financial assets and liabilities measured at fair value on a recurring basis and categorised within Level 3 of the fair value hierarchy, the valuation processes applied in valuing assets and liabilities was governed by valuation policies adopted by the AMPGH. These policies outline 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 were referred to the appropriate valuation committee who met 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 and liabilities measured at fair value on a recurring basis, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs
Equity securities	Discounted cash flow approach utilising cost of equity as the discount rate.	Discount rate Terminal value growth rate Cash flow forecasts
Unlisted managed investment schemes	Published redemption prices.	Judgement made in determining unit prices
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 after tax and equity, resulting from reasonably possible changes in key assumptions.

	30 June 2023		31 December 2022	
	(+) \$m	(-) \$m	(+) \$m	(-) \$m
Financial assets¹				
Equity securities	1.5	(1.5)	1.2	(1.2)
Unlisted managed investment schemes	26.5	(26.5)	26.6	(26.6)
Financial liabilities				
Guarantee liabilities ²	2.0	(5.2)	2.3	(6.7)
AMP Bank indemnity ³	2.5	(2.5)	2.8	(2.8)

1 Reasonably possible changes in price movements of 20% (2022: 20%) have been applied in determining the impact on profit after tax and equity.

2 Reasonably possible changes in equity market movements of 20% (2022: 20%) and bond yield movements of 100bps (2022: 100bps) have been applied in determining the impact on profit after tax and equity. The sensitivities disclosed are shown net of the offsetting impacts of derivatives held as economic hedges of the Guarantee liabilities.

3 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% (2022: 5%).

Notes to the financial statements

for the half year ended 30 June 2023

Section 3: Investments, intangibles and fair value information**3.3 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 \$m	FX gains/ (losses) \$m	Total gains/ (losses) \$m	Purchases/ (deposits) \$m	Sales/ (withdrawals) ¹ \$m	Net transfers in/(out) ² \$m	Balance at the end of the period \$m	Total gains/ (losses) on assets and liabilities held at reporting date \$m
30 June 2023								
Assets classified as Level 3								
Equity securities	6.0	-	-	1.4	-	-	7.4	-
Unlisted managed investment schemes	132.8	-	(0.4)	-	-	-	132.4	(0.4)
Liabilities classified as Level 3								
Guarantee liabilities	(64.4)	-	19.0	-	4.4	-	(41.0)	19.0
AMP Bank indemnity	(56.7)	-	6.2	-	-	-	(50.5)	6.2
31 December 2022								
Assets classified as Level 3								
Equity securities	13.8	-	(7.8)	-	-	-	6.0	(7.8)
Unlisted managed investment schemes	51.2	-	17.8	-	-	63.8	132.8	17.8
Liabilities classified as Level 3								
Guarantee liabilities	85.0	-	12.9	-	7.7	-	(64.4)	12.9
AMP Bank indemnity	73.5	-	16.8	-	-	-	(56.7)	16.8

1 A positive value in respect of Guarantee liabilities represents claim payments.

2 Net transfers in of \$63.8m as at 31 December 2022 was related to investments in AMP Capital Infrastructure Debt Fund III USD LP and AMP Capital Infrastructure Debt Fund IV USD LP which were transferred from investments in associates following the completion of the sale of the infrastructure debt platform in February 2022.

Section 4: Capital structure

This section provides information relating to AMPGH capital management and equity and debt structure.

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

- 4.1 Contributed equity
- 4.2 Interest-bearing liabilities
- 4.3 Capital management

4.1 Contributed equity

	30 Jun 2023 \$m	31 Dec 2022 \$m
Issued capital		
10,373,884,672 (2022: 10,373,884,672) ordinary shares fully paid	9,157.7	9,157.7
Total contributed equity		
10,373,884,672 (2022: 10,373,884,672) ordinary shares fully paid	9,157.7	9,157.7
Issued capital		
Balance at the beginning of the year	9,157.7	9,527.7
Capital reduction ¹	-	(370.0)
Balance at the end of the period	9,157.7	9,157.7

¹ On 19 August 2022 and on 21 November 2022, the AMPGH Board of Directors approved a capital return of \$350.0m and \$20.0m respectively with no cancellation of shares.

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.

Section 4: Capital structure

4.2 Interest-bearing liabilities

	30 June 2023			31 December 2022		
	Current \$m	Non- current \$m	Total \$m	Current \$m	Non- current \$m	Total \$m
Interest-bearing liabilities						
Corporate borrowings ¹						
- CHF Medium Term Notes ²	623.9	-	623.9	331.6	252.6	584.2
- Repurchase Agreement (NAB)	-	-	-	146.6	-	146.6
Total interest-bearing liabilities	623.9	-	623.9	478.2	252.6	730.8

1 The current/non-current classification of corporate borrowings is based on the maturity of the underlying debt instrument and related principal repayment obligations. The carrying value of corporate borrowings includes interest payable of \$2.7m (2022: \$1.5m) which is expected to be settled within the next 12 months.

2 Senior Unsecured Fixed Rate Notes of CHF 140m were issued on 18 April 2019 and were subsequently increased by CHF 100m on 3 December 2019. These Notes were repaid in instalments of CHF 30m on 31 August 2022 and of CHF 210m on 18 July 2023 respectively. Senior Unsecured Fixed Rate Notes of CHF 175m were issued on 3 March 2020 of which CHF 10m was repaid on 31 August 2022. The remaining balance matures on 3 June 2024.

Section 4: Capital structure

4.3 Capital management

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

- maintain a sufficient level of surplus capital above minimum regulatory capital requirements (MRR) to reduce the risk of breaching MRR; and
- have sufficient access to liquid resources to maintain solvency, even under a range of stress situations.

Capital requirements

A number of the operating entities within the AMPGH Group are regulated and are required to meet MRR. In certain circumstances, APRA or other regulators may require subsidiaries within the AMPGH Group to hold a greater level of capital to support their business and/or restrict the amount of dividends that can be paid. Any such adjustments would be incorporated into the MRR and/or capital policies as required.

The main minimum regulatory capital requirements for AMPGH's businesses are:

Operating entity	Minimum regulatory capital requirement
N. M. Superannuation Proprietary Limited	Operational Risk Financial Requirements as specified under the APRA Superannuation Prudential Standards.
Other ASIC regulated businesses	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 their minimum regulatory requirements.

Section 5: Other disclosures

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

- 5.1 Investment in associates
- 5.2 Discontinued operations
- 5.3 Right of use assets and lease liabilities
- 5.4 Provisions and contingent liabilities
- 5.5 New accounting standards
- 5.6 Events occurring after reporting date

5.1 Investment in associates

Investments in associates accounted for using the equity method

Associate	Principal activity	Place of business	Ownership interest		Carrying amount ¹	
			30 Jun 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022
			%	%	\$m	\$m
China Life AMP Asset Management Company Ltd ²	Investment management	China	14.97	14.97	84.0	81.0
PCCP, LLC	Investment management	United States	23.73	23.87	176.1	170.1
Other ³			n/a	n/a	75.3	72.4
Total investments in associates					335.4	323.5

1 The carrying amount is after recognising \$14.4m (30 June 2022: \$24.4m) share of current period profit or loss from its associates accounted for using the equity method.

2 AMPGH has significant influence through representation on the entity's board.

3 Other primarily consists of ownership interest in Advice-related businesses.

Section 5: Other disclosures

5.2 Discontinued operations

(a) Sale of AMP Capital and SMSF businesses

AMPGH's parent, AMP has announced a series of sales transactions which resulted in the divestment of AMPGH's AMP Capital and SMSF businesses. AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* (AASB 5) requires the income, expenses and cash flows of these businesses to be separately disclosed as discontinued operations. For the period ended 30 June 2023, discontinued operations represents the income, expenses and cash flows of:

- AMP Capital's international infrastructure equity business from 1 January to 3 February 2023;
- AMP Capital's real estate and domestic infrastructure equity business from 1 January to 24 March 2023; and
- SuperConcepts Self-Managed Superannuation Fund administration and software business from 1 January to 30 June 2023.

In accordance with AASB 5, the comparative period results have been restated. As result, in addition to the businesses above, whose results were included for the entire comparative period, the discontinued operations for period ended 30 June 2022 also includes the income, expenses and cashflows of:

- AMP Capital's infrastructure debt platform from 1 January 2022 to 11 February 2022; and
- AMP Capital's GEFI business from 1 January 2022 to 28 March 2022.

The residual assets of AMP Capital, principally its investments in CLAMP, PCCP and certain sponsor investments will remain a part of the AMPGH group. Accordingly, the related income, expenses and cash flows of these investments are included within continuing operations.

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

The results of AMP Capital and SMSF sold businesses included within AMPGH's group Consolidated income statement are set out below, including comparative information. Following the sale of AMP Capital businesses, certain service arrangements will continue between AMPGH and those businesses. Where relevant, revenue and expenses attributable to continuing operations from such arrangements have been presented within continuing operations to reflect the ongoing nature of such arrangements. The result of discontinued operations presented below have been adjusted for these arrangements.

	6 months to 30 June 2023	6 months to 30 June 2022 ¹
	\$m	\$m
Total revenue of discontinued operations	104.3	261.9
Total expenses of discontinued operations	(104.3)	(293.6)
Profit/(Loss) before tax from discontinued operations	-	(31.7)
Income tax credit	-	25.9
Profit/(Loss) for the period from discontinued operations before disposals	-	(5.8)
Gain on disposal of businesses sold	193.8	378.0
Income tax credit/(expense) resulting from the sales ²	15.1	(135.2)
Gain on disposal of businesses sold after tax	208.9	242.8
Profit for the period from discontinued operations	208.9	237.0
Other comprehensive loss for the period from discontinued operations	(8.0)	(9.5)
Total comprehensive income for the period from discontinued operations	200.9	227.5

1 Results for the period ended 30 June 2022 have been restated to be on a discontinued operations basis and to correct a derivative valuation as disclosed in note 1.1.

2 Income tax expense for the period ended 30 June 2022 was net of the utilisation of previously unrecognised capital losses.

(c) Cash flows from discontinued operations

The cash flows from discontinued operations for the period, included within the Consolidated statement of cash flows, are set out below, including comparative information.

	6 months to 30 June 2023	6 months to 30 June 2022 ¹
	\$m	\$m
Net cash used in operating activities	(105.6)	(95.9)
Net cash from investing activities	314.5	470.0
Net cash inflows from discontinued operations	208.9	374.1

1 Results for the period ended 30 June 2022 have been restated to be on a discontinued operations basis and to correct a derivative valuation as disclosed in note 1.1.

Critical accounting estimates and judgements:

The presentation of discontinued operations, including the gain or loss recognised on the sale of AMP Capital businesses, incorporates management's judgments in relation to:

- determining whether the relevant group of assets meet the held for sale classification including judgements applied in estimating the likely satisfaction of key condition precedents and estimating the timeframe transactions will complete within from the balance date;
- determining the fair value of the assets and liabilities held for sale including the related impairment considerations; and
- assumptions used to estimate purchase price adjustments, earn-outs, the allocation of goodwill, provisions for directly attributable separation costs yet to be incurred, warranties and indemnities under sale agreements and potential onerous contracts resulting from the separation.

Section 5: Other disclosures

5.3 Right of use assets and lease liabilities

Where AMPGH or its subsidiaries are a lessee, all leases are recognised on the Consolidated statement of financial position as Lease liabilities and Right of use (ROU) assets, unless the underlying asset is of low value, or it is a short-term lease. Lease agreements of low value underlying assets or short-term leases are recognised over the lease term as Other operating expenses in the Consolidated income statement.

(a) Right of use assets

The main type of ROU assets recognised by the group is premises. The following table details the carrying amount of the ROU assets at 30 June 2023 and the movements during the period.

	30 Jun 2023 \$m	31 Dec 2022 \$m
Balance at the beginning of the year	395.6	96.4
Additions	1.8	468.6
Derecognitions and transfers to sublease receivables	-	(89.8)
Impairment expense ¹	(15.6)	(30.1)
Depreciation expense	(20.0)	(47.3)
Foreign currency exchange rate changes and other	-	0.6
Transferred to assets held for sale	-	(2.8)
Balance at the end of the period	361.8	395.6

¹ The amount for the period ended on 30 June 2023 primarily represents impairments recognised in relation to discontinued operations.

(b) Lease liabilities

The following table details the carrying amount of lease liabilities at 30 June 2023 and the movements during the period.

	30 Jun 2023 \$m	31 Dec 2022 \$m
Balance at the beginning of the year	568.8	134.6
Additions	2.2	516.1
Derecognitions	-	(40.4)
Interest expense	15.4	25.1
Payments made	(33.1)	(63.7)
Foreign currency exchange rate changes and other	(0.1)	(0.1)
Transferred to liabilities held for sale	-	(2.8)
Balance at the end of the period	553.2	568.8

Critical accounting estimates and judgements:

The AMPGH recognises lease liabilities and corresponding ROU assets for all leases where the group is a lessee, except for short term leases and leases where the underlying asset is of low value. Management applies judgement in identifying and measuring lease liabilities and assessing impairment indicators for ROU assets which includes:

- assessing whether a contract contains a lease;
- determining lease term and incremental borrowing rate;
- separating lease and non-lease components;
- assessing lease modification vis-a-vis new lease;
- assessing the usage of ROU assets and the associated benefits.

Section 5: Other disclosures

5.4 Provisions and contingent liabilities

	30 Jun 2023 \$m	31 Dec 2022 \$m
(a) Provisions		
Compliance, remediation and litigation	108.4	80.9
Obligations relating to corporate reorganisation	136.8	91.0
Other ¹	113.0	124.5
Total provisions	358.2	296.4

	Compliance, remediation and litigation \$m	Obligations relating to corporate reorganisation \$m	Other ¹ \$m	Total \$m
(b) Movements in provisions				
Balance at the beginning of the period	80.9	91.0	124.5	296.4
Net provisions raised during the period	73.4	75.8	24.0	173.2
Provisions utilised during the period	(45.9)	(30.0)	(35.5)	(111.4)
Balance at the end of the period	108.4	136.8	113.0	358.2

1 Other provisions include provisions for deferred payments relating to purchase of client registers, make-good and other provisions relating to rental premises and other operational provisions.

Significant accounting estimates and judgements:

The AMPGH recognises a provision where a legal or constructive obligation exists at the balance sheet 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.

Provisions are recognised when:

- the AMPGH 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.

From time to time, the AMPGH 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 in the AMPGH. Legal proceedings threatened against AMPGH may also, if filed, result in AMPGH incurring obligations or suffering financial loss.

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

Section 5: Other disclosures

5.4 Provisions and contingent liabilities (continued)

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, AUSTRAC and the ATO, 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 to the imposition of penalties, disagreement with management's position on judgemental matters including provisions and tax positions, 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 regularly undertakes internal reviews, as part of ongoing monitoring and supervision activities, 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. These provisions are judgemental and the actual compensation could vary from the amounts provided.

Litigation

Superannuation class actions

During May and June 2019, certain subsidiaries of AMPGH, namely, N.M. Superannuation Proprietary Limited (NM Super), AMP Superannuation Limited (AMP Super), NMMT Limited and AMP Services Limited (AMP Services), 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. The consolidated class action is in respect of the period July 2008 to September 2019. The AMP respondents have filed defences to the proceedings. The claims are yet to be quantified and participation has not been determined. Currently, the potential outcome and costs associated with the matter remain uncertain. The proceedings are being defended.

Financial adviser class action

In July 2020, AMP Financial Planning Pty Limited (AMPFP), a subsidiary of AMPGH, was served with a class action in the Federal Court of Australia. 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 Court delivered judgment on 5 July 2023. The Court ruled in favour of the claims of the lead applicant and sample group member and determined amounts payable to the lead applicant and the sample group member only.

Group members comprise multiple cohorts with varying facts and circumstances, and at present the judgment leaves undetermined whether, or the extent to which, the Court's ruling might apply. Where management estimates the Court's ruling is likely to apply to a particular cohort, a provision has been made for the best estimate of expected future cash outflows. The provisions are judgemental and the actual impact could vary from the amount provided.

For cohorts which have facts and circumstances that differ to the lead applicant and the sample group member, no provision has been made as further court processes are likely to be required to determine any liability. As a result, the liability in respect of these cohorts continues to remain contingent.

AMP is currently considering its position with respect to the decision as to whether to appeal.

Commissions for advice and insurance advice class action

In July 2020, AMPFP and Hillross Financial Services Limited (Hillross), both subsidiaries of AMPGH, were served with a class action in the Federal Court of Australia. The class action related to advice provided by some aligned financial advisers in respect of certain life and other insurance products. Subsequently, in August 2020, AMP Limited, AMPFP, Hillross and Charter Financial Planning Limited (Charter), were served with a class action in the Federal Court of Australia. The class action primarily related 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. In December 2020, the Federal Court ordered that these two class actions be consolidated. The consolidated class action is in respect of the period July 2014 to February 2021. The AMP respondents have filed a defence to the proceedings. The claim is yet to be quantified and participation has not been determined. Currently, the potential outcome and costs associated with the matter remain uncertain. The proceedings are being defended.

Proceedings brought by Munich Re Australia

In April 2023, AMP Limited and certain subsidiaries of AMPGH, namely, AMP Services, NM Super, AMP Super and AWM Services Pty Limited, were served with proceedings in the Supreme Court of New South Wales brought by Munich Reinsurance Company of Australasia Limited (Munich Re). The proceedings primarily relate to allegations of misleading or deceptive conduct in respect of the entry by Munich Re and Resolution Life Australasia Limited (formerly AMP Life Limited, which is also a defendant to the proceedings) into certain reinsurance arrangements in 2016 and 2017. The AMP defendants have yet to file a defence to the proceedings. The claim is yet to be quantified. Currently, the potential outcome and costs associated with the matter remain uncertain. The proceedings are being defended.

Section 5: Other disclosures

5.4 Provisions and contingent liabilities (continued)

Addressing historical matters through regulator actions

AMPGH has been working through a number of historical matters raised at the Royal Commission and elsewhere, and since 2018, has been taking action to strengthen assurance and operational controls, accountability and processes, improve compliance and risk management, and remediate impacted customers.

In 2021, AMPGH's Superannuation Trustees (AMP Superannuation Limited and N.M. Superannuation Proprietary Limited) entered into an enforceable undertaking (EU) with APRA for historical matters in the Superannuation business. APRA has acknowledged that AMP has addressed and completed remediation for several matters, and at the completion of this EU, AMP envisages that all outstanding matters referred to APRA by the Financial Services Royal Commission will be concluded.

Indemnities and warranties to Resolution Life

Under the terms of the sale agreement for the sale of the wealth protection and mature businesses to Resolution Life Australia Pty Ltd (Resolution Life), AMP has given certain covenants, warranties and indemnities in favour of Resolution Life in connection with the transaction. Resolution Life has notified a number of potential breaches of these covenants, warranties and indemnities and as a result has made various claims against AMP. 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 they 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.

5.5 New accounting standards

AMPGH has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the group.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

5.6 Events occurring after reporting date

As at the date of this report, the directors are not aware of any matters or circumstances other than those described in the financial report, 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.

Directors' declaration

for the half year ended 30 June 2023

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

- (a) there are reasonable grounds to believe that AMP Group Holdings Limited will be able to pay its debts as and when they become due and payable; and
- (b) the financial statements and the notes of AMP Group Holdings Limited for the half year ended 30 June 2023 are in accordance with the *Corporations Act 2001*, including section 304 (compliance with accounting standards) and section 305 (true and fair view).



Blair Vernon

Sydney, 6 September 2023



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Independent auditor's review report to the members of AMP Group Holdings Limited

Conclusion

We have reviewed the accompanying half-year financial report of AMP Group Holdings Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2023 and of its consolidated financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half-year financial report

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

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



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

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive, flowing script.

Ernst & Young

A handwritten signature in black ink that reads 'Sarah Lowe' in a cursive, flowing script.

Sarah Lowe
Partner
Sydney
6 September 2023