AMP Group Holdings Limited

ABN 88 079 804 676

Directors' Report for the year ended 31 December 2011

DIRECTORS' REPORT

for the year ended 31 December 2011

Your directors present their report on the consolidated entity (AMPGH group) consisting of AMP Group Holdings Limited (the company) and the entities it controlled at the end of or during the year ended 31 December 2011.

Directors' details

The Directors of the company during the year ended 31 December 2011 and up to the date of this report are shown below. Directors were in office for this entire period, except where stated otherwise:

- Colin Storrie (appointed 18 February 2011)
- Simon Hoole
- David Rowe (appointed 16 December 2011)
- Paul Leaming (resigned 31 December 2011)
- Brian Salter (resigned 21 February 2011)

Principal activities

AMP Group Holdings Limited 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). 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.

AMPGH group is Australia and New Zealand's leading independent wealth management company with a growing international investment management business. It provides financial advice, products and services and investment opportunities to help people and organisations build financial security.

AMP merged with the Australian and New Zealand businesses of AXA Asia Pacific Holdings Limited (AXA) in March 2011, creating a new competitive force in wealth management.

AMP today holds number one or two rankings across key market segments in Australian and New Zealand, is Australia's largest superannuation provider and one of the largest domestic investment managers.

AMP Financial Services

AMP Financial Services provides customers in Australia and New Zealand with financial advice, superannuation, retirement income and other investment products, superannuation services for businesses, income protection, disability and life insurance products. These products and services are primarily distributed through a network of 4,100 aligned and employed advisers and planners in Australia and New Zealand, as well as through extensive relationships with independent financial advisers.

On 31 December 2011, AMP sold its general insurance distribution business.

AMP Capital

AMP Capital is a diversified investment manager, managing around $120 billion in assets for investors. Through a team of 240 investment professionals and a carefully selected global network of investment partners, AMP Capital invests in equities, fixed interest, infrastructure, property, diversified funds and multi-manager funds. AMP Capital also provides commercial, industrial and retail property management services. In addition to its well established operations in Australia and New Zealand, AMP Capital has a growing international presence with offices in Bahrain, China, Hong Kong, India, Japan, Luxembourg, Singapore, the United Kingdom and the United States.

On 9 December 2011, AMP Capital announced a strategic business alliance with a leading Japanese trust bank, Mitsubishi UFJ Trust and Banking Corporation (MUTB). The alliance will accelerate AMP Capital's growth in Asia and significantly expand its distribution footprint in Japan. MUTB will acquire a 15 per cent minority interest in AMP Capital Holdings Limited, the parent company of the AMP Capital group of companies, for $425m. The transaction is expected to complete in March 2012, subject to regulatory approval.

Review of operations and results

AMPGH group operates in one of the largest and fastest growing wealth management markets in the world. The company is financially strong, with a disciplined, prudent approach to costs and capital management. This business model is characterised by a large customer base, scale in key market segments, the largest and most qualified financial adviser network in Australia and New Zealand, high quality, contemporary and diverse products, platforms and investment capabilities, one of the largest investment management houses in the Asia Pacific region and a trusted brand.

AMPGH group's statutory profit attributable to shareholders of AMP Group Holdings Limited for the year ended 31 December 2011 was $532 million, compared to $689 million for the previous corresponding period.

Capital management
Equity and reserves of the AMPGH group attributable to shareholders increased to $5,772 million at 31 December 2011 from $1,911 million at 31 December 2010. This was a result of share capital of $3,700 million issued for the acquisition of AXA Asia Pacific Holdings Limited, profits to 31 December 2011 and other movements in reserves, partially offset by dividends paid up to 31 December 2011.

Significant changes to the state of affairs
Details of capital changes during 2011 are set out in the previous paragraph..

On 30 March 2011, AMP completed its acquisition of AXA Asia Pacific Holdings Limited for the purposes of merging the Australian and New Zealand operations of both entities. The merger was effected by AMP acquiring 100 per cent of the issued shares in AXA Asia Pacific Holdings Limited though a contractual arrangement with its parent entity, AXA SA, and a scheme of arrangement with its minority shareholders. The contractual arrangement to acquire the shares held by AXA SA was conditional upon the approval of the scheme of arrangement with the minority shareholders of AXA Asia Pacific Holdings Limited which was approved by those shareholders on 2 March 2011 and subsequently approved by the Supreme Court of Victoria on 7 March 2011. AMP obtained control of AXA Asia Pacific Holdings Limited on 30 March 2011, which is the date that AMP acquired 100 per cent of AXA Asia Pacific Holdings Limited shares and was able to appoint directors to the board. Details of the financial impact of the transactions are provided in Note 3 of the Financial Report.

There have been no other significant changes in the state of affairs during this financial year.

Events occurring after the reporting date
As at the date of this report, the directors are not aware of any matter or circumstance that has arisen since the end of the year that has significantly affected or may significantly affect the entity's operations in future years, the results of those operations in future years, or the entity's state of affairs in future years which is not already reflected in this report, other than the following:

- On 9 December 2011, AMP announced a strategic business alliance with Mitsubishi UFJ Trust and Banking Corporation (MUTB) which included the sale to MUTB of a 15 per cent interest in AMP Capital Holdings Limited. The settlement date for this transaction is in March 2012 (subject to regulatory approval).

Likely developments
In the opinion of the directors, disclosure of further information about likely developments in AMPGH group's businesses is commercially sensitive and would likely be detrimental and result in unreasonable prejudice to the company.

The environment
AMPGH group manages its environmental impact through the broader framework of AMP's Environmental Policy guiding improvements in direct environmental impacts by reducing the organisation's use of energy, water, paper and other materials. It also outlines environmental considerations in AMP's purchasing decisions and product design. The Environment Policy is available on AMP's website: www.amp.com.au

AMP has an environment leadership team that drives improvements in AMP's operational environmental performance and is chaired by the Managing Director of AMP Capital. The team has established key targets for energy use and waste recycling, and these have been endorsed by senior management. Over the past three years, initiatives have been implemented to increase the number of buildings with recycling programs, automatic PC shutdown, server virtualisation, low energy lighting, additional timers and sensors. Employee awareness and participation activities have also been introduced to help the organisation meet the key targets.

As an investor, AMP believes engagement with companies on environmental issues is an effective way to influence management practices for the benefit of customers and the environment. During 2011, AMP Capital continued to be a signatory to the Carbon Disclosure Project (CDP) (www.cdproject.net). AMP was listed in the

CDP 2011 ASX200 and NZX50 Carbon Disclosure Leadership Index and was an active participant in the Investor Group on Climate Change (www.igcc.org.au). AMP Capital is also a signatory to the United Nations Principles of Responsible Investment.

In the normal course of its business operations, AMP is subject to a range of environmental regulations, of which there have been no material breaches during the year.

AMP reports energy use and greenhouse gas emissions through compliance with the *Energy Efficiency Opportunities Act 2006* (EEO Act) and the *National Greenhouse and Energy Reporting Act 2007* (NGER Act).

Both these Acts require AMP to report on energy consumption levels. The EEO Act aims to encourage more efficient use of energy by large energy-using businesses, while the NGER Act provides for the reporting and dissemination of information related to greenhouse gas emissions, greenhouse gas projects, energy production and energy consumption.

Reporting to the Australian Government Department of Resources, Energy and Tourism and the Australian Government Department of Climate Change and Energy Efficiency (the responsible government bodies) is performed at an AMP Limited level, with AMP Capital making up a core component of the reporting through its property and infrastructure divisions.

AMP's 2011 report on *Energy Efficient Opportunities* is available at www.amp.com.au/socialresponsibility.

Indemnification and insurance of directors and officers

Under its Constitution, the company indemnifies, to the extent permitted by law, all officers of the company (including the directors) against any liability (including the costs and expenses of defending actions for an actual or alleged liability) incurred in their capacity as an officer of the company.

This indemnity is not extended to current or former employees of the AMP group against liability incurred in their capacity as an employee, unless approved by the board of AMP Limited. No such indemnities have been provided during or since the end of the financial year.

During the financial year, AMP Limited agreed to insure all of the officers of the company against certain liabilities as permitted by the Corporations Act. The insurance policy prohibits disclosure of the nature of the cover, the amount of the premium, the limit of liability and other terms.

The company has entered into a deed of indemnity and access with each director of the company. Each deed of indemnity and access provides that:

- the director will have access to the books of the company for their period of office and for seven years after they cease to hold office (subject to certain conditions); and
- the company agrees to indemnify the director, to the extent permitted by law, against any liability incurred by the Director in his or her capacity as a director of the company and of other AMP group companies.

Rounding

In accordance with the Australian Securities and Investments Commission Class Order 98/0100, amounts in this Directors' Report and the accompanying Financial Report have been rounded off to the nearest million Australian dollars, unless stated otherwise.

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

The directors have obtained an independence declaration from the company's auditor, Ernst & Young, a copy of which is attached to this report and forms part of the Directors' report for the year ended 31 December 2011.

Signed in accordance with a resolution of the directors.

Colin Storrie	**Simon Hoole**
Director	**Director**

Sydney, 27 February 2012

ERNST & YOUNG

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

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

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

In relation to our audit of the financial report of AMP Group Holdings Limited for the financial year ended 31 December 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Andrew Price
Partner
Sydney
27 February 2012

AMP Group Holdings Limited

ABN 88 079 804 676

Financial Report for the year ended 31 December 2011

AMP GROUP HOLDINGS LIMITED
ABN 88 079 804 676
FINANCIAL REPORT
31 DECEMBER 2011

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Registered Office:
Level 24, 33 Alfred Street
Sydney NSW 2000 Australia

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

Income statement

for the year ended 31 December 2011

	Note	Consolidated 2011 $m	2010 $m
Income and expenses of shareholders, policyholders, external unitholders and non-controlling interests[1]			
Life insurance premium and related revenue	5	1,877	1,100
Fee revenue	5	1,982	1,452
Other revenue	5	380	294
Investment gains and (losses)	6	773	4,208
Life insurance claims and related expenses	7	(1,790)	(1,289)
Operating expenses	7	(3,398)	(2,235)
Finance costs	7	(393)	(408)
Share of profit or (loss) of associates accounted for using the equity method		4	6
Movement in external unitholder liabilities		225	(284)
Change in policyholder liabilities			
- life insurance contracts		25	202
- investment contracts		868	(2,259)
Income tax (expense) credit	8	(33)	(118)
Profit for the year		**520**	**669**
Profit for the year attributable to shareholders of AMP Group Holdings Limited		**532**	**689**
Profit (loss) for the year attributable to non-controlling interests		(12)	(20)
Profit for the year		**520**	**669**

Footnote:

(1) Income and expenses include amounts attributable to shareholders' interests, policyholders' interests in the life entities' statutory funds, external unitholders' interests and non-controlling interests. Amounts included in respect of the life entities' statutory funds have a substantial impact on most of the consolidated Income statement lines, especially Investment gains and losses and income tax (expense) credit. In general, policyholders' interests in the transactions for the period are attributed to them in the lines Change in policyholder liabilities.

Statement of comprehensive income

for the year ended 31 December 2011

	Consolidated 2011 $m	Consolidated 2010 $m
Profit for the year	520	669
Other comprehensive income for the year recognised in retained earnings		
Defined benefit plans[1]		
- actuarial gains and (losses)	(177)	(15)
- income tax (expense) credit	53	4
	(124)	(11)
Other comprehensive income for the year recognised in reserves		
Cash flow hedges		
- gains and (losses) in fair value of cash flow hedges	(8)	(3)
- income tax (expense) credit	2	1
	(6)	(2)
Owner-occupied property revaluation		
- gains (losses) in valuation of owner-occupied property	9	(1)
- income tax (expense) credit	(1)	-
	8	(1)
Exchange difference on translation of foreign operations		
- exchange gains (losses)	3	(21)
- transferred to profit for the year	2	-
- transferred to profit for the year - income tax (expense)/credit	-	-
	5	(21)
Revaluation of hedge of net investments		
- gains and (losses) in fair value of hedge of net investments	3	3
- income tax (expense) credit	-	(1)
- transferred to profit for the year - gross	-	(4)
- transferred to profit for the year - income tax (expense) credit	-	1
	3	(1)
Total comprehensive income for the year	**406**	633
Total comprehensive income for the year attributable to shareholders of AMP Group Holdings Limited	**418**	653
Total comprehensive income (loss) for the year attributable to non-controlling interests	(12)	(20)
Total comprehensive income for the year	**406**	633

Footnote

(1) Actuarial gains and (losses) are determined in accordance with AASB119 Employee Benefits. This is not the same as the calculation methods used to determine the funding requirements for the plans. Refer to Note 1(dd) and Note 26.

Statement of financial position

as at 31 December 2011

	Note	Consolidated 2011 $m	Consolidated 2010 $m
Assets			
Cash and cash equivalents	25	7,614	5,098
Receivables	9	2,504	886
Current tax assets		32	8
Inventories and other assets	10	276	312
Investments in financial assets measured at fair value through profit or loss	11	76,685	67,110
Investments in financial assets measured at amortised cost	11	130	327
Investment properties	12	7,424	7,122
Investments in associates accounted for using the equity method	29	115	89
Property, plant and equipment	13	479	452
Deferred tax assets	8	958	506
Intangibles	14	4,347	919
Total assets of shareholders of AMP Group Holdings Limited, policyholders, external unitholders and non-controlling interests		**100,564**	**82,829**
Liabilities			
Payables	15	2,690	1,942
Current tax liabilities		86	58
Provisions	16	550	248
Other financial liabilities	11	2,494	2,935
Borrowings	17	2,132	2,422
Subordinated debt	18	949	345
Deferred tax liabilities	8	890	608
External unitholder liabilities		7,224	5,892
Life insurance contract liabilities	21	24,399	17,762
Investment contract liabilities	22	52,940	48,579
Defined benefit plan liabilities	26	370	67
Total liabilities of shareholders of AMP Group Holdings Limited, policyholders, external unitholders and non-controlling interests		**94,724**	**80,858**
Net assets of shareholders of AMP Group Holdings Limited and non-controlling interests		**5,840**	**1,971**
Equity[1]			
Contributed equity	20	6,926	3,226
Reserves		(2,530)	(2,563)
Retained earnings		1,376	1,248
Total equity of shareholders of AMP Group Holdings Limited		**5,772**	**1,911**
Non-controlling interests		68	60
Total equity of shareholders of AMP Group Holdings Limited and non-controlling interests		**5,840**	**1,971**

Footnote

(1) Further information on Equity is provided on the Statement of changes in equity on the following page.

Statement of changes in equity

for the year ended 31 December 2011

Consolidated

	Equity attributable to shareholders of AMP Group Holdings Limited										
	Contributed equity $m	Share-based payment reserve (1) $m	Cash flow hedge reserve (2) $m	Owner occupied property revaluation reserve (3) $m	Foreign currency translation reserve (4) $m	Hedge of net investment reserve (5) $m	Demerger loss reserve (6) $m	Retained earnings $m	Total shareholder equity $m	Non-controlling interest $m	Total equity $m
2011											
Balance at the beginning of the year	3,226	1	4	66	(69)	1	(2,566)	1,248	1,911	60	1,971
Profit (Loss) for the year	-	-	-	-	-	-	-	532	532	(12)	520
Other comprehensive income	-	-	(6)	8	5	3	-	(124)	(114)	-	(114)
Total comprehensive income	-	-	(6)	8	5	3	-	408	418	(12)	406
Share-based payment expense	-	24	-	-	-	-	-	-	24	-	24
Share purchases	-	(1)	-	-	-	-	-	-	(1)	-	(1)
Dividends paid	-	-	-	-	-	-	-	(280)	(280)	-	(280)
New capital from shares issued	3,700	-	-	-	-	-	-	-	3,700	-	3,700
Non-controlling interest recognised on acquisition of controlled entities	-	-	-	-	-	-	-	-	-	20	20
Balance at the end of the year	**6,926**	**24**	**(2)**	**74**	**(64)**	**4**	**(2,566)**	**1,376**	**5,772**	**68**	**5,840**
2010											
Balance at the beginning of the year	3,226	-	6	67	(48)	2	(2,566)	944	1,631	63	1,694
Profit (Loss) for the year	-	-	-	-	-	-	-	689	689	(20)	669
Other comprehensive income	-	-	(2)	(1)	(21)	(1)	-	(11)	(36)	-	(36)
Total comprehensive income	-	-	(2)	(1)	(21)	(1)	-	678	653	(20)	633
Share-based payment expense	-	19	-	-	-	-	-	-	19	-	19
Share purchases	-	(18)	-	-	-	-	-	-	(18)	-	(18)
Dividends paid	-	-	-	-	-	-	-	(374)	(374)	-	(374)
Non-controlling interest on sales and acquisitions	-	-	-	-	-	-	-	-	-	17	17
Balance at the end of the year	**3,226**	**1**	**4**	**66**	**(69)**	**1**	**(2,566)**	**1,248**	**1,911**	**60**	**1,971**

Statement of changes in equity (continued)

for the year ended 31 December 2011

Footnote:

(1) The Share-based payment reserve represents the cumulative expense recognised in relation to equity settled share-based payments less the cost of shares purchased and transferred to share-based payments recipients upon vesting.

(2) The Cash flow hedge reserve represents the cumulative impact of changes in the fair value of derivatives designated as cash flow hedges which are effective for hedge accounting. Hedge gains and losses are transferred to the Income statement when they are deemed ineffective or upon realisation of the cash flow.

(3) The Owner-occupied property revaluation reserve represents cumulative valuation gains and losses on owner-occupied property required to be recognised in equity.

(4) Exchange differences arising on translation of foreign controlled entities within the AMPGH group are recognised in Foreign currency translation reserve. Exchange gains and losses are transferred to the Income statement upon realisation of the investment in the foreign controlled entity.

(5) The Hedge of net investment reserve reflects gains and losses on effective hedges of net investments in foreign operations. Hedge gains and losses are transferred to the Income statement when they are deemed ineffective or upon realisation of the investment in the foreign controlled entity.

(6) There has been no movement in the Demerger loss reserve established in 2003 to recognise the transfer from shareholders' retained earnings of the total loss on the demerger of AMP's UK operations in December 2003.

Statement of cash flows

for the year ended 31 December 2011

	Note	Consolidated 2011 $m	2010 $m
Cash flows from operating activities	25		
Cash receipts in the course of operations		16,334	12,515
Interest and other items of a similar nature received		1,880	1,417
Dividends and distributions received		3,082	2,200
Cash payments in the course of operations		(17,233)	(13,626)
Finance costs		(338)	(281)
Income tax refunded / (paid)		(328)	153
Cash flows from operating activities		**3,397**	**2,378**
Cash flows from investing activities			
Net proceeds from sale of/(payments to acquire):			
- investment property		(64)	74
- investments in financial assets(2)		(3,174)	119
Acquisition of AXA Asia Pacific Holdings Limited(3)		1,673	-
Payments to acquire other subsidiaries and other businesses net of cash acquired(4)		-	(19)
Proceeds from disposal of subsidiaries and other businesses(1)		-	297
Cash flows from (used in) investing activities		**(1,565)**	**471**
Cash flows from financing activities			
Proceeds from borrowings		903	1,264
Net movement in deposits from customers		(12)	(11)
Repayment of borrowings		(1,290)	(1,931)
Proceeds from issue of subordinated debt		600	-
Dividends paid		(280)	(374)
Cash flows from (used in) financing activities		**(79)**	**(1,052)**
Net increase (decrease) in cash and cash equivalents		**1,753**	**1,797**
Cash and cash equivalents at the beginning of the year		9,941	8,158
Effect of exchange rate changes on cash and cash equivalents		5	(14)
Cash and cash equivalents at the end of the year		**11,699**	**9,941**

Footnote:

(1) Proceeds of $297m in 2010 is in respect of the disposal of trusts and operating businesses controlled by the life entities' statutory funds which carry out business operations unrelated to the core wealth management operations of the AMPGH group, net of cash disposed of (refer to Note 25(d)).

(2) Net proceeds from the sale of/(payments to acquire) investments in financial assets comprise purchases and sales of financial assets measured at fair value through profit or loss held by the AMP life insurance entities' statutory funds and controlled entities of the AMP life insurance entities' statutory funds largely reflecting policyholder investment decisions during the period

(3) The net cash flows from the acquisition of AXA Asia Pacific Holdings Limited comprise $2,164m cash and cash equivalents held by AXA Asia Pacific Holdings Limited group at acquisition date less cash consideration paid of $491m. The cash consideration paid consists of $455m for AMP's share of the cash paid to minority shareholders, $69m paid to rights holders less $33m adjustment payments received from AXA SA prior to reporting date. A further $1,970m of cash consideration paid to minority shareholders was funded by AXA SA. See Note 3 for further details.

(4) Payments to acquire other subsidiaries and other businesses did not have a material impact on the composition of the AMPGH group.

Notes to the financial statements

for the year ended 31 December 2011

1. Basis of preparation and summary of significant accounting policies

The consolidated economic entity (the AMPGH group) comprises AMP Group Holdings Limited, a company limited by shares, and incorporated and domiciled in Australia, and all entities that it controlled during the period and at the reporting date. AMPGH group comprises the majority of the controlled entities in the AMP Limited consolidated economic entity (the AMP group).

(a) Basis of preparation

This general purpose Financial Report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), and the *Corporations Act 2001*. The Financial Report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The significant accounting policies adopted in the preparation of the Financial Report are set out below. These policies have been consistently applied to the current year and comparative period, unless otherwise stated.

The AMPGH group is predominantly a wealth-management business conducting operations through registered life insurance companies (AMP life insurance entities) and other entities. Where permitted under accounting standards, the assets and liabilities associated with life insurance contracts and investment contracts are generally measured on a fair value basis and other assets and liabilities are generally measured on a historical cost basis.

Assets and liabilities have been presented on the face of the Statement of financial position in decreasing order of liquidity and do not distinguish between current and non-current items. The majority of the assets of the AMPGH group are investment assets held to back investment contract and life insurance contract liabilities. Although the amount of those assets which may be realised and those liabilities which may be settled within 12 months of the reporting date are not always known, estimates of amounts expected to be recovered or settled (a) no more than 12 months after the reporting date, and (b) more than 12 months after the reporting date, have been provided in footnotes to the relevant notes.

Changes in accounting policy

Since 1 January 2011, the AMPGH group has adopted a number of Australian Accounting Standards and Interpretations which are mandatory for annual periods beginning on or after 1 January 2011. Adoption of these Standards and Interpretations has not had any material effect on the financial position or performance of the AMPGH group.

The main standards adopted since 1 January 2011 were:

- AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* and AASB 2010-4 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Project*. These standards make a series of minor amendments to various accounting standards. Some changes to the disclosures relating to the credit risk of financial instruments have been made as a result of these amended standards.
- Revised AASB 124 *Related Party Disclosures*: this revised standard includes some minor modifications to the definition of a related party which has resulted in no change to the transactions and balances which are required to be disclosed in the notes to the financial statements.

Australian Accounting Standards issued but not yet effective

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

- AASB 9 *Financial Instruments.* This standard makes significant changes to the way financial assets are classified for the purpose of determining their measurement basis and also to the amounts relating to fair value changes which are to be taken directly to equity. AASB 9 is mandatory for adoption by the AMPGH group in the year ending 31 December 2013. The financial impact to the AMPGH group of adopting AASB 9 has not yet been quantified.
- AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, revised AASB 127 *Separate Financial Statements*, revised AASB *128 Investments in Associates and Joint Ventures* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*. These standards change the criteria for determining which entities are to be consolidated and which entities are to be accounted for using the equity method in preparing consolidated accounts and the required disclosures in relation to such entities. Each of these standards is mandatory for adoption by the AMPGH group in the year ending 31 December 2013. The financial impact on the AMPGH group of adopting these standards has not yet been quantified.
- AASB 13 *Fair Value Measurement.* This standard centralises the definition and guidance for calculating fair values where required to be applied by various other accounting standards and removes some minor inconsistencies that previously existed between the guidance for determining fair value in these standards. The new standard requires quantitative and qualitative disclosures of all fair value measurements. AASB 13 is mandatory for adoption by the AMPGH group in the year ending 31 December 2013. The financial impact on the AMPGH group of adopting AASB 13 has not yet been quantified.
- Revised AASB 119 *Employee Benefits*. Under the current AASB 119, an amount is recognised in profit or loss for the expected earnings on the assets of AMPGH group's defined benefit funds, with any difference between the expected return and the actual return taken directly to equity. Under the revised AASB 119, the amount recognised in profit or loss will be determined using a risk free rate rather than expected earnings. The revised AASB 119 is mandatory for adoption by the AMPGH group in the year ending 31 December 2013. The financial impact on the AMPGH group of adopting the revised AASB 119 has not yet been quantified.
- Revised AASB 101 *Presentation of Financial Statements*. The revised AASB 101 requires items in the Statement of comprehensive income to be segregated between those that will be eventually realised in the Income statement in future periods and those that will not. The revised AASB 101 is mandatory for adoption by the AMPGH group in the year ending 31 December 2013. The changes to AASB 101 relate to presentation only and are not expected to have a financial impact on the AMPGH group.

Notes to the financial statements

for the year ended 31 December 2011

1. Basis of preparation and summary of significant accounting policies (continued)

Change in presentation of the Income statement
In prior periods, the Income statement included disclosure of the impact of accounting mismatches on Profit for the year attributable to the shareholders of AMP Group Holdings Limited. In accordance with ASIC regulatory guide RG 230 *Disclosing non IFRS financial information*, this information is no longer presented in the Income statement.

Change in presentation of the Statement of financial position
The Statement of financial position has been enhanced to show on a gross basis the collateral held by the life entities' statutory funds and their controlled entities in relation to debt security repurchase agreements and the liability to return this collateral on settlement.

As in prior periods, securities subject to repurchase agreements are not derecognised from the Statement of financial position as the risk and rewards of ownership remain within the investment portfolio. However, collateral received from the counterparty and the liability to return this collateral is now presented on a gross basis in the Statement of financial position.

This change has resulted in the following changes to the amounts presented in the financial statements:

- an increase in Cash and cash equivalents in the Statement of financial position of $174m (2010: $167m);
- an increase in Investments in Financial assets measured at fair value through profit or loss in the Statement of financial position of $1,275m (2010: $2,177m);
- an increase in Other financial liabilities in the Statement of financial position of $1,449m (2010: $2,344m);
- an increase in the net payments to acquire investments in financial assets in the Statement of cash flows of $895m (2010: $825m decrease in net payments to acquire investments in financial assets);
- an increase in Cash and cash equivalents at the beginning of the period in the Statement of cash flows of $2,344m (2010: $1,519m);
- an increase in Cash and cash equivalents at the end of the period in the Statement of cash flows of $1,449m (2010: $2,344m).

There is no change to reported net assets, profit or earnings per share. Comparatives have been restated to be consistent with current year disclosures.

(b) Principles of consolidation
The financial statements consolidate the financial information of controlled entities. Control is determined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The majority of the AMP life insurance entities' investments are held through controlling interests in a number of unit trusts and companies.

The financial information for controlled entities is prepared for the same reporting date as the parent entity, using consistent accounting policies. Where dissimilar accounting policies may exist, adjustments are made to bring these into line.

Consolidation principles require the total amounts of each underlying asset, liability, income and expense of the controlled entities to be recognised in the consolidated financial statements. When a controlled unit trust is consolidated, the share of the unitholder liability attributable to the AMPGH group is eliminated but amounts due to external unitholders remain as liabilities in the consolidated Statement of financial position. The share of the net assets of controlled companies attributable to non-controlling interests is disclosed as a separate line item on the Statement of financial position. In the Income statement, the profit or loss of the AMPGH group is allocated between profit or loss attributable to non-controlling interests and profit or loss attributable to the parent entity.

Controlled entities acquired are accounted for using the acquisition method of accounting. Information from the financial statements of controlled entities is included from the date the parent entity obtains control until such time as control ceases. Where the AMPGH group ceases to control an entity, the consolidated financial statements includes the results for the part of the reporting period during which the parent entity had control.

During the year, AMPGH group acquired AXA Asia Pacific Holdings Limited. Information in relation to this transaction is set out in Note 3. 2011 consolidated revenues and expenses include a nine month contribution from the AXA Asia Pacific Holdings Limited group. 2010 comparatives do not include any revenues and expenses from AXA Asia Pacific Holdings Limited group.

Most other acquisitions and disposals of controlled entities are in relation to unit trusts with underlying net assets typically comprising investment assets and cash. The consideration for acquisitions or disposals reflects the fair value of the investment assets at the date of the transactions after taking into account non-controlling interests.

All inter-company balances and transactions are eliminated in full, including unrealised profits arising from intra-group transactions.

Consolidation impact of investments of the AMP life insurance entities
AMP life insurance entities conduct wealth-management business through separate life statutory funds. Income, expenses, assets and liabilities attributable to policyholders within the life statutory funds are consolidated into the AMPGH group financial statements, along with those attributable to the shareholders of the parent entity.

The majority of the AMP life entities' statutory funds' investments are held through controlling interests in a number of unit trusts and companies. These investment assets are held on behalf of policyholders and the AMP life entities' statutory funds recognise a liability to the policyholders valued as described in Note 1(s) for Life insurance contract liabilities, and Note 1(t) for Investment contract liabilities. In certain cases, the amount of the net assets of the controlled entities recognised in the consolidated financial statements may not match the valuation of the relevant liability to the policyholder which results in certain policyholder asset movements impacting the profit attributable to shareholders of AMP Group Holdings Limited.

Certain controlled entities of the AMP life insurance entities' statutory funds are operating companies which carry out business operations unrelated to the core wealth management operations of the AMPGH group.

Notes to the financial statements

for the year ended 31 December 2011

1. Basis of preparation and summary of significant accounting policies (continued)

(c) Accounting for wealth-management and life insurance business

The accounting treatment of certain transactions in this Financial Report varies depending on the nature of the contract underlying the transactions. The two major contract classifications relevant to the wealth-management and insurance business of the AMPGH group are investment contracts and life insurance contracts.

For the purposes of this Financial Report, holders of investment contracts or life insurance contracts are collectively and individually referred to as *policyholders*.

Investment contracts

The majority of the business of the AMP life insurance entities relates to wealth-management products such as savings, investment-linked and retirement income policies. The nature of this business is that the AMP Life insurance entities receives deposits from policyholders and those funds are invested on behalf of the policyholders. With the exception of fixed retirement income policies, the resulting liability to policyholders is linked to the performance and value of the assets that back those liabilities. For fixed retirement income policies, the resulting liability is linked to the fair value of the fixed retirement income payments and associated management services.

Under Australian Accounting Standards such contracts are defined as *life investment contracts* and described as *investment contracts* throughout this Financial Report.

Life insurance contracts

AMP life insurance entities also issue contracts that transfer significant insurance risk from the policyholder, covering death, disability or longevity of the insured. In addition, there are some policies that are similar to investment contracts, but the timing of the vesting of the profit attributable to the policyholders is at the discretion of the AMP life insurance entities. These policies are referred to as *discretionary participating contracts*.

Under Australian Accounting Standards, such contracts are defined as *life insurance contracts*.

Assets measurement basis

Assets backing investment contract and life insurance contract liabilities are measured on a basis that is consistent with the measurement of the liabilities, to the extent permitted under Australian Accounting Standards.

Investment contract liabilities are measured at fair value as described in Note 1(t) and life insurance contract liabilities are measured as described in Note 1(s). Assets backing such liabilities are measured at fair value, to the extent permitted under Australian Accounting Standards. Realised and unrealised gains and losses arising from changes in the fair value are recognised in the Income statement, to the extent permitted under Australian Accounting Standards. The accounting policies for individual asset classes, and any restrictions on application of fair value, are described later in Note 1.

All assets that back investment contract liabilities and life insurance contract liabilities are included within the AMP life entities' statutory funds and, as such, are separately identifiable.

(d) 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. For the purpose of the Statement of cash flows, cash 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 Borrowings in the Statement of financial position.

(e) Receivables

Receivables that back investment contract liabilities and life insurance contract liabilities are financial assets and are measured at fair value. Reinsurance and other recoveries are discounted to present value. Receivables that do not back investment contract and life insurance contract liabilities are measured at nominal amounts due, less any allowance for doubtful debts. An allowance for doubtful debts is recognised when collection of the full amount is no longer probable. Bad debts are written off as incurred. Given the short-term nature of most receivables, the recoverable amount approximates fair value.

(f) Inventories

Assets held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services are classified as inventories.

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

Notes to the financial statements

for the year ended 31 December 2011

1. Basis of preparation and summary of significant accounting policies (continued)

(g) Investments in financial assets

Investments in financial assets measured at fair value through profit or loss

Investments in financial assets designated on initial recognition as financial assets measured at fair value through profit or loss are initially recognised at fair value determined as the purchase cost of the asset, exclusive of any transaction costs. Any realised and unrealised gains or losses arising from subsequent measurement at fair value are recognised in the Income statement in the period in which they arise.

Subsequent to initial recognition, fair value of investments measured at fair value through profit or loss is determined as follows

- the fair value of equity securities 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, a 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.
- 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.
- 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.
- the fair value of derivative financial assets is determined in accordance with the policy set out in Note 1(q).

There is no reduction for realisation costs in determining the fair value of financial assets measured at fair value through profit or loss.

Investments in financial assets measured at amortised cost

Investments in 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.

(h) Investments in associates accounted for using the equity method

Associated entities are defined as those entities over which the AMPGH group has significant influence but there is no capacity to control. Investments in associates, other than those backing investment contract and life insurance contract liabilities, are initially measured at cost plus any excess of the fair value of AMP's share of identifiable assets and liabilities above cost at acquisition date subsequently adjusted for AMPGH group's share of post-acquisition profit or loss and movements in reserves net of any impairment. 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.

Investments in associates held to back life insurance or life investment contracts 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.

(i) Investment property

Investment property is held to earn revenue from rentals and/or for the purposes of capital appreciation. Investment property includes all directly held freehold and leasehold properties but excludes owner-occupied properties. See Note 1(j). There are no property interests held under operating leases accounted for as investment property.

Investment property is initially recognised at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value.

Changes in value of investment property are taken directly to the Income statement and may comprise changes in the fair value from revaluation of investment property, and fair value adjustments in relation to:

- the straight-lining of fixed rental income
- tenant incentives including rent free periods, landlord and tenant owned fit-out contributions, and
- capitalised leasing fees.

The process adopted to determine fair values for investment properties is set out in Note 12.

Notes to the financial statements

for the year ended 31 December 2011

1. Basis of preparation and summary of significant accounting policies (continued)

(j) Property, plant and equipment

Owner-occupied property

Under Australian Accounting Standards, where the whole or a significant portion of a property owned by the AMPGH group is held for use by the AMPGH group in the production or supply of goods or services, or for administrative purposes, that property is classified for accounting purposes as owner-occupied property within Property, plant and equipment in the Statement of financial position.

Owner-occupied property is initially recognised at cost, including transaction costs. It is subsequently measured at the revalued amount, being its fair value at the date of the revaluation, less any subsequent accumulated depreciation and accumulated impairment losses. Fair value is determined on the same basis as investment property in Note 12.

When a revaluation increases the carrying value of a property, the increase is recognised directly in Other comprehensive income through the owner-occupied property revaluation reserve. However, an increase is recognised in the Income statement to the extent that the amount reverses a revaluation decrease of the same asset previously recognised in the Income statement. When the carrying value of an asset is decreased as a result of a revaluation, the decrease is recognised in the Income statement. However, any decrease is recognised in the owner-occupied property revaluation reserve to the extent that it reverses a balance existing in the reserve in respect of that asset.

Gains or losses on disposals are measured as the difference between proceeds and the carrying amount and are recognised in the Income statement. The balance of the owner-occupied property revaluation reserve, in respect of a property disposed of, is transferred to retained earnings.

Each part of an owner-occupied property, except land, that is significant in relation to the total property is depreciated on a systematic basis over the useful life of the asset, being a period not exceeding 40 years.

To the extent any owner-occupied property is held by the life entities' statutory funds, the amounts recognised for the asset in the consolidated financial statements may not match the valuation of the relevant liability to the policyholder which results in certain policyholder asset movements impacting the profit attributable to shareholders of AMP Group Holdings Limited.

Plant and equipment

Plant and equipment is initially measured at cost, including transaction costs. It is subsequently measured at cost less any subsequent accumulated depreciation and accumulated impairment losses. The written down amount approximates fair value.

Each item of plant and equipment is depreciated on a systematic basis over the useful life of the asset of 3–10 years.

Leasehold improvements

Leasehold improvements are recognised as an asset only when it is probable that future economic benefits associated with the asset will flow to AMPGH group and the cost of the item can be reliably measured.

(k) Intangible assets

Goodwill

When the aggregate of the fair value of the consideration transferred in a business combination, the recognised amount of any non-controlling interest and the fair value of any previously held equity interest in the acquiree exceeds the fair value of the identifiable assets acquired and liabilities assumed, the excess is recognised as goodwill. Subsequently, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is not subject to amortisation but is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purposes of assessing impairment of goodwill, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount of the assets, including goodwill, an impairment loss is recognised in the Income statement.

Capitalised costs

Costs are capitalised and carried forward only where the costs relate to the creation of an asset with expected future economic benefits which are capable of reliable measurement. Otherwise, all costs are recognised as expenses in the period in which they are incurred. Capitalised costs are amortised 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). The useful lives of such assets generally do not exceed five years, however a useful life of up to seven years has been applied to some capitalised costs relating to IT systems development projects where AMPGH group expects benefits to flow over a longer period.

Management rights

Rights to receive fees for asset management services acquired either directly or as part of a business combination are recognised as an intangible asset when they can be separately identified and reliably measured and it is probable that the expected benefits will flow to the AMPGH group. Management rights are initially measured at cost. Management rights have been assessed to have an indefinite useful life where the contractual rights to manage the assets have no fixed term. These management rights are not amortised but are tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Where management rights are subject to contractual terms, the useful life is determined to be the contractual term and the asset is amortised over that period. These assets are also reviewed at each reporting period for indicators of impairment.

Value of in-force business

An intangible asset is recognised in a business combination for the fair value of future business arising from the existing contractual arrangements of the acquired businesses with its customers. The value of in-force business is measured initially at fair value and is subsequently amortised over its useful life. Value of in-force business has a useful life of 10 years for wealth management and distribution business and 20 years for wealth protection and mature business.

Notes to the financial statements

for the year ended 31 December 2011

1. Basis of preparation and summary of significant accounting policies (continued)

Distribution networks
An intangible asset is also recognised in a business combination for the fair value of the existing contractual distribution arrangements of the acquired entity. Distribution networks intangibles are also recognised where AMPGH group acquires customer lists or other distribution related rights other than through a business combination. Distribution networks are measured initially at fair value and subsequently amortised over their useful lives of 3 to 15 years.

Other intangible assets
Other intangible assets comprise:
- amounts recognised in a business combination for the value of the software assets of the acquired entity where it is expected that future economic benefits will be derived. Software is recognised initially at fair value and is subsequently amortised over its useful life. Software has a useful life of 2 to 4 years. Software maintenance costs are expensed as incurred.
- acquired customer relationships recognised as a result of business combinations and when they can be separately identified, reliably measured and it is probable that expected benefits will flow to the AMPGH group. These intangible assets are initially measured at cost and are subsequently amortised over the estimated useful life of each asset.

(l) Impairment of assets
Assets measured at fair value, where changes in value are reflected in the Income statement, are not subject to impairment testing. As a result, financial assets, other than investments in financial assets measured at amortised cost, and investment properties, are not subject to impairment testing. Other assets such as property, plant and equipment, goodwill and other intangibles, investments in associates accounted for using the equity method and investments in financial assets measured at amortised cost are subject to impairment testing.

Assets that have indefinite useful lives, such as goodwill, are not subject to amortisation but are tested at least annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Any impairment loss, being the amount by which the carrying amount of an asset exceeds its recoverable amount, is recognised in the Income statement. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

(m) Taxes

Tax consolidation
AMP Limited and its wholly-owned controlled entities including AMP Group Holdings Limited and its Australian domiciled wholly owned controlled companies comprise a tax-consolidated group of which AMP Limited is the head entity. The implementation date for the tax-consolidated group was 30 June 2003.

AXA Asia Pacific Holdings Limited and each of its wholly owned Australian domiciled corporate entities joined the AMP Limited tax consolidated group on 30 March 2011.

Under tax consolidation, AMP Limited, as head entity, assumes the following balances from entities within the tax-consolidated group:

- current tax balances arising from external transactions recognised by entities in the tax-consolidated group, occurring after the implementation date
- deferred tax assets arising from unused tax losses and unused tax credits recognised by entities in the tax-consolidated group.

A tax funding agreement has been entered into by the head entity and the controlled entities in the tax-consolidated group. Entities in the tax-consolidated group continue to be responsible, by the operation of the tax funding agreement, for funding tax payments required to be made by the head entity arising from underlying transactions of the controlled entities. Controlled entities make (receive) contributions to (from) the head entity for the balances assumed by the head entity, as described above. The contributions are calculated in accordance with the tax funding agreement. The contributions are payable as set out in the agreement and reflect the timing of AMP Limited's obligations to make payments to the Australian Taxation Office.

Assets and liabilities which arise as a result of balances transferred from entities within the tax-consolidated group to the head entity are recognised as related-party balances receivable and payable in the Statement of financial position. The recoverability of balances arising from the tax funding arrangements is based on the ability of the tax-consolidated group to utilise the amounts recognised by the head entity.

Income tax expense
Income tax expense/credit 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 attributable to:
- temporary differences between the tax bases of assets and liabilities and their Statement of financial position carrying amounts
- unused tax losses
- 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/credit are also made for any differences between the amounts paid or expected to be paid in relation to prior periods and the amounts provided for these periods at the start of the current period.

Any tax impact on income and expense items that are recognised directly in equity is also recognised directly in equity.

Notes to the financial statements

for the year ended 31 December 2011

1. Basis of preparation and summary of significant accounting policies (continued)

Income tax for investment contracts and life insurance contracts business
The income tax expense recognised in the Income statement of AMPGH group which arises in respect of AMP life insurance entities reflects tax imposed on shareholders as well as policyholders.

Investment contracts and life insurance contracts liabilities are established in Australia net, and in New Zealand gross, of the policyholders' share of any current tax payable and deferred tax balances of the AMPGH group.

Arrangements made with some superannuation funds result in the AMP life insurance entities making payments to the Australian Taxation Office in relation to contributions tax arising in those funds. The amounts paid are recognised as a decrease in investment contract liabilities and not included in income tax expense.

Deferred tax
Deferred tax assets and liabilities are recognised for temporary differences at the tax rates which are expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction.

The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax, including amounts in respect of investment contracts and life insurance contracts, is not discounted to present value.

Goods and services tax
The AMPGH group operates across a number of tax jurisdictions and offers products and services that may be subject to various forms of goods and services tax (GST) imposed by local tax authorities.

All income, expenses and assets are recognised net of any GST paid, except where they relate to products and services which are input taxed for GST purposes or where the GST incurred is not recoverable from the relevant tax authorities. In such circumstances, the GST paid is recognised as part of the cost of acquisition of the assets or as part of the relevant expense.

Receivables and payables are recorded with the amount of GST included. The net amount of GST recoverable from or payable to the tax authorities is included as either a receivable or payable in the Statement of financial position.

Cash flows are reported on a gross basis reflecting any GST paid or collected. The GST component of cash flows arising from investing or financing activities which are recoverable from, or payable to, local tax authorities are classified as Operating cash flows.

(n) Payables

Payables that back investment contract and life insurance contract liabilities are financial liabilities and are measured at fair value. Other payables are measured at the nominal amount payable. Given the short-term nature of most payables, the nominal amount approximates fair value.

(o) 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
- a reliable estimate can be made of the amount of the obligation.

Where the AMPGH group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Income statement net of any reimbursement.

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.

Employee entitlements
Liabilities arising in respect of salaries and wages, annual leave and any other employee entitlements expected to be settled within 12 months of the reporting date are measured at their nominal amounts. All 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 used are based on the interest rates attaching to government securities which have terms to maturity approximating the terms of the related liability.

Notes to the financial statements

for the year ended 31 December 2011

1. Basis of preparation and summary of significant accounting policies (continued)

Restructuring
A restructuring provision is only recognised when it is probable that future costs will be incurred in respect of a fundamental reorganisation or change in focus of the business of the AMPGH group. A provision is recognised when the AMPGH group is demonstrably committed to the expenditure and a reliable estimate of the costs involved can be made. The provision is measured as the best estimate of the incremental, direct expenditures to be incurred as a result of the restructure and does not include costs associated with the ongoing activities of the AMPGH group.

(p) Borrowings and subordinated debt
All borrowings and subordinated debt are financial liabilities and are initially recognised at fair value. In the case of borrowings and subordinated debt which are subsequently measured at amortised cost, initial fair value is calculated net of directly attributable transaction costs. For borrowings and subordinated debt which are subsequently measured at fair value through profit or loss, directly attributable transaction costs are expensed.

Borrowings and subordinated debt, other than those held by controlled entities of the AMP life insurance entities' statutory funds, are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income statement over the period of the contract using the effective interest rate method. It is AMP's policy to hedge currency and interest rate risk arising on issued bonds and subordinated debt. When fair value hedge accounting is applied to borrowings and subordinated debt, the carrying values of borrowings and subordinated debt are adjusted for changes in fair value for the period that the fair value hedge relationship remains effective. See Note 1(q).

Borrowings of controlled trusts of the AMP life insurance entities' statutory funds are measured at amortised cost for the purpose of determining the unit price of that trust, these borrowings are also measured at amortised cost in this Financial Report with any difference between the proceeds (net of transaction costs) and the redemption amount recognised in the Income statement over the period of the contract using the effective interest rate method.

(q) Derivative financial assets, derivative financial liabilities and hedging
The AMPGH group is exposed to changes in interest rates and foreign exchange rates as well as movements in the fair value of investment guarantees for the North product. To mitigate the risks arising from these exposures, the AMPGH group uses derivative financial instruments such as cross-currency and interest-rate swaps, forward rate agreements, futures, options and foreign currency contracts. Derivative financial instruments are also used to gain exposure to various markets for asset and liability management purposes.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. All derivatives are recognised as assets when their fair value is positive and as liabilities when their fair value is negative.

The method of recognising the movement in fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The AMPGH group designates a hedge as either:

- a hedge of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge)
- a hedge of highly probable forecast transactions (cash flow hedge), or
- a hedge of a net investment in a foreign operation (net investment hedge).

AMPGH group documents the relationship between hedging instruments and hedged items at inception of the transaction, as well as the AMPGH group's risk management and strategy for undertaking various hedge transactions. The AMPGH group also documents its assessment of whether the derivatives used in hedging transactions have been, and will continue to be, highly effective in offsetting changes in fair values or cash flows of hedged items. This assessment is carried out both at hedge inception and on an ongoing basis.

Accounting for hedges
(i) Fair value hedges:
- changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the 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 adjustment to the carrying amount of a hedged item, for which the effective interest method is used, is amortised to the Income statement over the period to maturity.

(ii) Cash flow hedges:
- the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the cash flow hedge reserve. The balance of the cash flow hedge reserve in relation to each particular hedge is transferred to the Income statement in the period when the hedged item affects profit or loss
- the gain or loss relating to any ineffective portion of a hedge is recognised immediately in the Income statement
- 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 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 Income statement.

(iii) Net investment hedges:
- Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way to cash flow hedges. Gains and losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in equity (including related tax impacts) while any gains or losses relating to the ineffective portion of the hedge are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to the Income statement.

Notes to the financial statements

for the year ended 31 December 2011

1. Basis of preparation and summary of significant accounting policies (continued)

Derivatives that do not qualify for hedge accounting
Certain derivative financial instruments do not qualify for hedge accounting. Changes in the fair value of any derivative financial instrument that does not qualify for hedge accounting are recognised in the Income statement in the period in which they arise.

Fair value estimation
The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices at the reporting date. The quoted market price used is the current bid price; the quoted market price for financial liabilities is the current offer price.

The fair value of financial instruments not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. Valuation techniques include net present value techniques, option pricing models, discounted cash-flow methods and comparison to quoted market prices or dealer quotes for similar instruments.

(r) Recognition and de-recognition 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. 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.

(s) Life insurance contract liabilities
The financial reporting methodology used to determine the fair value of life insurance contract liabilities is referred to as *Margin on Services* (MoS).

Under MoS, the excess of premium received over claims and expenses (the *margin)* is recognised over the life of the contract in a manner that reflects the pattern of risk accepted from the policyholder (the *service*). The movement in life insurance contract liabilities recognised in the Income statement reflects the planned release of this margin.

Life insurance contract liabilities are usually determined using a projection method, whereby estimates of policy cash flows (premiums, benefits, expenses and profit margins to be released in future periods) are projected into the future. The liability is calculated as the net present value of these projected cash flows using best-estimate assumptions about the future. When the benefits under a life insurance contract are linked to the assets backing it, the discount rate applied is based on the expected future earnings rate of those assets. Where the benefits are not linked to the performance of the backing assets, a risk-free discount rate is used. The risk-free discount rate is determined by the Appointed Actuary based on the Commonwealth Government bond rate or the inter-bank zero coupon mid swap rates depending on the nature, structure and terms of the contract liabilities.

An accumulation method may be used if it produces results that are not materially different from those produced by a projection method. A modified accumulation method is used for some discretionary participating business, where the life insurance liability is the accumulation of amounts invested by policyholders, less fees specified in the policy, plus investment earnings and vested benefits, adjusted to allow for the fact that crediting rates are determined by reference to investment income over a period of greater than one year. The accumulation method may be adjusted to the extent that acquisition expenses are to be recovered from future margins between fees and expenses.

Allocation of operating profit and unvested policyholder benefits
The operating profit arising from discretionary participating contracts is allocated between shareholders and participating policyholders by applying the MoS principles in accordance with the *Life Insurance Act 1995* (Life Act).

Once profit is allocated to participating policyholders it can only be distributed to these policyholders. Any distribution of this profit to shareholders is only allowed for overseas business with specific approval of the regulators.

Profit allocated to participating policyholders is recognised in the Income statement as an increase in policy liabilities. Both the element of this profit that has not yet been allocated to specific policyholders (i.e. unvested) and that which has been allocated to specific policyholders by way of bonus distributions (i.e. vested) are included within life insurance contract liabilities**.**

Bonus distributions to participating policyholders are merely a change in the nature of the liability from unvested to vested and, as such, do not alter the amount of profit attributable to shareholders.

The principles of allocation of the profit arising from discretionary participating business determined under the Life Act and MoS are as follows:

(i) Investment income (net of tax and investment expenses) on retained earnings in respect of discretionary participating business is allocated between policyholders and shareholders in proportion to the balances of policyholders' and shareholders' retained earnings, being 80:20.

(ii) Other MoS profits arising from discretionary participating business (excluding the additional tax attributable to shareholders in respect of Australian superannuation business) are allocated 80 per cent to policyholders and 20 per cent to shareholders, with the following exceptions:
- the profit arising from New Zealand corporate superannuation business is apportioned such that shareholders are allocated 15 per cent of the profit allocated to policyholders
- the profit arising in respect of Preservation Superannuation Account business is allocated 92.5 per cent to policyholders and 7.5 per cent to shareholders.

(iii) Additional tax on taxable income to shareholders in respect of Australian superannuation business is allocated to shareholders only.

(iv) All profits arising from non-participating business, including net investment returns on shareholder capital and retained earnings in life entities' statutory funds (excluding retained earnings dealt with in (i) above) are allocated to shareholders.

Notes to the financial statements

for the year ended 31 December 2011

1. Basis of preparation and summary of significant accounting policies (continued)

Allocation of expenses within the AMP life insurance entities' statutory funds
All operating expenses relating to the life insurance contract and investment contract activities are apportioned between acquisition, maintenance and investment management expenses. Expenses which are directly attributable to an individual life insurance contract or investment contract or product are allocated directly to a particular expense category, fund, class of business and product line as appropriate.

Where expenses are not directly attributable, they are appropriately apportioned, according to detailed expense analysis, with due regard for the objective in incurring that expense and the outcome achieved. The apportionment basis has been made in accordance with Actuarial Standards and on an equitable basis to the different classes of business in accordance with the Life Act.

The costs apportioned to life insurance contracts are included in the determination of margin described above.

Investment management expenses of the AMP life insurance entities' statutory funds are classified as other operating expenses. See Note 1(aa).

(t) Investment contract liabilities
An investment contract consists of a financial instrument and an investment management services element, both of which are measured at fair value. With the exception of fixed retirement-income policies, the resulting liability to policyholders is closely linked to the performance and value of the assets (after tax) that back those liabilities. The fair value of such liabilities is therefore the same as the fair value of those assets (after tax) charged to the policyholders except where this is an accounting mismatch.

For fixed retirement-income policies, the financial instrument element of the liability is the fair value of the fixed retirement-income payments, being their net present value using a risk-free discount rate. The fair value of the associated management services element is the net present value, using a fair value discount rate, of all expenses associated with the provision of services and any profit margins thereon. The risk-free discount rate is determined by the Appointed Actuary based on the Commonwealth Government bond rate or the inter-bank zero coupon mid swap rates, depending on the nature, structure and terms of the contract liabilities.

(u) Contributed Equity
Issued capital
Issued capital in respect of ordinary shares is recognised as the fair value of consideration received by the parent 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.

(v) Foreign currency transactions
Functional and presentation currency
The consolidated Financial Report is presented in Australian dollars (the presentation currency). Items included in the financial statements for each of the AMPGH group entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The functional currency of the parent entity is Australian dollars.

Transactions and balances
Income and expense items denominated in a currency other than the functional currency are translated at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date, with exchange gains and losses recognised in the Income statement.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Translation of controlled entities
Where the functional currency of a controlled entity is not the presentation currency, the transactions and balances of that entity are translated as follows:

- income and expenses are translated at average exchange rates, unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates. In this case, income and expenses are translated at the dates of the transactions
- assets and liabilities are translated at the closing rate at the reporting date
- all resulting exchange differences are recognised as a separate component of equity in the foreign currency translation reserve.

When a foreign operation is sold, the cumulative amount in the foreign currency translation reserve relating to that operation is recognised in the Income statement as part of the gain or loss on sale. If a portion of the operation is sold, the proportionate share of the cumulative amount is recognised.

Notes to the financial statements

for the year ended 31 December 2011

1. Basis of preparation and summary of significant accounting policies (continued)

(w) Insurance premium and related revenue

Life insurance contracts
Life insurance contract premiums are separated into their revenue and deposit components. Premium amounts earned by bearing insurance risks are recognised as revenue. Other premium amounts received, which are in the nature of deposits, are recognised as an increase in life insurance contract liabilities.

Premiums with no due date or fixed amount are recognised on a cash-received basis. Premiums with a regular due date are recognised on an accruals basis. Unpaid premiums are only recognised during the days of grace or where secured by the surrender value of the life insurance contract and are reported as outstanding premiums and classified as receivables in the Statement of financial position.

Investment contracts
There is no premium revenue in respect of investment contracts. Amounts received from policyholders in respect of investment contracts comprise:

- origination fees, advice fees and ongoing investment management fees. See Note 1(x)
- amounts credited directly to investment contract liabilities. See Note 1(t).

(x) Fee and other revenue

Fees are charged to customers in connection with investment contracts and other financial services contracts. Revenue is recognised as services are provided. In some cases, services are provided at the inception of the contract, while other services are performed over the life of the contract.

An investment contract consists of a financial instrument and an investment-management services element. The payment by the policyholder includes the amount to fund the financial instrument and a fee for the origination of the contract. In many cases, that origination fee is based on amounts paid to financial planners for providing initial advice. The financial instrument is classified as an investment contract and is measured at fair value. See Note 1(t).

The revenue that can be attributed to the origination service is recognised at inception. Any amounts paid to financial planners is also recognised as an expense at that time. See Note 1(aa).

Fees for ongoing investment management services and other services provided are charged on a regular basis, usually daily, and are recognised as the service is provided.

Fees charged for performing a significant act in relation to funds managed by the AMPGH group are recognised as revenue when that act has been completed.

(y) Investment gains or losses

Dividend and interest income is recognised in the Income statement on an accruals basis when the AMPGH group obtains control of the right to receive the revenue.

Net realised and unrealised gains and losses include realised gains and losses being the change in value between the previously reported value and the amount received on sale of the asset, and unrealised gains and losses being changes in the fair value of financial assets and investment property recognised in the period.

Rents raised are on terms in accordance with individual leases, however, they are generally due on the first day of each month.

Certain tenant allowances that are classified as lease incentives such as rent-free periods, fit-outs and upfront payments are capitalised and amortised over the term of the lease. The aggregate cost of incentives is recognised as a reduction to revenue from rent over the lease term.

(z) Insurance claims and related expense

Life insurance contracts
Life insurance contract claims are separated into their expense and withdrawal components. The component that relates to the bearing of risks is treated as an expense. Other claim amounts, which are in the nature of withdrawals, are recognised as a decrease in life insurance contract liabilities.

Claims are recognised when the liability to the policyholder under the life insurance contract has been established or upon notification of the insured event, depending on the type of claim.

Investment contracts
There is no claims expense in respect of investment contracts. Amounts paid to policyholders in respect of investment contracts are withdrawals and are recognised as a decrease in investment contract liabilities. See Note 1(t).

(aa) Operating expenses

All operating expenses, other than those allocated to life insurance contracts, see Note 1(s), are expensed as incurred.

Expenses of controlled entities of the life entities' statutory funds represent the business costs of those entities and are consolidated into the results of the AMPGH group.

The majority of investment contracts issued result in payments to external service and advice providers. Where the amount paid equates to a fee charged to policyholders for the provision of advice, the amount is expensed either at inception or over the period of the contract consistent with the basis for recognising the fee revenue on the respective contracts. See Note 1(t).

Notes to the financial statements

for the year ended 31 December 2011

1. Basis of preparation and summary of significant accounting policies (continued)

Operating lease payments
Operating lease payments are recognised as an expense in the Income statement on a straight-line basis over the lease term or other systematic basis representative of the patterns of the benefits obtained. Operating incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

(bb) Finance costs
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

(iii) Changes in the fair value of derivative hedges together with any change in the fair value of the hedged asset or liabilities that are designated and qualify as fair value hedges, foreign exchange gains and losses and other financing related amounts. The accounting policy for derivatives is set out in Note 1(q).

Borrowing costs are recognised as expenses when incurred.

(cc) Share-based payments
The AMPGH group issues performance rights, restricted shares and other equity instruments to employees as a form of equity-settled share-based compensation. Equity-settled share-based compensation to employees is considered to be an expense in respect of the services received and is recognised in the Income statement over the vesting period of the instrument with a corresponding amount in the share-based payment reserve within equity.

The expense is based on the fair value of each grant, measured at the date of the grant. For performance rights and similar instruments the fair value is determined by an external valuer. 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. The fair value determined at grant date is not altered over the vesting period. Non-market vesting conditions are included in assumptions about the number of instruments that are expected to vest. At each reporting date, the AMPGH group reviews its estimates of the number of instruments that are expected to vest. Any changes to the original estimates are recognised in the Income statement and the share-based payment 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.

Expenses for awards that do not ultimately vest are reversed in the period in which the instrument lapses, except for awards where vesting is conditional upon a market condition, in which case no reversal is recognised.

When instruments vest, shares are purchased on-market and transferred to the employee. The cost of the purchase is recognised in the share-based payments reserve.

(dd) Superannuation funds
The AMPGH group operates superannuation funds that provide benefits for employees and their dependants on resignation, retirement, disability or death of the employee. The funds have both defined contribution and defined benefit sections, refer to Note 26 for further information on the funds.

The contributions paid and payable by AMPGH group to defined contributions funds are recognised in the 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.

For the defined-benefit sections of superannuation funds operated by the AMPGH group, the AMPGH group recognises the net deficit or surplus position of each fund in the Statement of financial position as defined by AASB119 *Employee benefits.* This does not represent an assessment of the funds' funding positions. 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 based on the interest rates of government securities which have terms to maturity approximating the terms of the obligations. The defined-benefit obligation is calculated annually, with half-yearly reviews, by independent actuaries.

After taking into account any contributions paid into the defined-benefits funds during the period, movements in the net surplus or deficit of each fund, except actuarial gains and losses, are recognised in the Income statement. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions over the period are recognised (net of tax), directly in Other comprehensive income.

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

Notes to the financial statements

for the year ended 31 December 2011

2. Significant accounting judgements, estimates and assumptions

The making of judgements, estimates and assumptions is a necessary part of the financial reporting process and these judgements, estimates and assumptions can have a significant effect on the reported amounts in the financial statements. Estimates and assumptions are determined based on information available to management at the time of preparing the financial report and actual results may differ from these estimates and assumptions. Had different estimates and assumptions been adopted, this may have had a significant impact on the financial statements. Significant accounting judgements, estimates and assumptions are re-evaluated at each reporting period in the light of historical experience and changes to reasonable expectations of future events. Significant accounting judgements, estimates and assumptions include but are not limited to:

(a) Consolidation

Entities are included within the consolidated financial statements of AMPGH group where AMP Group Holdings Limited has control of these entities, being the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Judgement is applied by management in assessing whether control exists, and in particular whether the rights held by AMP Group Holdings Limited amount to being the power to govern the financial and operating policies of those entities and whether AMP Group Holdings Limited is able to use such power to obtain benefits from the activities of the entities.

(b) Fair value of investments in financial assets

The AMPGH group measures investments in financial assets, other than those held by AMP Bank and loans and advances to advisers, at fair value through profit or loss. Where available, quoted market prices for the same or similar instruments are used to determine fair value. Where there is no market price available for an instrument, a valuation technique is used. Management applies judgement in selecting valuation techniques and setting valuation assumptions and inputs. Further detail on the determination of fair value of financial instruments is set out in note 23.

(c) Fair values of investment properties and owner occupied property

The AMPGH group measures investment properties at fair value through profit or loss. Owner occupied property is measured at fair value at last valuation date less subsequent depreciation. The valuation of investment properties and owner occupied property requires judgement to be applied in selecting appropriate valuation techniques and setting valuation assumptions. The AMPGH group engages independent registered valuers to value each of its investment properties on a rolling annual basis. Further detail on the determination of fair values of investment properties is set out in note 12.

(d) Acquired intangible assets

Subject to some exceptions, accounting standards require the assets and liabilities of businesses acquired through a business combination to be measured at their acquisition date fair values. Management apply judgement in selecting valuation techniques and setting valuation assumptions to determine the acquisition date fair values and to estimate the useful lives of these assets. Note 3 provides details of intangible assets acquired through business combinations during the period.

(e) Goodwill

Goodwill is required to be allocated to cash generating units and tested for impairment on an annual basis. Management apply judgement in determining cash generating units and allocating the goodwill arising from business combinations to these cash generating units. Impairment is assessed annually by determining the recoverable amount of each cash generating unit which has a goodwill balance. Management applies judgement in selecting valuation techniques and setting valuation assumptions to determine the recoverable amount. Note 14 sets out further information on the impairment testing of goodwill.

(f) Tax

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. Note 8 sets out information on carried forward tax losses for which a deferred tax asset has not been recognised.

(g) Provisions

A provision is recognised for items where AMPGH group has a present obligation arising from a past event, it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The provision is measured as the best estimate of the expenditure required to settle the present obligation. Management apply judgement in assessing whether a particular item satisfies the above criteria and in determining the best estimate. Note 16 sets out further information on provisions and Note 31 provides information on contingent liabilities.

(h) Insurance contract liabilities

The measurement of insurance contract liabilities is determined using the Margin on Services (MoS) methodology. The determination of the liability amounts involves judgement in selecting the valuation methods and profit carriers for each type of business and setting valuation assumptions. The determination is subjective and relatively small changes in assumptions may have a significant impact on the reported profit. The appointed actuary of each of the life entities is responsible for these judgements and assumptions. Further detail on the determination of insurance contract liabilities is set out in note 21.

(i) Investment contract liabilities

Investment contract liabilities are measured at fair value. For the majority of contracts, the fair value is determined based on published unit prices and does not generally require the exercise of judgement. For fixed income products and the North capital guarantee, fair value is determined using valuation models. Judgement is applied in selecting the valuation model and setting the valuation assumptions. Further details on investment contract liabilities are set out in Note 22.

Notes to the financial statements

for the year ended 31 December 2011

2. Significant accounting judgements, estimates and assumptions (Continued)

(j) Defined benefit plan liabilities

The defined benefit plan liabilities of AMPGH group is measured as the difference, for each fund, of the fair value of the fund's assets and the actuarially determined present value of the obligation to fund members. The determination of the fair value of the fund's assets is subject to the judgements, estimates and assumptions discussed at (b) above. The calculation of the obligation to fund members requires judgement to be applied in the setting of actuarial assumptions. Further detail on the determination of defined benefit plan liabilities is set out in note 26.

Notes to the financial statements

for the year ended 31 December 2011

3. Merger with the Australian and New Zealand businesses of AXA Asia Pacific Holdings Limited

On 30 March 2011, the AMP group completed its acquisition of AXA Asia Pacific Holdings Limited for the purposes of merging the Australian and New Zealand operations of both entities. The merger was effected by AMP acquiring 100% of the issued shares in AXA Asia Pacific Holdings Limited though a contractual arrangement with its parent entity, AXA SA, and a scheme of arrangement with its minority shareholders. The contractual arrangement to acquire the shares held by AXA SA was conditional upon the approval of the scheme of arrangement with the minority shareholders of AXA Asia Pacific Holdings Limited which was approved by those shareholders on 2 March 2011 and subsequently approved by the Supreme Court of Victoria on 7 March 2011. AMP obtained control of AXA Asia Pacific Holdings Limited on 30 March 2011, which is the date that AMP acquired 100% of AXA Asia Pacific Holdings Limited shares and was able to appoint directors to the Board.

The principal activity of AXA Asia Pacific Holdings Limited is wealth management.

Details of the purchase consideration are set out below:

	$m
Cash consideration paid to minority shareholders of AXA Asia Pacific Holdings Limited	2,425
AMP Limited shares issued to minority shareholders of AXA Asia Pacific Holdings Limited[(2)]	3,803
Consideration paid to AXA SA	7,144
Payment to AXA Asia Pacific Holdings Limited rights holders	69
Total Purchase consideration[(1)]	13,441

Footnote:

(1) Amounts presented in the table above differ to those published in 30 June 2011 half-year financial report as the disclosure at that time was provisional.

(2) 695,262,564 AMP Limited shares at $5.47 per share, being the last traded price on the ASX on 30 March 2011.

The Asian subsidiaries of AXA Asia Pacific Holdings Limited and its ownership interests in joint ventures with AllianceBernstein LP were sold on 31 March 2011 and 1 April 2011 for $9,159m. There was no gain or loss recognised by AMPGH group on the sale of these businesses.

Notes to the financial statements

for the year ended 31 December 2011

3. Merger with the Australian and New Zealand businesses of AXA Asia Pacific Holdings Limited (Continued)

Details of the fair value of the identifiable assets and liabilities acquired and goodwill are set out below:

	Recognised values on acquisition(1)	Sale of disposal groups and repayment of AXA SA debt(3)	Net amounts recognised for Australian and New Zealand businesses acquired(1)
	$m	$m	$m
Assets			
Cash and cash equivalents	949	-	949
Receivables(2)	947	-	947
Current tax assets	8	-	8
Inventories and other assets	12	-	12
Investments in financial assets measured at fair value through profit or loss	12,962	-	12,962
Investments in financial assets measured at amortised cost	10	-	10
Investments in associates accounted for using the equity method	22	-	22
Investment property	11	-	11
Property, plant and equipment	22	-	22
Deferred tax asset	525	-	525
Intangible assets	1,380	-	1,380
Assets of disposal groups(3)	20,730	(20,730)	-
Total assets	**37,578**	**(20,730)**	**16,848**
Liabilities			
Payables	517	-	517
Current tax liabilities	11	-	11
Provisions	306	-	306
Derivative financial liabilities	34	-	34
Borrowings	383	(383)	-
Subordinated debt	280	(280)	-
Deferred tax liabilities	398	-	398
External unitholder liabilities	310	-	310
Life insurance contract liabilities	6,840	-	6,840
Investment contract liabilities	6,131	-	6,131
Defined benefit plan liability	149	-	149
Liabilities of disposal groups(3)	10,908	(10,908)	-
Total liabilities	**26,267**	**(11,571)**	**14,696**
Net assets	**11,311**	**(9,159)**	**2,152**
Non-controlling interests	(10)	-	(10)
Net identifiable assets and liabilities attributable to AMP Limited	**11,301**	**(9,159)**	**2,142**
Goodwill recognised on acquisition	**2,140**	**-**	**2,140**

Footnote:

(1) Amounts presented in the table above differs to those published in the 30 June half-year financial report as the disclosure at that time was provisional.

(2) The carrying amount of receivables approximates the gross contractual amount. There are no contractual amounts at acquisition date which are not expected to be fully recovered.

(3) Disposal groups consist of AXA Asia Pacific Holdings Limited's Asian businesses and its ownership interests in joint ventures with AllianceBernstein LP. These disposal groups were sold through a series of transactions on 31 March 2011 and 1 April 2011.

Notes to the financial statements

for the year ended 31 December 2011

3. Merger with the Australian and New Zealand businesses of AXA Asia Pacific Holdings Limited (Continued)

Acquisition related costs
Acquisition related costs of $34m (2010: $16m) were incurred in relation to the merger transaction. These costs have been included in other operating expenses in the period in which they were incurred.

Contingent liabilities
There were no material contingent liabilities recognised at acquisition date.

Identifiable intangibles
The fair value of identifiable intangible assets recognised on acquisition consists of the value of in-force business of $1,191m, distribution networks of $95m and software of $94m. These assets will be amortised on a straight-line basis over their remaining useful lives which have been estimated as follows:

- Value of in-force business – 10 to 20 years
- Distribution networks - 10 years
- Software – 2 - 4 years

Goodwill
Goodwill arose in the business combination as the difference between the consideration paid and the fair value of net assets, identifiable intangible assets and contingent liabilities acquired. The goodwill balance is attributed to the skills and talent of the acquired business workforce, the benefit of expected head office and operational synergies, revenue growth and future market developments. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be measured reliably or they are not capable of being separated from the AMPGH group and sold, transferred, licensed, rented or exchanged either individually or together with any related contracts. Goodwill is not expected to be deductible for tax purposes.

Contribution to AMPGH group results
AXA Asia Pacific Holdings Limited contributed $50m for the period from 30 March 2011 to 31 December 2011, to the AMPGH group consolidated statutory profit for the year ended 31 December 2011. This contribution includes the amortisation of the acquired intangible assets and therefore it does not equal the profit for AXA Asia Pacific Holdings Limited on a stand alone basis.

If the merger had occurred on 1 January 2011, AMPGH group revenue would have been $6,758m for the year and net profit would have been $682m. This pro-forma financial information uses AXA Asia Pacific Holdings Limited data for the period ended 31 December 2011 and represents the historical statutory profit of AXA Asia Pacific Holdings Limited. It includes the results of the Asian businesses for the period 1 January 2011 to the dates of their disposal on 31 March 2011 and 1 April 2011 in accordance with the contractual arrangements for the merger.

Notes to the financial statements

for the year ended 31 December 2011

4. Information relating to the parent entity

	Parent	
	2011 $m	2010 $m
Assets and Liabilities		
Current assets	830	830
Total assets	7,936	4,237
Current liabilities	571	573
Total liabilities	571	573
Shareholders' equity		
Issued capital	6,926	3,226
Retained earnings	439	438
Total Shareholders' equity	**7,365**	**3,664**
Profit	281	375
Total comprehensive income	281	375

Financial support provided by AMP Group Holdings Limited to AMP Bank Limited
AMP Group Holdings Limited has provided an unconditional and irrevocable guarantee in favour of creditors of AMP Bank Limited which is a wholly owned controlled entity of AMP Limited but held external to the AMPGH group. AMP Bank Limited is able to pay its debts as and when they fall due and there is no present liability to AMP Group Holdings Limited under the guarantee in respect of AMP Bank Limited.

Investments in controlled entities by AMP Group Holdings Limited
Investments by AMP Group Holdings Limited in controlled entities of $7,106m (2010: $3,407m) are measured at cost (which, in the case of the investment in AMP Group Holdings Limited, was determined as net asset value on demutualisation) less any accumulated impairment losses.

Notes to the financial statements

for the year ended 31 December 2011

5. Income

	Consolidated	
	2011	**2010**
	$m	**$m**
(a) Life insurance premium and related revenue		
Life insurance contract premium revenue	1,786	1,051
Reinsurance recoveries	91	49
Total life insurance premium and related revenue	**1,877**	**1,100**
(b) Fee revenue		
Investment management and origination fees	1,507	1,245
Financial advisory fees		
- related parties	10	10
- other entities	433	165
Service fee revenue		
- related parties	25	26
- other entities	7	6
Total fee revenue (1)	**1,982**	**1,452**
(c) Other revenue		
Defined benefit plan income	2	1
Other revenue(2)		
- related parties	1	-
- parent entity	2	-
- other entities	375	293
Total other revenue	**380**	**294**

Footnote:

(1) Total consolidated fee revenue includes fee income from trust and fiduciary activities that result in the holding or investing of assets on behalf of individuals, trusts, retirement benefit plans, and other institutions

(2) Other revenue includes trading revenue of investment entities controlled by the life entities' statutory funds which carry out business operations unrelated to the core wealth management operations of the AMPGH group.

Notes to the financial statements
for the year ended 31 December 2011

6. Investment gains and (losses)

	Consolidated	
	2011	**2010**
	$m	**$m**
Investment gains and (losses)		
Interest [(1)]		
- related parties - other	140	101
- other entities	1,764	1,370
Dividends and distributions		
- associated entities not equity accounted	261	47
- other entities	3,204	2,361
Rental income	676	744
Net realised and unrealised gains and (losses) [(2)]	(5,315)	(415)
Other investment income	43	-
Total investment gains and (losses)	**773**	**4,208**

Footnote:

(1) Interest includes interest income from financial assets designated at fair value through profit or loss upon initial recognition

(2) Net realised and unrealised gains and losses include net gains and losses on financial assets and financial liabilities designated at fair value through profit or loss upon initial recognition.

Notes to the financial statements

for the year ended 31 December 2011

7. Expenses

	Consolidated 2011 $m	2010 $m
(a) Life insurance claims and related expenses		
Life insurance contract claims and related expenses	(1,714)	(1,241)
Outwards reinsurance expense	(76)	(48)
Total life insurance claims and related expenses	**(1,790)**	**(1,289)**
(b) Operating expenses		
Commission and advisory fee-for-service expense	(911)	(524)
Investment management expenses	(247)	(201)
Fee and commission expenses [1]	**(1,158)**	**(725)**
Wages and salaries	(854)	(555)
Contributions to defined contribution plans	(61)	(51)
Defined benefit fund expense	(9)	-
Share-based payments expense	(22)	(19)
Other staff costs	(137)	(41)
Staff and related expenses	**(1,083)**	**(666)**
Occupancy and other property related expenses	(103)	(76)
Direct property expenses [2]	(179)	(186)
Information technology and communication	(208)	(120)
Professional fees	(149)	(79)
Advertising and marketing	(47)	(36)
Travel and entertainment	(37)	(23)
Impairment of intangibles	(29)	(19)
Amortisation of intangibles	(163)	(57)
Depreciation of property, plant and equipment	(37)	(41)
Other expenses [3]		
- parent entity	(13)	-
- other entities	(192)	(207)
Other operating expenses	**(1,157)**	**(844)**
Total operating expenses	**(3,398)**	**(2,235)**
(c) Finance costs		
Interest expense on borrowings and subordinated debt	(344)	(344)
Other finance costs	(49)	(64)
Total finance costs	**(393)**	**(408)**

Footnote:

(1) Fee and commission expenses include Fee expenses from trust and other fiduciary activities that result in the holding or investing of assets on behalf of individuals, trusts, retirement benefit plans, and other institutions

(2) Direct property expenses relate to investment properties which generate rental income.

(3) Other expenses include trading expenses of investment entities controlled by the life entities' statutory funds which carry out business operations unrelated to the core wealth management operations of the AMPGH group.

Notes to the financial statements

for the year ended 31 December 2011

8. Income tax

	Consolidated 2011 $m	Consolidated 2010 $m
(a) Analysis of income tax (expense) credit		
Current tax (expense) credit	(369)	(195)
Increase (decrease) in deferred tax assets	215	(13)
(Increase) decrease in deferred tax liabilities	174	34
Over (under) provided in previous years including amounts attributable to policyholders	(53)	50
Effect of change in overseas tax rate	-	5
Income tax (expense) credit	**(33)**	**(119)**

(b) Relationship between income tax expense and accounting profit
The following table provides a reconciliation of differences between prima facie tax calculated as 30 per cent of the profit before income tax for the year and the actual income tax expense recognised in the Income statement for the year. The income tax expense amount reflects the impact of both income tax attributable to shareholders as well as income tax attributable to policyholders.

In respect of income tax expense attributable to shareholders, the tax rate which applies in Australia is 30 per cent (2010: 30 per cent). From 1 January 2011 the company tax rate for New Zealand changed from 30 per cent to 28 per cent. There are certain differences between the amounts of income and expenses recognised in the financial statements and the amounts recognised for income tax purposes.

Income tax attributable to policyholders is based on investment income allocated to policyholders less expenses deductible against that investment income. The impact of the tax is charged against policyholder liabilities. A number of different tax rate regimes apply to policyholders. In Australia, certain classes of policyholder life insurance income and superannuation earnings are taxed at 15 per cent, and certain classes of income on some annuity business are tax-exempt. The rate applicable to New Zealand life insurance business during the year was 28 per cent (2010: 30 per cent).

	Consolidated 2011 $m	Consolidated 2010 $m
Profit before income tax	553	787
Policyholder tax (expense) credit recognised as part of the change in policyholder liabilities in determining profit before tax	265	62
Profit before income tax excluding tax charged to policyholders	**818**	**849**
Prima facie tax at the rate of 30%	(245)	(255)
Tax effect of differences between amounts of income and expenses recognised for accounting and the amounts deductible/taxable in calculating taxable income:		
Shareholder impact of par-business tax treatment	24	21
Non-deductible expenses	(37)	(19)
Non-taxable income	11	20
Tax offsets and credits	17	9
Other items	(11)	(3)
Over (under) provided in previous years after excluding amounts attributable to policyholders (1)	(55)	43
Benefit arising from previously unrecognised tax losses	(5)	19
Differences in overseas tax rate	-	(1)
Effect of change in overseas tax rates	3	6
Income tax (expense) credit attributable to shareholders	(298)	(160)
Income tax (expense) credit attributable to policyholders	265	62
Income tax (expense) credit per Income statement	**(33)**	**(98)**

Footnote:

(1) The over provision in 2010 mainly relates to additional deductions claimed in relation to SMPs and IMAs as a result of changes in taxation legislation actually enacted in 2010. The recoverability of these amounts was reassessed in light of developments during 2011 and the deductions have been derecognised.

Notes to the financial statements

for the year ended 31 December 2011

8. Income tax (continued)

	Consolidated	
	2011	2010
	$m	$m
(c) Analysis of deferred tax assets		
Expenses deductible and income recognisable in future years	342	103
Unrealised movements on borrowings and derivatives	21	37
Unrealised investment losses	273	65
Losses available for offset against future taxable income	265	269
Other	57	32
Total deferred tax assets	**958**	**506**
(d) Analysis of deferred tax liabilities		
Unrealised investment gains	274	414
Unrealised movements on borrowings and derivatives	35	34
Other	581	160
Total deferred tax liabilities	**890**	**608**
(e) Amounts recognised directly in equity		
Deferred income tax (expense) related to items taken directly to equity during the current period	54	8
(f) Unused tax losses and deductible temporary differences not recognised		
Revenue losses	12	14
Capital losses	83	-

Notes to the financial statements

for the year ended 31 December 2011

9. Receivables

	Consolidated	
	2011	2010
	$m	$m
Investment income receivable	193	110
Investment sales and margin accounts receivable	689	104
Life insurance contract premiums receivable	355	271
Reinsurance and other recoveries receivable	11	8
Reinsurers' share of life insurance contract liabilities	477	65
Trade debtors	309	193
Other receivables		
- parent	15	-
- parent entity tax related amount	269	-
- related parties	4	3
- other entities	182	132
Total receivables[(1)]	**2,504**	**886**

Footnote:

(1) $467m (2010: $2m) of total consolidated receivables is expected to be recovered more than 12 months from reporting date.

Notes to the financial statements

for the year ended 31 December 2011

10. Inventories and other assets

	Consolidated	
	2011	**2010**
	$m	**$m**
Inventories[1]	202	275
Prepayments	71	28
Other assets[2]	3	9
Total inventories and other assets[3]	**276**	**312**

Footnote:

(1) Inventories include inventories and development properties of investment entities controlled by the life entities' statutory funds which carry out business operations unrelated to the core wealth management operations of the AMPGH group and financial planning registers held for resale in the ordinary course of business.

(2) Other assets are assets of investment entities controlled by the life entities' statutory funds which carry out business operations unrelated to the core wealth management operations of the AMPGH group.

(3) $12m (2010: $140m) of inventories and other assets is expected to be recovered more than 12 months from the reporting date.

Notes to the financial statements
for the year ended 31 December 2011

11. Investments in financial assets and other financial liabilities

	Consolidated 2011 $m	Consolidated 2010 $m
Investments in financial assets measured at fair value through profit or loss[1]		
Equity securities and listed managed investment schemes	32,388	32,269
Debt securities[2]	29,086	22,808
Investments in unlisted managed investment schemes	12,793	9,921
Derivative financial assets	2,239	1,870
Other financial assets[3]	179	242
Total investments in financial assets measured at fair value through profit or loss	**76,685**	**67,110**
Investments in financial assets measured at amortised cost		
Loans and advances	18	18
Debt securities - held to maturity - related parties	112	309
Total investments in financial assets measured at amortised cost	**130**	**327**
Other financial liabilities		
Derivative financial liabilities	1,045	591
Collateral deposits held [4]	1,449	2,344
Total other financial liabilities	**2,494**	**2,935**

Footnote

(1) Investments measured at fair value through profit or loss are mainly assets of the life entities' statutory funds and controlled entities of the life entities' statutory funds.

(2) Included within debt securities are assets held to back the liability for collateral deposits held in respect of debt security repurchase arrangements entered into by the life entities' statutory funds and the controlled entities of the life entities' statutory funds.

(3) Other financial assets include investments of the life entities' statutory funds and controlled entities of the life entities' statutory funds.

(4) Collateral deposits held represents the obligation to repay collateral held in respect of debt security repurchase arrangements entered into by the life entities' statutory funds and the controlled entities of the life entities' statutory funds.

Notes to the financial statements

for the year ended 31 December 2011

12. Investment property

	Consolidated 2011 $m	Consolidated 2010 $m
Investment property		
Directly held	7,424	7,122
Total investment property	**7,424**	**7,122**
Movements in investment property		
Balance at the beginning of the year	7,122	7,832
Additions - subsequent expenditure recognised in carrying amount	85	123
Acquisitions (disposal) through business combinations[(1)]	11	(835)
Disposals[(1)]	(21)	(197)
Net gains (losses) from fair value adjustments	176	290
Foreign currency exchange differences	2	(12)
Transfer from inventories	49	4
Transfer (to) inventories	-	(83)
Balance at the end of the year[(2)]	**7,424**	**7,122**

Footnote:

(1) Additions (disposals) through business combinations relate to the assets included on acquisition of AXA APH (2010: mainly to transactions of investment entities in which the life entities' statutory funds hold a controlling equity interest).

(2) Investment property of $1,362m (2010: $1,418m) held by controlled entities of the statutory funds of AMP Life has been provided as security against borrowings of these controlled entities of the life entities' statutory funds.

Valuation of investment property

Investment property is measured at fair value at each reporting date. Fair value represents the amount at which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction.

Fair values of the AMPGH group's properties are determined by independent registered valuers who have appropriate registered professional qualifications and recent experience in the location and category of the property being valued.

The fair value appraisals are obtained on a rolling annual basis. The valuation schedule may be altered when a property is either undergoing or being appraised for redevelopment, refurbishment or sale, or is experiencing other changes in assets or tenant profiles which may significantly impact value: or when there have been significant changes in the property market and broader economy such as updates to comparable property sales which may have an impact on the individual asset values. The carrying value of each investment property is assessed at reporting date, to ensure there has been no material change to the fair value since the valuation date.

The valuers apply 'comparable sales analysis' and the 'capitalised income approach' by reference to annual net market income, comparable capitalisation rates and other property-specific adjustments as well as discounted cash flow analysis where the expected net cash flows are discounted to their present value using a market determined risk adjusted discount rate. The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property.

	Consolidated 2011 $m	Consolidated 2010 $m
Primary assumptions used in valuing investment property		
Capitalisation rates	6.00%-10.25%	6.25%-9.75%
Market determined, risk adjusted discount rate	9.00%-13.00%	7.00%-10.35%

Notes to the financial statements

for the year ended 31 December 2011

13. Property, plant and equipment

Consolidated	Owner-occupied property (1)	Leasehold improvements	Plant & equipment(2)	Total
2011	**$m**	**$m**	**$m**	**$m**
Property, plant and equipment				
Gross carrying amount	311	74	322	707
Less: accumulated depreciation and impairment losses	-	(60)	(168)	(228)
Property, plant and equipment at written down value	**311**	**14**	**154**	**479**
Movements in property, plant and equipment				
Balance at the beginning of the year	301	15	136	452
Additions				
- through direct acquisitions	-	5	24	29
- subsequent expenditure recognised in carrying amount	4	-	-	4
Acquisitions through business combinations	-	-	22	22
Increases(decreases) from revaluations recognised directly in equity	9	-	-	9
Depreciation expense for the year	(3)	(6)	(28)	(37)
Balance at the end of the year	**311**	**14**	**154**	**479**
2010				
Property, plant and equipment				
Gross carrying amount	301	72	300	673
Less: accumulated depreciation and impairment losses	-	(57)	(164)	(221)
Property, plant and equipment at written down value	**301**	**15**	**136**	**452**
Movements in property, plant and equipment				
Balance at the beginning of the year	301	20	154	475
Additions				
- through direct acquisitions	-	-	18	18
- subsequent expenditure recognised in carrying amount	4	1	-	5
Disposals	-	-	(3)	(3)
Increases(decreases) from revaluations recognised directly in equity	(1)	-	-	(1)
Depreciation expense for the year	(3)	(6)	(32)	(41)
Foreign currency exchange differences	-	-	(1)	(1)
Balance at the end of the year	**301**	**15**	**136**	**452**

Footnote:

(1) Owner-occupied property is measured at fair value; had the asset been measured at historic cost the amortised carrying value would have been $200m (2010: $199m).

(2) Plant and equipment includes operating assets of investment entities controlled by the life entities' statutory funds which carry out business operations unrelated to the core wealth management operations of the AMPGH group.

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Notes to the financial statements

for the year ended 31 December 2011

14. Intangibles

Consolidated 2011	Goodwill (1) $m	Capital-ised costs $m	Manag-ement rights $m	Value of in-force business $m	Distrib-ution networks $m	Other intangibles $m	Total $m
Intangibles							
Gross carrying amount	2,919	571	16	1,191	138	161	4,996
Less: accumulated amortisation and/or impairment losses	(104)	(400)	(1)	(77)	(10)	(57)	(649)
Intangibles at written down value	**2,815**	**171**	**15**	**1,114**	**128**	**104**	**4,347**
Movements in intangibles							
Balance at the beginning of the year	702	162	20	-	-	35	919
Additions (reductions) through acquisitions (disposal) of controlled entities(2)	2,140	-	-	1,191	95	94	3,520
Additions through separate acquisition	2	-	-	-	43	1	46
Additions through internal development	-	61	-	-	-	-	61
Disposals	-	-	(5)	-	-	-	(5)
Amortisation expense for the year (3)	-	(50)	-	(77)	(10)	(26)	(163)
Impairment losses(4)	(29)	-	-	-	-	-	(29)
Foreign currency exchange differences	-	-	-	-	-	-	-
Other movements	-	(2)	-	-	-	-	(2)
Balance at the end of the year	**2,815**	**171**	**15**	**1,114**	**128**	**104**	**4,347**

2010	Goodwill (1) $m	Capital-ised costs $m	Manag-ement rights $m	Value of in-force business $m	Distrib-ution networks $m	Other intangibles $m	Total $m
Intangibles							
Gross carrying amount	777	512	22	-	-	66	1,377
Less: accumulated amortisation and/or impairment losses	(75)	(350)	(2)	-	-	(31)	(458)
Intangibles at written down value	**702**	**162**	**20**	**-**	**-**	**35**	**919**
Movements in intangibles							
Balance at the beginning of the year	730	153	20	-	-	37	940
Additions (reductions) through acquisitions (disposal) of controlled entities and other businesses (2)	(9)	-	-	-	-	-	(9)
Additions through separate acquisition	-	-	-	-	-	3	3
Additions through internal development	-	61	-	-	-	-	61
Amortisation expense for the year (3)	-	(47)	-	-	-	(10)	(57)
Impairment losses(4)	(19)	-	-	-	-	-	(19)
Foreign currency exchange differences	-	-	(1)	-	-	-	(1)
Other movements	-	(5)	1	-	-	5	1
Balance at the end of the year	**702**	**162**	**20**	**-**	**-**	**35**	**919**

Footnote:

(1) Total goodwill comprises amounts attributable to shareholders of $2,659m (2010: $517m) and attributable to policyholders of $156m (2010: $185m).

(2) Additions arose from the purchase of AXA Asia Pacific Holdings Limited (refer to Note 3). Disposal of goodwill during 2010 relates to the sale of an operating business of controlled entities of the life entities' statutory funds.

(3) Amortisation expense for the year is included in Operating expenses in the Income statement.

(4) Impairment of goodwill relates to goodwill of controlled entities of the life entities' statutory funds, which carry out business operations unrelated to the core wealth management operations of the AMPGH group.

Notes to the financial statements

for the year ended 31 December 2011

14. Intangibles (continued)

Impairment testing of goodwill
Goodwill includes balances attributable to shareholders and balances attributable to policyholders in investment entities controlled by the life entities' statutory funds.

Goodwill attributable to shareholders
$2,659m (2010: $517m) of the Goodwill is attributable to shareholders and arose from the acquisition of AXA APH in the current year and a previous Life Act Part 9 transfer of life insurance business into the statutory funds of AMP Life.

Each of the businesses acquired included activities conducted in the same business units already operated by AMP. Those business units are Australian Contemporary Wealth Management (CWM), Australian Contemporary Wealth Protection (CWP), Australian Mature, AMP Financial Services New Zealand and AMP Capital and those business units are identified as the cash generating units for the purpose of assessing goodwill impairment.

For the purposes of impairment testing, the amount is allocated to the cash generating units as follows:

- Australian CWM – goodwill attributable: $1,390m (2010: $387m);
- Australian CWP – goodwill attributable: $668m (2010: $65m);
- Australian Mature – goodwill attributable: $350m (2010: $65m);
- AMP Financial Services New Zealand – goodwill attributable $172m (2010: nil); and
- AMP Capital – goodwill attributable $79m (2010: nil).

AMP Capital has other intangible assets of $15m (2010:$20m) with an indefinite useful life. There were no other intangible assets with indefinite useful lives allocated to these cash generating units.

The method used for goodwill impairment testing is "fair value less costs to sell". For each cash generating unit other than AMP Capital the recoverable amount is determined as the sum of the value of in-force business plus the value of one year's new business times a multiplier. The recoverable amount for the AMP Capital cash generating unit is determined based on an observable market price.

Assumptions applied in estimating the value of in-force business and the value of one year's new business are consistent with the best estimate assumptions used in calculating the policy liabilities of AMP's life insurance entities except the value of in-force and new business calculation includes a risk discount rate. Note 1(s) and Note 21 provide extensive details with respect to the assumptions, management's approach to determining the values assigned to each key assumption and their consistency with past experience and external sources of information. Note 1(s) discloses that premium and claim amounts are estimated over the expected life of the in-force policies which varies depending on the nature of the product. Note 21 provides details of discontinuance rates used for projections and the fact that future maintenance and investment expenses are based on unit costs derived from budgeted amounts for the following year and increased in future years for expected rates of inflation. The value of in-force and new business calculation uses a risk discount rate based on the zero coupon government bond curve of 3.5% - 4.6% in Australia (2010:5.6%) and 2.5% - 4.1% in New Zealand (2010: 5.7%) plus a 3% margin (2010: 3%).

The conclusion from the goodwill impairment testing is that there has been no impairment to the amount of the goodwill recognised and there is no reasonably possible change in key assumptions that could cause the carrying amount to exceed the recoverable amount.

Goodwill attributable to policyholders
The policyholder goodwill has arisen on acquisitions of operating subsidiaries controlled by the life entities' statutory funds, which carry out business operations unrelated to the core wealth management operations of the AMPGH group. The goodwill represents the future value of cash flows expected to be derived from those operating subsidiaries.

The individual goodwill components are not significant in comparison with the total carrying amount of goodwill attributable to policyholders and therefore impairment testing was carried out on the aggregate carrying amount. Impairment testing resulted in an impairment of $29m recognised during the year ended 31 December 2011 (31 December 2010: $19m) as a result of a decline in projected future cash flows in underlying operating subsidiaries controlled by the life entities' statutory funds. At reporting date, there is no reasonably possible change in key assumptions that could cause the carrying amount to exceed the recoverable amount.

Impairment testing of these goodwill balances is based on each asset's value in use, calculated as the present value of forecast future cash flows from those assets using discount rates of between 12.8 per cent and 16.2 per cent (2010: 13 per cent and 16.8 per cent).

The forecast cash flows used in the impairment testing for operating subsidiaries are based on assumptions as to the level of profitability for each business over the forecast period.

Forecasts for the following 12 months have in each case been extrapolated based on terminal value growth rates of between 3 per cent and 5 per cent per annum (2010: 0-5 per cent per annum). The projected revenues are based on the businesses in their current condition. The assumptions do not include the effects of any future restructuring to which the entity is not yet committed or as a result of future cash outflows by the entity that will improve or enhance the entity's performance.

Shareholders have no direct exposure to movements in goodwill attributable to policyholders. However, due to the impact of the accounting for investments in controlled entities of the life entities' statutory funds (see Note 1(b)), policyholder asset movements (including goodwill) can impact the net profit after tax attributable to shareholders. Any impact is temporary in nature, reversing no later than the point at which AMPGH group ceases to control the investments.

Notes to the financial statements
for the year ended 31 December 2011

15. Payables

	Consolidated 2011 $m	Consolidated 2010 $m
Investment purchases and margin accounts payable	551	66
Life insurance and investment contracts in process of settlement	349	181
Accrued expenses	111	90
Interest payable	35	41
Trade creditors	237	80
Other payables		
- parent entity	770	840
- parent entity tax related amount	-	83
- other entities	637	561
Total payables (1)(2)	**2,690**	**1,942**

Footnote:

(1) Total payables include payables of investment entities controlled by the life entities' statutory funds which carry out business operations unrelated to the core wealth management operations of the AMPGH group.

(2) $45m (2010: $26m) of Total payables of the AMPGH group is expected to be settled more than 12 months from the reporting date.

Notes to the financial statements

for the year ended 31 December 2011

16. Provisions

	Consolidated 2011 $m	Consolidated 2010 $m
(a) Provisions		
Employee entitlements	261	166
Restructuring	50	2
Other	239	80
Total provisions	**550**	**248**

	Employee entitlements[1] $m	Restructuring provisions[2] $m	Other[3] $m	Total $m
(b) Movements in provisions - consolidated				
Balance at the beginning of the year	166	2	80	248
Additions (reductions) through acquisitions (disposal) of controlled entities	63	55	188	306
Additional provisions made during the year	249	56	124	429
Unused amounts reversed during the year	(3)	(3)	(61)	(67)
Provisions used during the year	(214)	(60)	(92)	(366)
Balance at the end of the year	**261**	**50**	**239**	**550**

Footnote:

(1) Provisions for employee entitlements are in respect of amounts accumulated as a result of employees rendering services up to the reporting date. These entitlements include salaries, wages, bonuses, annual leave and long service leave, but exclude share-based payments. $15m (2010: $6m) of the consolidated balance is expected to be settled more than 12 months from the reporting date.

(2) 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. $4m (2010: nil) is expected to be settled more than 12 months from the reporting date.

(3) Other provisions are in respect of probable outgoings on data quality and integrity projects, settlements, and various other operational provisions. $26m (2010: $2m) is expected to be settled more than 12 months from the reporting date.

Notes to the financial statements

for the year ended 31 December 2011

17. Borrowings

	Consolidated	
	2011 $m	2010 $m
Bank overdrafts	4	-
Bank loans	850	962
Bonds and notes	1,094	1,261
Deposits	127	139
Other borrowings	57	60
Total borrowings[(1)]	**2,132**	**2,422**

Footnote:

(1) Total borrowings comprise amounts to fund:

i) Corporate and other shareholder activities of AMPGH group $593m (2010: $764m). Of this balance, $204m (2010: $353m) is expected to be settled more than 12 months from the reporting date.

ii) Statutory fund borrowings and borrowings within controlled entities of AMP Life are $1,539m (2010: $1,658m). Of this balance $1,182m (2010: $1,045m) is expected to be settled more than 12 months from the reporting date.

Notes to the financial statements

for the year ended 31 December 2011

18. Subordinated debt

	Consolidated	
	2011 $m	2010 $m
6.875% GBP Subordinated Guaranteed Bonds (maturity 2022)	63	56
Floating Rate Subordinated Unsecured Notes (first call date 2016, maturity 2021)(1)(2)	599	-
A$ AMP Notes (first call date 2014, maturity 2019)(3)	199	202
NZ$ AMP Notes (first call date 2014, maturity 2019)(3)	88	87
Total subordinated debt(4)	**949**	**345**

Footnote:

(1) During the year, new subordinated debt of $600m was issued. The balance is after deduction of capitalised borrowing costs.

(2) In the event that AMPGH group does not call the subordinated debt at the first call date the note holders have the right to exchange the notes for AMP shares at a small discount to volume weighted average price at that time.

(3) In the event that AMPGH group does not call the subordinated debt at the first call date the note holders have the right to an interest margin 150% higher than that at issue.

(4) Subordinated debt amounts are to fund corporate activities of AMPGH group. All of this balance (2010: all) is expected to be settled more than 12 months from the reporting date.

Notes to the financial statements

for the year ended 31 December 2011

19. Dividends

	Consolidated	
	2011	**2010**
	$m	**$m**
Dividends paid		
Dividends paid during the year	**280**	374
(2011: 2.70 cents per share, 2010: 7.24 cents per share)		
Total dividends paid	**280**	374

Notes to the financial statements
for the year ended 31 December 2011

20. Contributed equity

	Consolidated	
	2011	2010
	$m	$m
Movements in issued capital		
Balance at the beginning of the year	3,226	3,226
5,212,412,502 New shares issued during the period	3,700	-
Balance at the end of the year	**6,926**	**3,226**
Total issued capital		
10,373,884,649 (2010: 5,161,472,147) ordinary shares fully paid	**6,926**	**3,226**

Holders of ordinary shares have the right to receive dividends as declared and, in the event of the w inding 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.

Notes to the financial statements

for the year ended 31 December 2011

21. Life Insurance Contracts

The AMPGH group's life insurance related activities are conducted through two registered life insurance companies, AMP Life Limited (AMP Life) and, from 30 March 2011, The National Mutual Life Association of Australasia Limited (NMLA).

(a) Assumptions and methodology applied in the valuation of life insurance contract liabilities
Life insurance contract liabilities, and hence the net profit from life insurance contracts, are calculated by applying the principles of Margin on Services (MoS). Refer to Note 1(s) for a description of MoS and the methods for calculating life insurance contract liabilities.

The methods and profit carriers used to calculate life insurance contract liabilities for particular policy types are as follows:

Business type	Method	Profit carriers (for business valued using projection method)
AMP Life		
Conventional	Projection	Bonuses
Investment Account	Modified Accumulation	N/A
Risk (lump sum)	Projection / Accumulation	Expected premiums
Risk (income benefits)	Projection / Accumulation	Expected claims
Participating Allocated Annuities	Accumulation / Modified Accumulation	N/A
Life Annuities	Projection	Annuity payments
NMLA		
Traditional participating	Projection	Bonuses
Traditional non-participating	Projection	Claim payments
Investment account (excl Large group plans)	Projection	Account Balance
Investment account (Large group plans)	Accumulation	N/A
Individual Lump sum insurance	Projection	Premium Income
Individual Disability income	Projection	Claim payments
Group Lump sum insurance	Accumulation	N/A
Group Disability income	Accumulation	N/A
Life annuities	Projection	Annuity Payments

Key assumptions used in the calculation of life insurance contract liabilities are as follows:

Notes to the financial statements

for the year ended 31 December 2011

21. Life insurance contracts (continued)

(i) Risk free discount rates

Except where benefits are contractually linked to the performance of the assets held, a risk-free discount rate based on current observable, objective rates that relate to the nature, structure and term of the future obligations is used. The rates are determined as shown in the following table[(1)].

Business Type		Basis	31 December 2011		31 December 2010	
			Australia	New Zealand	Australia	New Zealand
AMP Life						
Retail risk (other than income protection open claims)		10 year government bond rate	n/a	n/a	5.6%	6.0%
		Zero coupon government bond curve	3.2% -4.6%	2.5% - 4.1%	n/a	n/a
Group and retail risk (income protection open claims)		2 year government bond rate	n/a	n/a	5.2%	n/a
		10 year government bond rate (+30bps for NZ 2011)	n/a	4.1%	n/a	6.0%
		Zero coupon government bond curve (+55bps for Aus 2011)	3.8% - 5.2%	n/a	n/a	n/a
Life annuities	Non-CPI	Zero coupon inter-bank swap curve	n/a	n/a	4.9% - 6.3%	3.1% - 6.0%
		Zero coupon government bond curve (+70bps for Aus and +40bps for NZ)	3.8% - 5.1%	2.8% - 4.8%	n/a	n/a
	CPI	Commonwealth Indexed Bond curve (+20bps for 2010 and +70bps for Aus and +40bps for NZ 2011)	1.5% - 2.2%	1.3%	2.8% - 3.0%	2.8%
NMLA						
Retail risk (other than Income Protection Open Claims)		Risk free yield curve	3.2% - 4.6%	2.5% - 4.1%	n/a	n/a
Income Protection	Open claims	Risk free yield curve (+55bps for Aus and +30 bps for NZ)	3.7% - 5.1%	2.8% - 4.4%	n/a	n/a
Group risk	Open claims	Risk free yield curve (+55bps for Aus and +30bps for NZ)	3.7% - 5.1%	2.8% - 4.4%	n/a	n/a
Life annuities		Zero coupon government bond yield curve + 40bps	n/a	2.9% - 4.5%	n/a	n/a

Footnote:

(1) The basis of the risk free discount rates for risk products has changed from a single bond rate to a bond curve during 2011 as part of the alignment of economic assumptions used by AMP Life and NMLA.

Notes to the financial statements

for the year ended 31 December 2011

21. Life insurance contracts (continued)

(ii) Participating business discount rates

Where benefits are contractually linked to the performance of the assets held, as is the case for participating business, a discount rate based on the expected market return on backing assets is used. The assumed earning rates for backing assets for participating business are largely driven by long-term (e.g.10 year) government bond yields. The 10 year government bond yields used at the relevant valuation dates are as shown below.

Assumed earning rates for each asset sector are determined by adding to the bond yield various risk premia which reflect the relative differences in expected future earning rates for different asset sectors. For products backed by mixed portfolio assets, the assumption varies with the proportion of each asset sector backing the product. The risk premia applicable at the valuation date are shown in the table below.

		10 Year Government Bonds	Local equities	International equities	Property	Fixed Interest	Cash
Australia							
31 December 2011	AMP Life	3.7%	4.5%	3.5%	2.5%	0.8%	(0.5%)
	NMLA	3.7%	4.5%	3.5%	2.5%	0.8%	(0.5%)
31 December 2010	AMP Life	5.6%	4.1%	2.5%	2.0%	0.5%	(0.5%)
New Zealand							
31 December 2011	AMP Life	3.8%	4.5%	3.5%	2.5%	0.8%	(0.5%)
	NMLA	3.8%	4.5%	3.5%	2.5%	0.8%	(0.5%)
31 December 2010	AMP Life	6.0%	4.5%	2.5%	2.0%	0.5%	(0.5%)

The risk premia for local equities includes allowance for imputation credits. The risk premia for fixed interest reflects credit ratings of the portfolio held.

The averages of the asset mixes assumed for the purpose of setting future investment assumptions for participating business at the valuation date are as shown in the table below for each life company. These asset mixes are not necessarily the same as the actual asset mix at the valuation date as they reflect long term assumptions.

		Equities	Property	Fixed interest	Cash
Australia					
31 December 2011	AMP Life	30%	11%	39%	20%
	NMLA	37%	13%	35%	15%
31 December 2010	AMP Life	30%	11%	39%	20%
New Zealand					
31 December 2011	AMP Life	40%	17%	37%	6%
	NMLA	48%	2%	40%	10%
31 December 2010	AMP Life	40%	17%	37%	6%

Where an assumption used is net of tax, the tax on investment income is allowed for at rates appropriate to the class of business and asset sector, including any allowance for imputation credits on equity income. For this purpose, the total return for each asset sector is split between income and capital gains. The actual split has varied at each valuation date as the total return has varied.

(iii) Future participating benefits

For participating business, the total value of future bonuses (and the associated shareholder's profit margin) included in life insurance contract liabilities is the amount supported by the value of the supporting assets, after allowing for the assumed future experience. The pattern of bonuses and shareholders profit margin assumed to emerge in each future year depends on the assumed relationship between reversionary bonuses (or interest credits) and terminal bonuses. This relationship is set to reflect the philosophy underlying actual bonus declarations.

Actual bonus declarations are determined to reflect, over time, the investment returns of the particular fund and other factors in the emerging experience and management of the business. These factors include:

- allowance for an appropriate degree of benefit smoothing
- reasonable expectations of policyholders
- equity between generations of policyholders applied across different classes and types of business
- ongoing solvency and capital adequacy.

Given the many factors involved, the range of bonus structures and rates for participating business is extremely diverse.

Notes to the financial statements

for the year ended 31 December 2011

21. Life insurance contracts (continued)

Typical supportable bonus rates on major product lines are as follow for AMP Life and NMLA (31 December 2010 AMP Life in parentheses).

Reversionary bonus	**Bonus on sum insured**	**Bonus on existing bonuses**
Australia	0.2% - 1.4% (0.7% - 1.6%)	0.4% - 2.0% (1.1% - 2.3 %)
New Zealand	0.3% - 0.5% (0.8% - 1.1%)	0.3% - 0.5% (0.8% - 1.1%)

Terminal bonus
The terminal bonus scales are complex and vary by duration, product line, class of business and country for AMP Life and NMLA.

Crediting rates (investment account)

Australia	1.5% - 9.8%(3.10% - 10.3%)
New Zealand	2.4% - 5.5%(3.3% - 5.5%)

(iv) Future maintenance and investment expenses
Unit maintenance costs are based on budgeted expenses in the year following the reporting date (including GST, as appropriate, and excluding one-off expenses). For future years, these are increased for inflation as described in (v) below. These expenses include fees charged to the life statutory funds by service companies in AMP Life and NMLA. Unit costs vary by product line and class of business based on an apportionment that is supported by expense analyses.

Future investment expenses are based on the fees currently charged by the asset managers.

(v) Inflation and indexation
Benefits and premiums under many regular premium policies are automatically indexed by the published consumer price index (CPI). Assumed future take-up of these indexation options is based on AMP Life and NMLA's own experience with the annual CPI rates derived from the difference between long-term government bonds and indexed government bonds.

The assumptions for expense inflation have regard to these rates, recent expense performance, AMP Life and NMLA's current plans and the terms of the relevant service company agreement, as appropriate.

The assumed annual inflation and indexation rates at the valuation date are:

		Australia	**New Zealand**
31 December 2011	AMP Life and NMLA	2.6% CPI, 3.0% Expenses	2.5% CPI, 3.0% Expenses
31 December 2010	AMP Life	2.9% CPI, 3.0% Expenses	3.3% CPI, 3.0% Expenses

(vi) Bases of taxation
The bases of taxation (including deductibility of expenses) are assumed to continue in accordance with legislation current at the valuation date.

(vii) Voluntary discontinuance
Assumptions for the incidence of withdrawals, paid ups and premium dormancy are primarily based on investigations of AMP Life and NMLA's own experiences over the past three years. These rates are based upon the assessed global rate for each of the individual products (or product groups) and then, where appropriate, further adjusted for duration, smoker status, age attained or short-term market and business effects. Given the variety of influences affecting discontinuance for different product groups, the range of voluntary discontinuance rates across AMP Life and NMLA are extremely diverse.

Future rates of discontinuance for the major classes of life insurance contracts are assumed to be as shown in the table below.

		31 December 2011		**31 December 2010**	
Business type	**Life Company**	**Australia**	**New Zealand**	**Australia**	**New Zealand**
Conventional	AMP Life	2.1% - 3.0%	1.3% -2.5%	2.1% - 3.0%	1.3% - 2.5%
	NMLA	3.6% -4.1%	4.2% -4.9%	n/a	n/a
Investment account	NMLA	5.2% - 23.9%	7.0% -8.0%	n/a	n/a
Individual risk	NMLA	8.0% - 8.9%	10.3% - 10.6%	n/a	n/a
Individual IP	NMLA	8.0% -9.4%	10.3% -10.6%	n/a	n/a
Retail risk	AMP Life	10.5% - 11.0%	10.5% -12.0%	10.5% - 11.0%	10.5% - 12.0%
FLS risk business (ultimate rate)	AMP Life	7.5% -9.0%	n/a	7.5% - 9.0%	n/a

Notes to the financial statements

for the year ended 31 December 2011

21. Life insurance contracts (continued)

(viii) Surrender values

The surrender bases assumed for calculating surrender values are those current at the reporting date. There have been no changes to the bases during the year (or the prior year) that would materially affect the valuation results.

(ix) Mortality and morbidity

Standard mortality tables, based on national or industry wide data, are used (e.g. IA95-97, IM(F)L00, IA90-92 and PN80 in Australia and New Zealand). These are then adjusted by factors that take account of AMP Life and NMLA's own experiences, primarily over the past three years. For annuity business, adjustment is also made for mortality improvements prior to and after the valuation date.

Rates of mortality assumed at 31 December 2011 for AMP Life are unchanged from those assumed at 31 December 2010 in Australia and New Zealand, except for:

- Australian conventional business – reduced from 75% to 67.5% of IA95-97
- Annuitant mortality – base mortality table (prior to amendment for some specific AMP experience) changed from IM80/IF80 to IM00/IF00

Typical mortality assumptions, in aggregate, are as follows:

	Conventional - % of IA95-97 (AMP Life)		**Conventional - % of IA90-92 (NMLA)**		**Term - % of IA95-97 (AMP Life)**		**FLS Risk - % of IA95-97 (AMP Life)**		**Individual - % of IA 90-92 (NMLA)**	
Risk products	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
Australia	**67.5%**	**67.5%**	**60%**	**68%**	**63%**	**63%**	**63%**	**63%**	**60%**	**60%-64%**
New Zealand	**73%**	**73%**	**81%**	**95%**	**63%**	**63%**	**63%**	**63%**	**68%**	**60%-77%**

	AMP Life		**NMLA**	
Annuities	**Male - % of IML00***	**Female - % of IFL00***	**Male - % of PNML00**	**Female - % of PNFL00**
Australia & New Zealand	95%	80%	80%	80%

For disability income business, the claim assumptions are currently based on IAD89-93, which is derived from Australian experience. It is adjusted for AMP Life and NMLA's experience, with the adjustment dependent on age, sex, waiting period, occupation, smoking status and claim duration. Incidence and termination rates have both changed for Australia and New Zealand from those at 31 December 2010 for AMP Life.

Typical morbidity assumptions, in aggregate, are as follows:

Income protection	**Incidence rates - % of IAD89-93 (AMP Life)**	**Incident rates - % of IAD 89-93 (NMLA)**	**Termination rates (ultimate) - % of IAD 89-93(AMP Life)**	**Termination rates (Ultimate)- % of IAD 89-93 (NMLA)**
Australia	87%	60% - 253%	94%	18% - 235%
New Zealand	60%	30% - 312%	90%	66% - 172%

For trauma cover, standard tables are not available and so assumptions are mostly based on Australian population statistics, with adjustment for smoking status as well as AMP Life and NMLA's recent claim experiences. Assumptions at 31 December 2011 are unchanged from those used at 31 December 2010 for AMP Life.

Notes to the financial statements

for the year ended 31 December 2011

21. Life insurance contracts (continued)

The Actuarial tables used were as follows:

IA95-97	A mortality table developed by the Institute of Actuaries of Australia based on Australian insured lives experience from 1995–1997.
IA90-92	A mortality table developed by the Institute of Actuaries of Australia based on Australian insured lives experience from 1990-1992.
IML00*/IFL00*	IML00 and IFL00 are mortality tables developed by the Institute of Actuaries and the Faculty of Actuaries based on United Kingdom annuitant lives experience from 1999 - 2002. The tables refer to male and female lives respectively and incorporate factors that allow for mortality improvements since the date of the investigation. IML00* and IFL00* are these published tables amended for some specific AMP experience.
PNML/PNFL	The UK 00 series tables represent the latest annuitant/pensioner experience and therefore replace the 80 series tables, which are based on experience from 1979 to 1982. Pensioner tables are used given that the NZ annuitants did not voluntarily obtain annuities as they received one automatically from their pension plan.
IAD 89-93	A disability table developed by the Institute of Actuaries of Australia based on the Australian disability income experience for the period 1989- 1993.

(x) Impact of changes in assumptions

Under MoS, for life insurance contracts valuations using the projection method, changes in actuarial assumptions are recognised by adjusting the value of future profit margins in life insurance contract liabilities. Future profit margins are released over future periods.

Changes in actuarial assumptions do not include market related changes in discount rates such as changes in benchmark market yields caused by changes in investment markets and economic conditions. These are reflected in both life insurance contract liabilities and asset values at the reporting date.

The impact on future profit margins of changes in actuarial assumptions from 31 December 2010 to 31 December 2011 (AMP Life) and from 30 March 2011 to 31 December 2011 (NMLA) in respect of life insurance contracts (excluding new business contracts which are measured using assumptions at reporting date) is as shown in the table below for the two life companies.

	AMP Life 1 January 2011 – 31 December 2011			**NMLA 30 March 2011 – 31 December 2011**		
	Change in future profit margins	**Change in life insurance contract liabilities**	**Change in shareholders' profit & equity**	**Change in future profit margins**	**Change in life insurance contract liabilities**	**Change in shareholders' profit & equity**
Assumption change	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Non-market related changes to discount rates(1)	(111)	1	1	(30)	-	-
Mortality and morbidity	(32)	-	-	-	-	-
Discontinuance rates	-	-	-	-	1	(1)
Maintenance expenses	(11)	-	-	34	(1)	1
Other assumptions(2)	32	-	-	2	(1)	(12)

Footnote

(1) *The change in future profit margins for AMP Life reflects the impact of moving the risk discount rate from the 10 year government bond rate to zero coupon government bond curve as per Note 21(i).*

(2) *Other assumptions changes for AMP Life include the impact of actual and planned premium rate changes.*

In most cases, the overall amount of life insurance contract liabilities and the current period profit are not affected by changes in assumptions. However, where in the case of a particular related product group, the changes in assumptions at the end of a period eliminate any future profit margins for the related product group, and results in negative future profit margins, this negative balance is recognised as a loss in the current period. If the changes in assumptions in a period are favourable for a product group currently in loss recognition, then the previously recognised losses are reversed in the period.

Notes to the financial statements

for the year ended 31 December 2011

21. Life insurance contracts (continued)

(b) Insurance risk sensitivity analysis – life insurance contracts

For life insurance contracts that are accounted for under MoS, amounts of liabilities, income or expense recognised in the period are unlikely to be sensitive to changes in variables even if those changes may have an impact on future profit margins.

This table shows information about the sensitivity of life insurance contract liabilities for AMP Life and NMLA, current shareholder period profit after income tax, and equity, to a number of possible changes in assumptions relating to insurance risk.

AMP Life

		Change in life insurance contract liabilities		Change in shareholder profit after income tax, and equity	
Variable	**Change in variable**	Gross of reinsurance **$m**	Net of reinsurance **$m**	Gross of reinsurance **$m**	Net of reinsurance **$m**
Mortality	10% increase in mortality rates	(1)	(1)	1	1
Annuitant mortality	50% increase in the rate of mortality improvement	1	1	(1)	(1)
Morbidity – lump sum disablement	20% increase in lump sum disablement rates	-	-	-	-
Morbidity – disability income	10% increase in incidence rates	-	-	-	-
Morbidity – disability income	10% decrease in recovery rates	-	-	-	-
Discontinuance rates	10% increase in discontinuance rates	-	-	-	-
Maintenance expenses	10% increase in maintenance expenses	-	-	-	-

NMLA

		Change in life insurance contract liabilities		Change in shareholder profit after income tax, and equity	
Variable	**Change in variable**	Gross of reinsurance **$m**	Net of reinsurance **$m**	Gross of reinsurance **$m**	Net of reinsurance **$m**
Mortality(1)	10% increase in mortality rates	-	-	-	-
Annuitant mortality(1)	50% increase in the rate of mortality improvement	-	-	-	-
Morbidity – lump sum disablement(1)	20% increase in lump sum disablement rates	-	-	-	-
Morbidity – disability income (1)	10% increase in incidence rates	112	110	(78)	(77)
Morbidity – disability income(1)	10% decrease in recovery rates	215	202	(151)	(141)
Discontinuance rates(1)	10% increase in discontinuance rates	22	21	(15)	(15)
Maintenance expenses(1)	10% increase in maintenance expenses	25	25	(18)	(18)

Footnote:

(1) At 31 December 2011, changes in actuarial assumptions have fully absorbed future profit margins on NMLA's disability income products. Any further adverse change to assumptions for these products would therefore be recognised as a loss in the Income statement for the period. Any improvement in the assumptions for these products would be recognised initially as a reversal of the previously recognised loss.

Notes to the financial statements

for the year ended 31 December 2011

21. Life insurance contracts (continued)

	Consolidated	
	2011 $m	2010 $m
(c) Analysis of life insurance contract premium and related revenue		
Total life insurance contract premiums received and receivable	2,900	1,802
Less: component recognised as a change in life insurance contract liabilities	(1,114)	(751)
Life insurance contract premium revenue(1)	1,786	1,051
Reinsurance recoveries	91	49
Total life insurance contract premium and related revenue	**1,877**	**1,100**
(d) Analysis of life insurance contract claims and related expenses		
Total life insurance contract claims paid and payable	(3,099)	(2,344)
Less: component recognised as a change in life insurance contract liabilities	1,385	1,103
Life insurance contract claims expense	(1,714)	(1,241)
Outwards reinsurance expense	(76)	(48)
Total life insurance contract claims and related expenses	**(1,790)**	**(1,289)**
(e) Analysis of life insurance contract operating expenses		
Life insurance contract acquisition expenses		
- Commission	(102)	(56)
- Other expenses	(132)	(88)
Life insurance contract maintenance expenses		
- Commission	(164)	(91)
- Other expenses	(369)	(284)
Investment management expenses	(50)	(39)

Footnote:

(1) Life insurance contract premium revenue consists entirely of direct insurance premiums; there is no inward reinsurance component.

Notes to the financial statements

for the year ended 31 December 2011

21. Life insurance contracts (continued)

	Consolidated	
	2011	2010
	$m	$m
(f) Life insurance contract liabilities		
Life insurance contract liabilities determined using projection method		
Best estimate liability		
- Value of future life insurance contract benefits	19,310	10,765
- Value of future expenses	4,959	2,697
- Value of future premiums	(19,156)	(9,595)
Value of future profits		
- Life insurance contract holder bonuses	2,054	2,021
- Shareholders' profit margins	3,389	2,439
Total life insurance contract liabilities determined using the projection method (1)	**10,556**	**8,327**
Life insurance contract liabilities determined using accumulation method		
Best estimate liability		
- Value of future life insurance contract benefits	11,386	7,664
- Value of future acquisition expenses	(7)	(9)
Total life insurance contract liabilities determined using accumulation method	**11,379**	**7,655**
Value of declared bonus	**359**	**338**
Unvested life insurance contract holder benefits(1)	**1,628**	**1,377**
Total life insurance contract liabilities before reinsurance	**23,922**	**17,697**
Add: Reinsurers' share of life insurance contract liabilities	477	65
Total life insurance contract liabilities	**24,399**	**17,762**

Footnote:

(1) For participating business in the statutory funds, part of the assets in excess of the life insurance contract and other liabilities calculated under MoS are attributed to policyholders. Under the Life Act, this is referred to as policyholder retained profits. For the purpose of reporting under accounting standards, this amount is referred to as unvested life insurance contract holder benefits and is included within life insurance contract liabilities even though it is yet to be vested as specific policyholder entitlements.

(g) Reconciliation of changes in life insurance contract liabilities	2011	2010
Total life insurance contract liabilities at the beginning of the year	17,762	18,380
Additions through the acquisition of the AXA APH Australia and New Zealand businesses	6,840	-
Change in life insurance contract liabilities recognised in the Income statement	(25)	(202)
Premiums recognised as an increase in life insurance contract liabilities	1,114	751
Claims recognised as a decrease in life insurance contract liabilities	(1,385)	(1,103)
Change in reinsurers share of life insurance contract liabilities	69	21
Foreign exchange adjustment	24	(85)
Total life insurance contract liabilities at the end of the year	**24,399**	**17,762**

Notes to the financial statements

for the year ended 31 December 2011

21. Life insurance contracts (continued)

(h) Life insurance risk

The life insurance activities of AMP Life and NMLA involve a number of non-financial risks concerned with the pricing, acceptance and management of the mortality, morbidity and longevity risks accepted from policyholders, often in conjunction with the provision of wealth-management products.

The design of products carrying insurance risk is managed to ensure that policy wording and promotional materials are clear, unambiguous and do not leave AMP Life and NMLA open to claims from causes that were not anticipated. Product prices are set through a process of financial analysis, including review of previous AMP Life and NMLA and industry experience and specific product design features. The variability inherent in insurance risk including concentration risks is managed by having a large geographically diverse portfolio of individual risks, underwriting and the use of reinsurance.

Underwriting is managed through a dedicated underwriting department, with formal underwriting limits and appropriate training and development of underwriting staff. Individual policies carrying insurance risk are underwritten on their merits and are generally not issued without having been examined and underwritten individually. Individual policies which are transferred from a group scheme are generally issued without underwriting. Group risk insurance policies meeting certain criteria are underwritten on the merits of the employee group as a whole.

Claims are managed through a dedicated claims management team, with formal claims acceptance limits and appropriate training and development of staff to ensure payment of all genuine claims. Claims experience is assessed regularly and appropriate actuarial reserves are established to reflect up-to-date experience and any anticipated future events. This includes reserves for claims incurred but not yet reported.

AMP Life and NMLA reinsure (cede) to specialist reinsurance companies a proportion of its portfolio or certain types of insurance risk, including catastrophe. This serves primarily to:

- reduce the net liability on large individual risks
- obtain greater diversification of insurance risks
- provide protection against large losses.

The specialist reinsurance companies are regulated by APRA or industry regulators in other jurisdictions and have strong credit ratings from *A-* to *AA+*.

Terms and conditions of life insurance contracts

The nature of the terms of the life insurance contracts written by AMP Life and NMLA is such that certain external variables can be identified on which related cash flows for claim payments depend. The table below provides an overview of the key variables upon which the timing and uncertainty of future cash flows of the various life insurance contracts issued by AMP Life and NMLA depend.

Notes to the financial statements

for the year ended 31 December 2011

21. Life insurance contracts (continued)

Type of contract	Detail of contract workings	Nature of compensation for claims	Key variables affecting future cash flows
Non-participating life insurance contracts with fixed and guaranteed terms (term life and disability and yearly renewable*)*	These policies provide guaranteed benefits, which are paid on the death or ill-health, that are fixed and not at the discretion of the Life Company. Premium rates for yearly renewable business are not guaranteed and may be changed at Life Company's discretion for the portfolio as a whole.	Benefits, defined by the insurance contract, are not directly affected by the performance of underlying assets or the performance of any associated investment contracts as a whole.	Mortality, morbidity, lapses, expenses and market earning rates on assets backing the liabilities.
Life annuity contracts	In exchange for an initial single premium, these policies provide a guaranteed regular income for the life of the insured.	The amount of the guaranteed regular income is set at inception of the policy including any indexation.	Longevity, expenses and market earning rates on assets backing the liabilities.
Conventional life insurance contracts with discretionary participating benefits (endowment and whole of life)	These policies combine life insurance and savings. The policyholder pays a regular premium and receives the specified sum assured plus any accruing bonuses on death or maturity. The sum insured is specified at inception and guaranteed. Reversionary bonuses are added annually, which once added (vested) are guaranteed. A further terminal bonus may be added on surrender, death or maturity.	Benefits arising from the discretionary bonuses are based on the performance of a specified pool of contracts and the assets supporting these contracts.	Market earning rates on assets backing the liabilities, interest rates, lapses, expenses, and mortality.
AMP Life Investment account contracts with discretionary participating features	The gross value of premiums received is invested in the investment account with fees and premiums for any associated insurance cover being deducted from the account balance. Interest is credited regularly.	The payment of the account balance is generally guaranteed, although it may be subject to certain penalties on early surrender or limited adjustment in adverse markets. Operating profit arising from these contracts is allocated between the policyholders and shareholders in accordance with the *Life Act*. The amount allocated to policyholders is held as an unvested policy liability until it is distributed to specific policyholders as interest credits.	Fees, lapses, expenses and market earning rates on the assets backing the liabilities, interest rates.
NMLA Investment account contracts with discretionary participating features	The gross value of premiums received is invested in an unitised pool of assets. Fees and premiums for any associated insurance cover are deducted from the account balance when due. Interest is credited and is guaranteed to be at least zero (after fees).	Payment of the account balance is generally guaranteed. Penalties may apply on early surrender particularly in adverse markets. Bonuses are credited to the account balance based on the performance of assets supporting these contracts.	Fees, discontinuance rates, expenses and investment returns on the assets backing the liabilities

(i) Liquidity risk and future net cash outflows

The table below shows the estimated timing of future net cash outflows resulting from insurance contract liabilities. This includes estimated future surrenders, death/disability claims and maturity benefits, offset by expected future premiums or contributions and reinsurance recoveries. All values are discounted to the reporting date using the assumed future investment earning rate for each product.

Total AMP Life and NMLA

	Up to 1 Year $m	1 to 5 Years $m	Over 5 Years $m	Total $m
2011	1,029	2,532	7,453	11,014
2010 (AMP Life only)	903	2,416	5,420	8,739

Notes to the financial statements

for the year ended 31 December 2011

22. Other life insurance and investment contract disclosures

	Consolidated 2011 $m	Consolidated 2010 $m
(a) Analysis of life insurance and investment contract profit		
Components of profit related to life insurance and investment contract liabilities:		
- Planned margins of revenues over expenses released	**478**	410
- Profits (losses) arising from difference between actual and assumed experience	**114**	18
- Capitalised (losses) reversals	**2**	1
Profit related to life insurance and investment contract liabilities	**594**	429
Attributable to:		
- Life insurance contracts	**438**	254
- Investment contracts	**156**	175
Investment earnings on assets in excess of life insurance and investment contract liabilities	**113**	90

(b) AMP life insurance entities statutory funds

AMP Life and NMLA conduct investment linked and non-investment linked business. For investment linked business, deposits are received from policyholders, the funds are invested on behalf of the policyholders and the resulting liability to policyholders is linked to the performance and value of the assets that back those liabilities.

The Life Act requires the life insurance business of AMP Life and NMLA to be conducted within life statutory funds. AMP Life has three statutory funds: No 1 fund includes AMP Life's Australia and New Zealand non-investment linked business and a minor amount of investment linked business undertaken by AMP Life's New Zealand Branch; No 2 and No 3 funds include all AMP Life's investment linked business conducted in Australia. NMLA has six statutory funds:

No. 1 fund	Australia	Capital guaranteed ordinary business (whole of life, endowment, term, investment account and income protection).
	New Zealand	All business (whole of life, endowment, term, investment account, income protection, individual and group investment-linked and immediate annuities).
No. 2 fund	Australia	Investment-linked superannuation business (individual and group investment-linked and deferred annuities).
No. 3 fund	Taiwan	All business (individual whole of life, endowment, term and group life).
No. 4 fund	Australia	Capital guaranteed superannuation business (whole of life, endowment, individual and group investment account and group life).
No. 5 fund	Australia	Investment-linked ordinary business (individual investment-linked).
No. 6 fund	Australia	All business (immediate and deferred annuities).

Investments held in the life statutory funds can only be used in accordance with the relevant regulatory restrictions imposed under the Life Act and associated rules and regulations. The main restrictions are that the assets in a life statutory fund can only be used to meet the liabilities and expenses of that life statutory fund, to acquire investments to further the business of the life statutory fund or as distributions provided solvency, capital adequacy and other regulatory requirements are met. See further details about solvency and capital adequacy in Note 22(d).

Notes to the financial statements

for the year ended 31 December 2011

22. Other life insurance and investment contract disclosures (continued)

Australian Accounting Standards require the income, expenses, assets and liabilities in the financial statements of AMP Life and NMLA to include amounts attributable to policyholders in investment linked and non-investment linked business of the life statutory funds. The following table shows a summary of the balances in the life statutory funds disaggregated between non-investment linked and investment linked business:

	2011			2010		
	AMP Life and NMLA			AMP Life only		
	Non-investment linked $m	Investment linked $m	Total life entities' statutory $m	Non-investment linked $m	Investment linked $m	Total life entities' statutory $m
Assets of life entities' statutory funds						
Net assets of life entities' statutory funds attributable to policyholders and shareholders	30,943	49,613	**80,556**	21,927	46,434	68,361
Attributable to policyholders						
Life insurance contract liabilities	24,399	-	**24,399**	17,762	-	17,762
Investment contract liabilities	3,728	49,131	**52,859**	2,562	46,017	48,579
	28,127	49,131	**77,258**	20,324	46,017	66,341
Attributable to shareholders	2,816	482	**3,298**	1,603	417	2,020

The net assets of life statutory funds attributable to shareholders represent the interests of shareholders including funds required to meet regulatory requirements as well as further amounts of shareholder funds in excess of regulatory requirements.

Notes to the financial statements

for the year ended 31 December 2011

22. Other life insurance and investment contract disclosures (continued)

Impact of the life statutory funds amounts on the AMPGH group consolidated financial statements
To the extent that investments by the life statutory funds are held through wholly or partly owned controlled entities of the life statutory funds, the balances of those controlled entities are consolidated by AMP Life and NMLA and therefore become part of the consolidated balances of this AMPGH group Financial Report. The consolidated balances include 100% of the underlying investments in financial assets, investment property, and other net operating assets of the controlled entities of the life statutory funds. Most of the controlled entities are unit trusts and the share of the consolidated profit and net assets of those trusts attributable to unitholders other than the AMP Life statutory funds is recognised in the consolidated income statement as Movement in external unitholders' liabilities and in the consolidated Statement of financial position as External unitholders' liabilities.

The following table shows a summary of the consolidated balances of the life statutory funds and the entities controlled by the life statutory funds.

Income statement	Life entities' statutory funds consolidated 2011 $m	2010 $m
Insurance premium and related revenue	1,877	1,100
Fee revenue	944	862
Other revenue	326	257
Investment gains and (losses)	629	4,053
Insurance claims and related expenses	(1,790)	(1,289)
Operating expenses including finance costs	(2,450)	(1,970)
Movement in external unitholders' liabilities	196	(317)
Change in life insurance contract liabilities	25	202
Change in investment contract liabilities	931	(2,259)
Income tax (expense) / credit	(34)	(144)
Profit	**654**	495
Assets		
Cash and cash equivalents	7,128	5,233
Investments in financial assets measured at fair value through profit or loss	76,349	64,399
Investment property	7,734	7,423
Other assets	3,480	1,622
Total assets of policyholders, shareholders and non-controlling interests	**94,691**	78,677
Liabilities		
Life insurance contract liabilities	24,399	17,762
Investment contract liabilities	52,859	48,579
Other liabilities	6,173	3,829
External unitholders' liabilities	7,902	6,386
Total liabilities of policyholders, shareholders and non-controlling interests	**91,333**	76,556
Net assets	**3,358**	2,121

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22. Other life insurance and investment contract disclosures (continued)

(c) Capital guarantees

	Consolidated	
	2011	**2010**
	$m	**$m**
Life insurance contracts with a discretionary participating feature		
- Amount of the liabilities that relate to guarantees	19,840	13,758
Investment linked contracts		
- Amount of the liabilities subject to investment performance guarantees	1,232	1,101
Other life insurance contracts with a guaranteed termination value		
- Current termination value	169	131

(d) Solvency and capital adequacy

Registered life insurance entities are required to hold prudential reserves, over and above their life insurance contract and investment contract liabilities, as a buffer against adverse experience and poor investment returns. These prudential reserving requirements are specified by the *Life Act* and accompanying prudential standards. AMP Life and NMLA hold additional amounts of reserves to provide a higher level of security for policyholder benefits than would be achieved by holding the statutory minimum.

Under the *Life Act*, there are two requirements for each life statutory fund in each life company:

- the solvency requirement; and
- the capital adequacy requirement.

Solvency requirements
The solvency requirement is the absolute minimum that must be satisfied for the business to be allowed to continue to operate. Its purpose is to ensure, as far as practicable, that at any time the fund will be able to meet all existing life insurance contract liabilities, investment contract liabilities and other liabilities as they become due.

The Appointed Actuaries of AMP Life and NMLA have confirmed that the available assets of each life statutory fund have exceeded the solvency reserve required at all times during the reporting period. Across all the life statutory funds, the excess assets, expressed as a percentage of the solvency reserve, at 31 December 2011 were 62% for AMP Life and 100% for NMLA (31 December 2010 – 71% for AMP Life).

Capital adequacy requirements
The capital adequacy requirement is a separate requirement (usually higher) that must be satisfied for each life entity to be allowed to make distributions to its shareholders and to operate without regulatory intervention. Its purpose is to ensure, as far as practicable, that there is sufficient capital in each life statutory fund for the continued conduct of the life insurance business, including writing new business, in a way which is in the interests of policyholders and in accordance with the Life Act.

The Appointed Actuaries of AMP Life and NMLA have confirmed that the available assets of each life statutory fund have exceeded the capital adequacy reserve required at all times during the reporting period. For this purpose, the capital adequacy reserve is defined as the solvency reserve, plus the difference between the capital adequacy requirement and the solvency requirement. Across all the life statutory funds, the excess assets, expressed as a percentage of the capital adequacy reserve, as at 31 December 2011 was 34% for AMP Life and 27% for NMLA (31 December 2010: 36% for AMP Life).

(e) Actuarial information

Mr Rocco Mangano, as the Appointed Actuary of AMP Life and Mr Daniel Shuttleworth, as the Appointed Actuary of NMLA, are satisfied as to the accuracy of the data used in the valuations in the Financial Report and in the tables in this Note and Note 21.

The liabilities to policyholders (being the sum of the life insurance contract and investment contract liabilities, including any asset or liability arising in respect of the management services element of an investment contract) and solvency reserves have been determined at the reporting date in accordance with the Life Act.

(f) Amounts which may be recovered or settled within 12 months after the reporting

Based on assumptions as to likely withdrawal patterns of the various product groups, it is estimated that approximately $16,627m (2010: $9,764m) of policy liabilities may be settled within 12 months of the reporting date.

Notes to the financial statements

for the year ended 31 December 2011

23. Risk management and financial instruments information

Financial Risk Management

The AMPGH group's risk management is carried out in accordance with policies set by the AMP Limited board (the Board) for the management of risks within AMP group. The principal objective of the AMP group's Financial Risk Management Framework (FRM Framework) is to ensure the existence of a robust structure for identifying, assessing, measuring, managing and escalating risks. The FRM Framework operates under the AMP group's risk appetite statement that includes consideration of risk to capital and risk to earnings. Policies are set out in the FRM Framework provides a structure for managing financial risks including delegations, escalations and reporting. The FRM Framework also outlines AMP group's FRM objectives and identifies organisational responsibilities for the implementation of the FRM Framework. In addition, the FRM Framework provides an overview of each of the key financial risks including the nature of the risks, objectives in seeking to manage the risks, the key policy variables for the management of the risks and the business unit responsibility for managing and reporting the risks.

The Board has ultimate responsibility for risk management and governance, including ensuring that an appropriate risk framework and appetite is in place and that it is operating effectively. This includes approval of the FRM Framework and its sub-policies, the shareholder capital investment strategy, capital and financing plans, approval of transactions outside the FRM Framework and setting the financial risk appetite. The AMP Limited Audit Committee (AMP AC) ensures the existence of effective FRM policies and procedures, and oversight of the execution of the FRM Framework. The AMP Life, AMP Capital and AMP Bank Audit Committees are delegated this responsibility for the elements specific to their respective businesses.

Executive Committees oversee the management and monitoring of financial risks and capital management. These Committees include Group Asset and Liability Committee (Group ALCO) for AMP group, AFS ALCO for both AMP Life and National Mutual Life Association of Australasia (NMLA) and the Financial Risk and Capital Committee (FRCC) for AMP Capital. The Debt Committee, a sub-committee of Group ALCO, also reviews and monitors debt financing risk across the AMPGH group. These Executive Committees report to the respective Audit Committees and Boards.

AMP group Treasury (Group Treasury) is responsible for the execution of the FRM Framework and capital and financing plans in compliance with Board approved targets and limits. Group Treasury is also responsible for the execution of the approved investment strategy for AMP shareholder capital, for analysis and reporting of financial risks and capital position to Group ALCO, AMP AC and the Board, and monitoring compliance with the FRM Framework in relation to FRM and for identifying and reporting breaches of policy to Group ALCO, relevant Audit Committees and the Board.

Internal Audit checks for compliance with the FRM Framework as part of its ongoing audit cycle. Internal Audit is required to review the effectiveness of the FRM Framework and report to the AMP AC.

The directors and boards of AMP Limited controlled operating entities are required to comply with the Board approved risk appetite. The AMP Group Holdings Limited controlled operating entities are also responsible for approving policyholder asset and liability strategy (in the case of AMP Life and NMLA), allocating subsidiary shareholder capital investment and for reporting to the AMP AC and Group ALCO on financial risks.

The Appointed Actuaries are responsible for reporting to the AMP Life Board, NMLA Board, AMP AC, Group ALCO, AFS ALCO, as well as externally to APRA on the financial condition of AMP Life and NMLA including solvency, capital adequacy and target surplus. The Appointed Actuaries are also responsible for giving advice to AMP Life and NMLA on distribution of profits, premium rates, charges, policy conditions and reinsurance arrangements. The Life Insurance Act (Life Act) also imposes obligations on the Appointed Actuaries to bring to the attention of AMP Life, NMLA, or in some circumstances, APRA, any matter that the Appointed Actuaries believes requires action to avoid prejudice to the interests of policyholders.

(a) Risks and mitigation

For the purposes of the FRM Framework, risk management involves decisions made about the allocation of investment assets across asset classes and/or markets and includes the management of risks within these asset classes.

Financial risk in the AMPGH group is managed by reference to the probability of loss relative to expected income over a one-year time horizon at a 90 per cent confidence level (Profit at risk). In respect of investments held in the shareholder fund and in the life statutory funds, the loss tolerance over the discretionary investments is set at a low level because AMP has equity market exposure in its businesses (for example through fees on Assets Under Management).

The risk appetite of the AMPGH group includes an allocation of risk to the Seed Pool. The Seed Pool is designed to assist business growth through the acquisition of assets to create investment products for clients and grow AMP Capital's assets under management. The AMPGH group seeks to generate future revenues from the subsequent on-sale of these assets to clients through new or existing funds.

Financial risks arising in the AMPGH group include market risk (investment risk, interest rate risk, foreign exchange risk, currency risk, property risk, and equity price risk); liquidity and refinancing risk; and credit risk. These risks are managed according to the FRM Framework including through the use of derivative financial instruments such as cross-currency and interest-rate swaps, forward rate agreements, futures, options and foreign currency contracts to hedge risk exposures arising from changes in interest rates and foreign exchange rates.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to movements in the financial markets. These movements include foreign exchange rates, interest rates, credit spreads, equity prices or property prices. Market risk in the AMPGH group arises from the management of insurance contracts and investment of shareholder capital including investments in equities, property, interest bearing investments and corporate debt.

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for the year ended 31 December 2011

23. Risk management and financial instruments information (continued)

(b) Market risk sensitivity analysis

The paragraphs below include sensitivity analysis tables showing how the profit after tax and equity would have been impacted by changes in market risk variables including interest rate risk and currency risk as defined in AASB 7 *'Financial Instruments: Disclosures'*. They show the direct impact on the profit after tax or equity of a reasonably possible change in factors which affect the carrying value of financial assets and financial liabilities held at the end of the reporting period.

The sensitivity is required to show the impact of a reasonably possible change in market rate (it is not intended to illustrate a remote, worst case, stress test scenario nor does it represent a forecast. In addition it does not include the impact of any mitigating management actions) over the period to the subsequent reporting date. The categories of risks faced and methods used for deriving sensitivity information did not change from previous periods.

(i) Interest rate risk

Interest rate risk is the risk of an impact on AMPGH group's profit after tax and equity from movements in market interest rates, including changes in the absolute levels of interest rates, the shape of the yield curve, the margin between different yield curves and the volatility of interest rates.

Interest rate risk arises from interest bearing financial assets and financial liabilities in various activities of the AMPGH group. Management of those risks is decentralised according to the activity. Details are as follows:

- *AMPGH group's long-term borrowings and subordinated debt* - Interest rate risk arises in relation to long-term borrowings and subordinated debt raised through a combination of Australian dollar, New Zealand dollar, pound sterling and euro denominated fixed-rate and floating-rate facilities. The foreign denominated debt is converted to floating-rate Australian dollars through cross-currency swaps. Interest rate risk is managed by entering floating-to-fixed interest-rate swaps, which have the effect of converting borrowings from floating rates to fixed rates. Under the interest-rate swaps, the AMPGH group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

  AMPGH group policy is to maintain between 40–60 per cent of borrowings and subordinated debt at fixed rates. This can be altered with Group ALCO approval to hedge other interest rate exposures across the Group. At the reporting date, 57 per cent (2010: 56 per cent) of the AMPGH group's borrowings and subordinated debt were effectively at fixed rates.

  Group Treasury may also, subject to Group ALCO approval, enter into interest rate derivative exposures to hedge other enterprise-wide interest rate exposures.

- *AMP Life and NMLA* - As discussed in Note 1(b), AMP Life and NMLA conducts their wealth management and life insurance business through separate life statutory funds. Investment assets of the life statutory funds including interest-bearing financial assets are held to back investment contract liabilities, life insurance contract liabilities, retained profits and capital.

  The interest rate risk of AMP Life and NMLA which impacts shareholders arises in respect of financial assets and liabilities held in the shareholder fund and in the life statutory funds. A risk arises to the extent that there is an economic mismatch between the timing of payments to life policyholders and the duration of the assets held in the life statutory funds to back the policyholder liabilities. Where a liability in respect of investment contracts is directly linked to the value of the assets (where applicable, net of related liabilities) held to back that liability (investment-linked business), there is no residual interest rate exposure which would impact shareholders.

  Management of various risks associated with investments undertaken by life statutory funds and the life shareholder fund, such as interest rate risk is subject to the relevant regulatory requirements governed by the Life Act. AMP Life and NMLA is required to satisfy solvency requirements, including holding statutory reserves to cater for interest rate risk to the extent that assets are not matched against liabilities.

  AMP Life and NMLA manage interest rate and other market risks pursuant to an asset and liability management policy that has regard to policyholder expectations and risks to the AMP Life and NMLA Board's target surplus philosophy for both capital adequacy and solvency as advised by the Appointed Actuaries.

Notes to the financial statements

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23. Risk management and financial instruments information (continued)

Interest rate risk sensitivity analysis

This analysis demonstrates the impact of a 100 basis point change in Australian and International interest rates, with all other variables held constant, on profit after tax and equity. It is assumed that all underlying exposures and related hedges are included in the sensitivity analysis, that the 100 basis point change occurs as at the reporting date and that there are concurrent movements in interest rates and parallel shifts in the yield curves. The impact on equity includes 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. A sensitivity level of 100 basis points is determined considering the range of interest rates applicable to interest bearing financial assets and financial liabilities in the AMPGH group.

	2011		2010	
Change in variables	**Impact on profit after tax Increase (decrease) $m**	**Impact on equity Increase (decrease) $m**	**Impact on profit after tax Increase (decrease) $m**	**Impact on equity Increase (decrease) $m**
+100 basis points	(9)	(6)	(11)	(7)
-100 basis points	30	27	13	9

(ii) Currency risk

Currency risk is the risk of an impact on AMPGH group's profit after tax and equity from movements in foreign exchange rates. Changes in value would occur in respect of translating the AMPGH group's capital invested in overseas operations into Australian dollars at reporting date (translation risk) or from foreign exchange rate movements on specific cash flow transactions (transaction risk).

Other than where the impact would be immaterial, corporate debt is typically converted to Australian dollars through cross-currency swaps, individual investment assets in shareholder capital (excluding the international equities portfolio attributable to shareholders within the life Statutory Fund No.1 fund) and in the seed pool are hedged, and expected foreign currency receipts and payments are hedged once the value and timing of the expected cash flow is known. Subject to Group ALCO approval, Group Treasury may allow for natural hedging of foreign exchange risk through unhedged foreign currency borrowings, or enter into discretionary foreign exchange transactions to hedge enterprise-wide exposures.

AMPGH group does not hedge the capital invested in overseas operations (other than foreign Seed Pool investments), thereby accepting the foreign currency translation risk on invested capital.

Currency risk sensitivity analysis

This analysis demonstrates the impact of a 10 per cent movement of currency rates against the Australian dollar, with all other variables held constant, on the profit after tax and equity due to changes in fair value of currency sensitive monetary assets and liabilities at the reporting date. It is assumed that the 10 per cent change occurs as at the reporting date. A sensitivity level of 10 per cent is determined considering the range of currency exposures in the AMPGH group.

	2011		2010	
Change in variables	**Impact on profit after tax Increase (decrease) $m**	**Impact on equity Increase (decrease) $m**	**Impact on profit after tax Increase (decrease) $m**	**Impact on equity Increase (decrease) $m**
10% depreciation of AUD	3	3	8	8
10% appreciation of AUD	(3)	(3)	(8)	(8)

Notes to the financial statements

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23. Risk management and financial instruments information (continued)

(iii) Equity price risk
Equity price risk is the risk of an impact on AMPGH group's profit after tax and equity from movements in equity prices. The AMPGH group measures equity securities at fair value through profit or loss. Group Treasury may, with Group ALCO approval, use equity exposures or equity futures or options to hedge other enterprise-wide equity exposures.

Equity price risk sensitivity analysis
The analysis demonstrates the impact of a 10 per cent movement in Australian and International equities held at the reporting date. This sensitivity analysis has been performed to assess the direct risk of holding equity instruments. Any potential indirect impact on fees from AMPGH group's investment linked business is not included. A sensitivity level of 10 per cent is determined considering the widely spread portfolios held by the AMPGH group and the range of movements in equity markets for the periods.

	2011		2010	
	Impact on profit after tax Increase (decrease) $m	Impact on equity Increase (decrease) $m	Impact on profit after tax Increase (decrease) $m	Impact on equity Increase (decrease) $m
10% increase in Australian equities	16	16	9	9
10% increase in International equities	3	3	8	8
10% decrease in Australian equities	(9)	(9)	(9)	(9)
10% decrease in International equities	(3)	(3)	(8)	(8)

(c) Liquidity and refinancing risk
Liquidity risk is the risk that the AMPGH group is not able to meet its debt obligations or other cash outflows as they fall due because of an inability to liquidate assets or obtain adequate funding when required. Refinancing risk, a sub-set of liquidity risk, is the risk that the maturity profile of existing debt is such that it would be difficult to refinance (or rollover) maturing debt, or there is excessive exposure to potentially unfavourable market conditions at any given time.

To ensure that the AMPGH group has sufficient funds available, in the form of cash, liquid assets, borrowing capacity and un-drawn committed funding facilities to meet its liquidity requirements, Group Treasury maintains a defined surplus of cash plus six months of debt maturities to mitigate refinancing risk, satisfy regulatory requirements and protect against liquidity shocks in accordance with the liquidity risk management policy approved by the AMP Limited Board.

At 31 December 2011, no breaches existed in relation to external bank loans owing by entities controlled by the life statutory funds.

However, at 31 December 2010, the carrying amount of loans in breach was $267m, of which formal waivers from financiers had been obtained for loans of $144m. During the 2011 financial year, waivers were obtained for all loans in breach at and subsequent to 31 December 2010 and were subsequently resolved either through renegotiation of the terms of the loans or by improved financial performance within the relevant entity, such that no breaches exist at 31 December 2011. Financiers of loans owing by controlled entities of the life statutory funds do not have legal recourse beyond the operating subsidiary borrower and there is no direct effect on any other AMPGH group debt.

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for the year ended 31 December 2011

23. Risk management and financial instruments information (continued)

The following table summarises the maturity profiles of AMPGH group's undiscounted financial liabilities and off-balance sheet items at the reporting date. The maturity profiles are based on contractual undiscounted repayment obligations. Repayments that are subject to notice are treated as if notice were to be given immediately.

Maturity profiles of undiscounted financial liabilities and off balance sheet items

2011	Up to 1 year or no term $m	1 to 5 years $m	Over 5 years $m	Other[(2)] $m	Total $m
Non-derivative financial liabilities[(1)]					
Payables	(2,658)	(32)	-	-	(2,690)
Borrowings	(718)	(1,480)	-	-	(2,198)
Subordinated debt	(75)	(1,094)	(115)	-	(1,284)
Investment contract liabilities	(1,251)	(1,126)	(1,825)	(49,364)	(53,566)
External unit-holders' liabilities	-	-	-	(7,224)	(7,224)
Derivative financial instruments					
Cross currency swaps					
- Outflows	(423)	(35)	(209)	-	(667)
- Inflows	340	17	745	-	1,102
Interest rate swaps	-	10	13	-	23
Total undiscounted financial liabilities and off balance sheet items[(3)]	**(4,785)**	**(3,740)**	**(1,391)**	**(56,588)**	**(66,504)**
2010					
Non-derivative financial liabilities[(1)]					
Payables	(1,916)	(26)	-	-	(1,942)
Borrowings	(1,129)	(2,086)	-	-	(3,215)
Subordinated debt	(36)	(385)	(94)	-	(515)
Investment contract liabilities	(749)	(946)	(1,463)	(46,017)	(49,175)
External unitholder liabilities	-	-	-	(5,892)	(5,892)
Derivative financial instruments					
Cross currency swaps					
- Outflows	(38)	(549)	(123)	-	(710)
- Inflows	21	451	62	-	534
Interest rate swaps	(2)	5	16	-	19
Total undiscounted financial liabilities and off balance sheet items[(3)]	**(3,849)**	**(3,536)**	**(1,602)**	**(51,909)**	**(60,896)**

Footnote:

(1) The table provides maturity analysis of AMP group financial liabilities including financial liabilities of controlled entities of the life entities' statutory funds and non-linked investment contracts including term annuities.

(2) Investment contract liabilities of $49,364m (2010: $46,107m) are liabilities to policyholders for investment linked business linked to the performance and value of assets that back those liabilities. If all those policyholders claimed their funds, there may be some delays in settling the liability as assets are liquidated, but the shareholder has no direct exposure to any liquidity risk. External unitholders' liabilities all relate to controlled entities of the life entities' statutory funds and would only be paid when the corresponding assets are realised.

(3) Estimated net cash outflow profile of life insurance contract liabilities, disclosed in Note 21, are excluded from the above table.

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23. Risk management and financial instruments information (continued)

(d) Credit risk
Credit risk includes both settlement credit exposures and traded credit exposures. Credit default risk is the risk of an adverse impact on results and asset values relative to expectations due to a counterparty failing to meet their contractual commitments in full and on time (obligator's non-payment of a debt). Traded credit risk is the risk of an adverse impact on results and asset values relative to expectations due to changes in the value of a traded financial instrument as a result of changes in credit risk on that instrument.

The AMP Concentration Risk Policy sets out the assessment and determination of what constitutes credit risk. The policy has set exposure limits for each counterparty and credit rating. Compliance with this policy is monitored and exposures and breaches are reported to senior management and the AMP AC through the weekly and quarterly FRM Report.

Credit risk management is decentralised in business units within the AMPGH group; however, credit risk directly and indirectly (ie. in the participating business) impacting shareholder capital is measured and managed by Group Treasury by aggregating risk from credit exposures taken in business units as detailed below.

- *AMP Life and NMLA* - Credit risk on the invested fixed income portfolios in the AMP Life and NMLA statutory funds is managed by the AMP Capital Investors Risk and Compliance Committee (AMP Capital Investors R&C) and reported to the fund managers, within specified credit criteria in the mandate approved by the AMP Life and NMLA Boards. The shareholder portion of credit risk in AMP Life and NMLA is reported to Group ALCO by Group Treasury.

- *AMP Capital Investors* - Credit risk on fixed income portfolios managed by AMP Capital Investors (consistent with interest rate and foreign currency risk) is managed by the AMP Capital Investors R&C Committee and reported to the fixed income desk. This credit risk arises as part of a broader portfolio of investments under investment mandates with AMP Capital and, when relating directly to shareholder funds, is included in the aggregation by Group Treasury and reported to Group ALCO.

(i) Management of credit risk concentration
Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same counterparty or where a number of counterparties are engaged in similar business activities that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Concentration of credit risk is managed through both aggregate credit rating limits and individual counterparty limits, which are determined predominantly on the basis of the counterparty's credit rating.

At reporting date, there is no specific concentration of credit risk with a single counterparty arising from the use of financial instruments, other than the normal clearing-house exposures associated with dealings through recognised exchanges.

The counterparties to non-exchange traded contracts, at the time of entering those contracts, are limited to companies with investment grade credit (BBB- or greater). The credit risks associated with these counterparties are assessed under the same management policies as applied to direct investments in AMPGH group's portfolio.

Compliance is monitored and exposures and breaches are reported to senior management and the AMP AC through the weekly and quarterly FRM Report.

(ii) Exposure to credit risk
AMPGH group's maximum exposure to credit risk on recognised financial assets, without taking account of any collateral or other credit enhancements as at the reporting date was $41,781m (2010: $31,231m). This amount includes (i) secured loans held by banking operations, (ii) financial assets of investment linked business in AMP Life and NMLA where the liability to policyholders is linked to the performance and value of the assets that back those liabilities and consequently there is no exposure to shareholders, and (iii) other items arising in the course of operations which are managed by the respective business units.

The exposures on the 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 Risk Policy. The following table provides information regarding the credit risk exposures for those items according to the credit rating of the counterparties.

	2011 $m	2010 $m
AAA	4,086	4,182
AA- to AA+	9,556	5,006
A- to A+	3,758	2,468
BBB- to BBB+	1,318	1,519
BB+ and below	185	220
Total financial assets with credit risk exposure monitored by AMP Treasury	18,903	13,395

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23. Risk management and financial instruments information (continued)

(iii) Past due but not impaired financial assets

The following table provides an ageing analysis of financial assets that are past due as at reporting date but not impaired. No disclosures are required for the parent entity as the parent entity does not have any financial assets that are past due but not impaired at reporting date.

	Past due but not impaired				
	Less than 31 days	31 to 60 days	61 to 90 days	More than 91 days	Total
2011	**$m**	**$m**	**$m**	**$m**	**$m**
Receivables					
- Trade debtors	10	3	3	5	21
- Other receivables	1	-	-	2	3
Total [(1)]	11	3	3	7	24

	Past due but not impaired				
	Less than 31 days	31 to 60 days	61 to 90 days	More than 91 days	Total
2010	**$m**	**$m**	**$m**	**$m**	**$m**
Receivables					
- Reinsurance and other recoveries receivable	1	-	-	-	1
- Trade debtors	6	1	1	6	14
- Other receivables	-	-	1	1	2
Total [(1)]	**7**	**1**	**2**	**7**	**17**

Footnote:

(1) For investment-linked business in AMP Life and NMLA, the liability to policyholders is linked to the performance and value of the assets that back those liabilities. The shareholder has no direct exposure to any credit risk in those assets. Therefore, the tables in this section do not show the past due financial assets backing investment-linked business in AMP Life and NMLA.

(iv) Adjustment for own credit risk in the determination of the fair value of life investment contract policy liabilities

The fair value of non-investment linked investment contract liabilities includes the following allowance for the credit risk that an external party would ascribe to an amount due from AMP Life and NMLA:

	2011 $m	2010 $m
Cumulative adjustment	27	19
Change during the period	8	4

The adjustment has been determined as the difference between the fair value recognised and an amount calculated on the same basis using a risk-free interest rate in place of the fair value discount rate.

(v) Collateral

AMP Life enters into debt security repurchase agreements and part of the agreement includes the receipt of collateral which is required to be returned to the counterparty on settlement. As at 31 December 2011 the collateral held by AMP include Cash and cash equivalents of $174m (2010: $167m) and debt securities of $1,275m (2010: $2,177m).

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23. Risk management and financial instruments information (continued)

(e) Derivative financial instruments

Derivative financial instruments are measured at fair value in the Statement of financial position as assets and liabilities. Asset and liability values on individual transactions are only netted if the transactions are with the same counterparty and the cash flows will be settled on a net basis. Changes in values of derivative financial instruments are recognised in the Income statement unless they qualify as effective cash flow hedges or net investment hedges for accounting purposes, as set out in Note 1(q).

(i) Derivative transactions undertaken by AMP life insurance entities as part of life insurance operations

The AMPGH group uses derivative financial instruments including financial futures, forward foreign exchange contracts, exchange traded and other options and forward rate agreements to hedge the impact of market movements on the value of assets in the investment portfolios, and to effect a change in the asset mix of investment portfolios.

In respect of the risks associated with the use of derivative financial instruments, price risk is controlled by exposure limits, which are subject to monitoring and review. Foreign exchange hedges are monitored on a regular basis to ensure they are effective in the reduction of price risk.

(ii) Derivative transactions undertaken in relation to the North product capital guarantee

AMPGH group supports the North product ("North") which enables clients to invest their superannuation, pension and ordinary savings in a range of managed funds, with part or all of the total value of the investments guaranteed. The North guarantees are either term-based capital guarantees or provide a guaranteed level of income throughout the life of a client's retirement. At 31 December 2011 $1.26 billion (2010: Nil) of funds under management were invested subject to the North guarantees. A fair value of $82m (2010: Nil) was recorded for the North guarantee liability at 31 December 2011.

Hedging techniques are used to protect the AMPGH group against changes in the expected guarantee claim payments from market movements. AMPGH group also has the ability to review the periodic charge for new and existing clients. To the extent that the fair value of the guarantee is based on assumptions that may not be borne out in practice and that the hedge instruments used are not a perfect match for the expected guarantee payments, there is a residual risk that deviations from these assumptions may result in a profit or loss to shareholders.

Hedging of the North Capital guarantee is performed based on the "economic value" of the guarantee. The "economic value" is consistent with the accounting fair value except that the calculation of accounting fair value applies a minimum liability, on a contract by contract basis, of the amount that would be payable on demand at reporting date, whereas the "economic value" does not include this minimum. The difference in the movement of accounting fair value and the movement in the "economic value" of the guarantee also results in a profit or loss to the shareholder.

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23. Risk management and financial instruments information (continued)

(iii) Other derivative transactions undertaken by non life insurance controlled entities
AMP Treasury use derivative financial instruments to hedge financial risk from movements in interest rates and foreign exchange rates. Swaps, forwards, futures and options in the interest rate and foreign exchange markets may be used. A description of each of these derivatives is given below.

- *Swaps* – a swap transaction obliges the two parties to the contract to exchange a series of cash flows at specified payment or settlement dates. Swap transactions undertaken by the AMPGH group include interest-rate swaps, which involve the contractual exchange of fixed and floating interest rate payments in a single currency based on a notional amount and a reference rate (For example BBSW), and cross-currency swaps which involve the exchange of interest payments based on two different currency principal balances and reference interest rates, and generally also entail exchange of principal amounts at the start and/or end of the contract.
- *Forward and futures contracts* – these are agreements between two parties establishing a contractual interest rate on a notional principal over a specified period, commencing at a future date. Forward contracts are tailor-made agreements that are transacted between counter parties in the over-the-counter market (OTC), whereas futures are standardised contracts transacted on regulated exchanges.
- *Options* – an option contract gives the option buyer the right, but not the obligation, to buy or sell a specified amount of a given commodity or financial instrument at a specified price during a certain period or on a specific date. The seller of the option contract is obliged to perform if the holder exercises the right contained therein. Options may be traded OTC or on a regulated exchange.

(iv) Risk relating to derivative financial instruments
The market risk of derivatives is managed and controlled as an integral part of the financial risk of the AMPGH group. The credit risk of derivatives is also managed in the context of the AMPGH group's overall credit risk policies.

(f) Accounting for hedges

The accounting treatment of hedge transactions varies according to the nature of the instrument hedged and whether the hedge qualifies for hedge accounting.

Derivative transactions may qualify either as fair value hedges or cash flow hedges or hedges of net investments in foreign operations. The AMPGH group's accounting policies for derivatives designated and accounted for as hedging instruments are explained in Note 1(q), where terms used in the following section are also explained.

The AMPGH group also enters into derivative transactions that provide economic hedges but do not meet the requirements for hedge accounting treatment.

(i) 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.

During 2011, the AMPGH group recognised a net loss of $28m (2010: $97m net loss) on hedging instruments. The net gain on hedged items attributable to the hedged risks amounted to $28m (2010:$102m gain).

(ii) 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 and cash flow hedges to manage interest rate risks.

The following schedule shows, as at reporting date the periods when the hedged cash flows are expected to occur and when they are expected to affect profit and loss:

	0-1 year	1-2 years	2-3 years	3-4 years	4-5 years
	$m	$m	$m	$m	$m
2011					
Cash inflows	8	8	4	-	-
Cash outflows	(9)	(9)	(5)	-	-
Net cash inflow/(outflow)	**(1)**	**(1)**	**(1)**	**-**	**-**
2010					
Cash inflows	10	11	12	6	-
Cash outflows	(9)	(9)	(9)	(5)	-
Net cash inflow/(outflow)	**1**	**2**	**3**	**1**	**-**

Nil (2010: Nil) was recognised in the Income statement due to hedge ineffectiveness from cash flow hedges.

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for the year ended 31 December 2011

23. Risk management and financial instruments information (continued)

(iii) Hedges of net investments in foreign operations
AMPGH group hedges its exposure to changes in exchange rates on the value of its foreign currency denominated Seed Pool investments. Gains or losses on effective Seed Pool hedges are transferred to equity to offset any gains or losses on translation of the net investment in foreign operations.

AMPGH group recognised a profit of nil (2010: nil) due to the ineffective portion of hedges relating to investments in Seed pool foreign operations.

(g) Fair values

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

	Carrying amount 2011 $m	Aggregate fair value 2011 $m	Carrying amount 2010 $m	Aggregate fair value 2010 $m
Financial assets				
Debt securities - Held to maturity	112	145	309	309
Loans and advances	18	18	18	18
Total financial assets	**130**	**163**	**327**	**327**
Financial liabilities				
Bank loans	850	850	962	962
Bonds and notes	1,094	1,105	1,261	1,268
Deposits	127	127	182	182
Subordinated Floating Rate Note	949	1,061	345	378
Other borrowings	57	57	60	60
Total financial liabilities	**3,077**	**3,200**	**2,810**	**2,850**

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

(i) Debt securities
The estimated fair value of loans and interest bearing securities represents the discounted amount of estimated future cash flows expected to be received, based on the maturity profile of the loans and interest bearing securities. 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 amount.

(ii) Borrowings
Borrowings comprise domestic commercial paper, drawn liquidity facilities and various floating-rate and medium-term notes. The fair values of borrowings are predominantly hedged by derivative instruments – mainly cross-currency and interest-rate swaps. 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.

(iii) Subordinated debt
Subordinated debt comprises listed securities and their fair value is determined with reference to the actual quoted market prices at reporting date. The fair value of subordinated debt is predominantly hedged by derivative instruments – mainly cross-currency and interest-rate swaps.

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for the year ended 31 December 2011

23. Risk management and financial instruments information (continued)

(h) Fair value measures

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

Level 1: Valued by reference to quoted prices in active markets for identical assets or liabilities. These quoted prices represent actual and regularly occurring market transactions on an arm's length basis.

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

Level 3: Valued in whole or in part using valuation techniques or models that are based on unobservable inputs that are neither supported by prices from observable current market transactions in the same instrument nor based on available market data. Unobservable inputs are determined based on the best information available, which might include the AMPGH group's own data, reflecting the AMPGH group's own estimates about the assumptions that market participants would use in pricing the asset or liability. Valuation techniques are used to the extent that observable inputs are not available, and include estimates about the timing of cash flows, discount rates, earnings multiples and other inputs.

The following table shows an analysis of financial instruments measured at fair value by each level of the fair value hierarchy:

2011	Level 1 $m	Level 2 $m	Level 3 $m	Total fair value $m
Assets				
Equity securities and listed managed investment schemes	31,639	12	737	32,388
Debt securities	1,130	27,645	311	29,086
Investments in unlisted managed investment schemes	-	12,001	792	12,793
Derivative financial assets	283	1,956	-	2,239
Other financial assets	-	179	-	179
Total financial assets	**33,052**	**41,793**	**1,840**	**76,685**
Liabilities				
Derivative financial liabilities	54	991	-	1,045
Collateral deposits held	1,449	-	-	1,449
Investment contract liabilities	-	3,065	49,875	52,940
Total financial liabilities	**1,503**	**4,056**	**49,875**	**55,434**

2010	Level 1 $m	Level 2 $m	Level 3 $m	Total fair value $m
Assets				
Equity securities and listed managed investment schemes	31,394	216	659	32,269
Debt securities	-	20,403	228	20,631
Investments in unlisted managed investment schemes	-	9,580	341	9,921
Derivative financial assets	232	1,638	-	1,870
Other financial assets	72	170	-	242
Total financial assets	**31,698**	**32,007**	**1,228**	**64,933**
Liabilities				
Derivative financial liabilities	50	541	-	591
Collateral deposits held	2,344	-	-	2,344
Investment contract liabilities	-	1,995	46,584	48,579
Total financial liabilities	**2,394**	**2,536**	**46,584**	**51,514**

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23. Risk management and financial instruments information (continued)

The following table shows a reconciliation of the movement in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting date:

2011	Balance at the beginning of the period $m	Balance on acquisition of AXA $m	FX gains or losses $m	Total gains/ losses $m	Purchases/ deposits $m	Sales/ withdrawals $m	Net transfers in/(out) $m	Balance at the end of the period $m	Total gains and losses on assets and liabilities held at reporting date $m
Assets									
Equity securities and listed managed investment schemes	659	41		28	43	(12)	(22)	737	28
Debt securities	228	85		(6)	27	(60)	37	311	(6)
Investments in unlisted managed investment schemes	341	240		15	117	(74)	153	792	15
Total financial assets	**1,228**	**366**	**-**	**37**	**187**	**(146)**	**168**	**1,840**	**37**
Liabilities									
Investment contract liabilities	46,584	6,116	6	(1,734)	9,221	(10,304)	(14)	49,875	1,535
Total financial liabilities	**46,584**	**6,116**	**6**	**(1,734)**	**9,221**	**(10,304)**	**(14)**	**49,875**	**1,535**
2010									
Assets									
Equity securities and listed managed investment schemes	691	-	-	(16)	29	(25)	(20)	659	(16)
Debt securities	346	-	-	46	26	(178)	(12)	228	46
Investments in unlisted managed investment schemes	342	-	-	(71)	69	(19)	20	341	(71)
Derivative financial assets	10	-	-	-	-	-	(10)	-	-
Total financial assets	**1,389**	**-**	**-**	**(41)**	**124**	**(222)**	**(22)**	**1,228**	**(41)**
Liabilities									
Investment contract liabilities	45,506	-	(6)	1,342	7,585	(7,843)	-	46,584	1,320
Total financial liabilities	**45,506**	**-**	**(6)**	**1,342**	**7,585**	**(7,843)**	**-**	**46,584**	**1,320**

Notes to the financial statements

for the year ended 31 December 2011

23. Risk management and financial instruments information (continued)

The following table shows the sensitivity of the fair value of Level 3 instruments to changes in key assumptions:

2011	Carrying amount $m	Effect of reasonably possible alternative assumptions [1] (+) $m	(-) $m
Assets			
Equity securities and listed managed investment schemes	737	41	(17)
Debt securities	311	-	-
Investments in unlisted managed investment schemes	792	-	-
	1,840	**41**	**(17)**
Liabilities			
Investment contract liabilities	49,875	9	(9)
	49,875	**9**	**(9)**

2010	Carrying amount $m	Effect of reasonably possible alternative assumptions [1] (+) $m	(-) $m
Assets			
Equity securities and listed managed investment schemes	659	20	(20)
Debt securities	228	-	-
Investments in unlisted managed investment schemes	341	-	-
	1,228	**20**	**(20)**
Liabilities			
Investment contract liabilities	48,579	(10)	10
	48,579	**(10)**	**10**

Footnote:

(1) The sensitivity has been calculated by changing key inputs such as discount rates and earnings multiples by a reasonably possible amount.

Notes to the financial statements

for the year ended 31 December 2011

24. Capital management

AMPGH group manages its capital within the broader AMP Group capital management framework.

The AMP group holds capital to protect customers, creditors and shareholders against unexpected losses to a level that is consistent with AMP's risk appetite.

The AMP group assesses the adequacy of its capital requirements against regulatory capital requirements. The AMP group's capital management strategy forms part of the AMP group's broader strategic planning process.

In addition to managing the level of capital resources, the AMP group also attempts to optimise the mix of capital resources to minimise the cost of capital and maximise shareholder value.

A number of the operating entities within the AMP group of companies are regulated. The AMP group of companies includes life insurance companies and approved superannuation trustees all regulated by APRA. A number of companies also hold Australian Financial Services Licences.

The minimum regulatory capital requirements (MRR) is the amount of capital required by each of AMP's regulated businesses to meet their capital requirements as set by the appropriate regulator. The main requirements are as follows:

- AMP Life Limited and The National Mutual Life Association of Australasia Limited – solvency, capital adequacy and management capital requirements as specified under the Life Act and APRA Life Insurance Prudential Standards
- AMP Capital Investors Limited – capital and liquidity requirements under its Australian Financial Services Licence
- National Mutual Funds Management Limited – capital and liquidity requirements as specified under its Australian Financial Services Licence, and an amount of capital for the risks associated with the North guarantee.

All the AMP group regulated entities have at all times during the current and prior financial year complied with the externally imposed capital requirements to which they are subject.

Notes to the financial statements

for the year ended 31 December 2011

25. Notes to Statement of cash flows

	Consolidated	
	2011	2010
	$m	$m
(a) Reconciliation of the net profit after income tax to cash flows from operating activities		
Net profit after income tax	520	669
Depreciation of operating assets	37	41
Amortisation and impairment of intangibles	192	76
Investment gains and losses and movements in external unitholders liabilities	3,186	1,083
Dividend and distribution income reinvested	(252)	(239)
Share-based payments	27	23
Decrease (increase) in receivables, intangibles and other assets	(56)	(56)
(Decrease) increase in net policy liabilities	(1,973)	722
(Decrease) increase in income tax balances	(166)	(3)
(Decrease) increase in other payables and provisions	1,882	62
Cash flows from (used in) operating activities	**3,397**	**2,378**

	2011	2010
(b) Reconciliation of cash		
Comprises:		
Cash on hand	3,705	1,683
Cash on deposit	3,909	3,415
Bank overdrafts (included in Borrowings)	(4)	-
Short-term bills and notes (included in Debt securities)	4,089	4,843
Balance at the end of the period	**11,699**	**9,941**
(c) Financing arrangements		
(i) Overdraft facilities		
Bank overdraft facility available	369	379
(ii) Loan facilities		
In addition to facilities arranged through bond and note issues (refer Notes 17 and 18), financing facilities are provided through bank loans under normal commercial terms and conditions.		
Available	2,939	2,207
Used	(941)	(1,305)
Unused	**1,998**	**902**
(iii) Bond and note funding programs		
Available	8,494	7,588
Used	(2,207)	(3,298)
Unused	**6,287**	**4,290**

Notes to the financial statements

for the year ended 31 December 2011

25. Notes to Statement of cash flows (continued)

(d) Disposal of controlled entities

Operating entities
On 31 December 2011, AMPGH group disposed of its 100% interest in the shares of AMP General Insurance Distribution Limited, and AMPGH group ceased to consolidate the entity from that date. AMPGH group did not continue to hold any ownership interest following the disposal.

A gain on sale of $38m was recognised and is included in investment gains and (losses) in the Income statement. Cash consideration of $39m was received in January 2012.

The impact of ceasing to control AMP General Insurance Distribution Limited in the consolidated Statement of financial position is as follows:

Item	Impact in 2011 $m
Cash and cash equivalents	(1)
Receivables	37
Deferred tax assets	(1)
Payables	(1)
Provisions	(2)

There were no significant disposals of controlled operating entities during 2010.

Controlled entities of AMP life insurance entities' statutory funds
In the course of normal operating investment activities, the AMP life insurance entities' statutory funds acquire equity interests in entities which, in some cases, result in AMP holding a controlling interest in the investee entity.

Most acquisitions and disposals of controlled entities are in relation to unit trusts with underlying net assets typically comprising investment assets including cash. The consideration for acquisitions or disposals reflects the fair value of the investment assets at the date of the transactions after taking into account minority interests.

Certain controlled entities of the life entities' statutory funds are operating companies which carry out business operations unrelated to the core wealth management operations of the AMPGH group.

There were no significant disposals of controlled entities of AMP life insurance entities' statutory funds in 2011.

During 2010, AMPGH group's interest in the AMP Shopping Centre Fund, a controlled entity of the AMP life insurance entities' statutory funds, was diluted due to an issue of units to the external unitholders by the AMP Shopping Centre Fund, resulting in AMPGH group ceasing to control this entity. AMP Shopping Centre Fund has significant assets and liabilities other than investment assets and cash. AMP continued to hold a non-controlling interest in the AMP Shopping Centre Fund.

The impact of ceasing to control the AMP Shopping Centre Fund was a reduction of the following assets and liabilities in the consolidated Statement of financial position:

Item	Impact in 2010 $m
Cash and cash equivalents	(18)
Receivables	(21)
Inventories and other assets	(1)
Investments in financial assets measured at fair value through profit or loss	(299)
Investment property	(824)
Payables and provisions	(30)
Derivative financial liabilities	(16)
Borrowings	(375)
External unitholders' liabilities	(742)

There was no consideration received by AMPGH group on loss of control of this entity.

Notes to the financial statements

for the year ended 31 December 2011

26. Superannuation funds

AMP contributes to funded employer-sponsored superannuation funds that exist to provide benefits for employees and their dependants on resignation, retirement, disability or death of the employee. The funds consist of both defined contribution sections and defined benefit sections.

The defined contribution sections receive fixed contributions from AMPGH group companies and the group's legal obligation is limited to these contributions. The defined benefit sections provide members with a choice of lump sum benefits or pension benefits based on years of membership and final salary. New employees are only offered defined contribution style benefits.

The disclosures in this note relate only to the defined benefit sections of the plans.

The following tables summarise the components of the net amount recognised in the Income statement, Statement of comprehensive income, the movements in the defined benefit obligation and plan assets and the net amounts recognised in the consolidated Statement of financial position for the defined benefit funds, determined in accordance with AASB 119 '*Employee benefits*'.

However, for the purposes of recommending contributions to the defined benefit funds, fund actuaries consider the positions of the funds as measured under AAS25 '*Financial Reporting by Superannuation Plans'* (Australia) and Professional standard number 2 '*Actuarial Reporting for Superannuation Schemes*' (New Zealand) both of which determines the funds' liabilities according to different measurement rules than those in AASB 119, largely due to the use of different discount rates in valuing benefits. Refer to Note 26 (g) for impacts on funding the AMP defined benefits funds.

	Consolidated	
	2011	**2010**
	$m	**$m**
(a) Defined benefit plan income (expense)		
Current service cost	(11)	(1)
Interest cost	(35)	(18)
Expected return on plan assets[1] [2]	39	20
Total defined benefit plan income (expense)	**(7)**	**1**
(b) Movements in defined benefit obligation		
Balance at the beginning of the period	(341)	(345)
Balance on acquisition of controlled entity	(524)	-
Current service cost	(11)	(1)
Interest cost	(35)	(18)
Contributions by plan participants	(1)	-
Actuarial gains and losses[3]	(113)	(4)
Foreign currency exchange rate changes	(5)	8
Benefits paid	42	19
Balance at the end of the period	**(988)**	**(341)**
(c) Movement in fair value of plan assets		
Balance at the beginning of the period	274	289
Balance on acquisition of controlled entity	375	-
Expected return on plan assets	39	20
Actuarial gains and losses	(64)	(11)
Foreign currency exchange rate changes	4	(8)
Employer contributions	31	3
Contributions by plan participants	1	-
Benefits paid	(42)	(19)
Balance at the end of the period	**618**	**274**

Footnote:

(1) The expected return on plan assets is determined at the beginning of the period, and is based on financial modelling of expected real returns for each of the major asset classes, combined with the price inflation assumption to arrive at a nominal value for expected returns on plan assets.

(2) The actual return on fund assets for the period was a gain of $25m (2010: $9m gain).

(3) As explained in Note 1(dd), actuarial gains and losses are recognised directly in Other comprehensive income.

Notes to the financial statements

for the year ended 31 December 2011

26. Superannuation funds (continued)

	Consolidated	
	2011	**2010**
	$m	**$m**
(d) Defined benefit (liability) asset		
Present value of wholly funded defined benefit obligations	(988)	(341)
Less: Fair value of plan assets	618	274
Defined benefit (liability) asset recognised on the Statement of financial position(1)	**(370)**	**(67)**
Movement in defined benefit (liability) asset		
(Deficit) surplus at the beginning of the period	(67)	(56)
Plus: Balance on acquisition of controlled entity	(149)	-
Plus: Total income (expenses) recognised in income	(7)	1
Plus: Employer contributions	31	3
Plus: Foreign currency exchange rate changes	(1)	-
Plus: Actuarial gains (losses) recognised in Other comprehensive income (2)	(177)	(15)
Defined benefit (liability) asset recognised at the end of the period	**(370)**	**(67)**

Footnote:

(1) *The defined benefit liability is measured in accordance with the requirements of AASB 119 Employee benefits and does not represent a current obligation to provide additional funding to the plans. For the purposes of recommending contributions to the defined benefit funds, fund actuaries consider the positions of the funds as measured under AAS25 'Financial Reporting by Superannuation Plans' (Australia) and Professional standard number 2 'Actuarial Reporting for Superannuation Schemes' (New Zealand) both of which determines the funds' liabilities according to different measurement rules than those in AASB 119, largely due to the use of different discount rates in valuing benefits. Refer to Note 26 (g) for impacts on funding the AMP defined benefits funds.*

(2) *The cumulative amount of the net actuarial gains recognised in the Statement of comprehensive income is a $162m loss (2010: $15m gain).*

Notes to the financial statements

for the year ended 31 December 2011

26. Superannuation funds (continued)

(e) Historical analysis of defined benefit (deficit) surplus

	Consolidated			
	2011	2010	2009	2008
	$m	$m	$m	$m
AMP Australian defined benefit (liability) asset				
Present value of wholly funded defined benefit obligations	(372)	(317)	(312)	(362)
Less: Fair value of plan assets	239	260	267	251
Net defined benefit (liability) asset recognised in the Statement of financial position	**(133)**	**(57)**	**(45)**	**(111)**
Actuarial gains and (losses) arising on plan liabilities	(54)	(4)	47	(24)
Actuarial gains and (losses) arising on plan assets	(24)	(10)	17	(107)
AXA Australian defined benefit (liability) asset				
Present value of wholly funded defined benefit obligations	(458)	-	-	-
Less: Fair value of plan assets	305	-	-	-
Net defined benefit (liability) asset recognised in the Statement of financial position	**(153)**	**-**	**-**	**-**
Actuarial gains and (losses) arising on plan liabilities	(36)	-	-	-
Actuarial gains and (losses) arising on plan assets	(34)	-	-	-
AMP New Zealand defined benefit (liability) asset				
Present value of wholly funded defined benefit obligations	(30)	(24)	(33)	(31)
Less: Fair value of plan assets	15	14	22	22
Net defined benefit (liability) asset recognised in the Statement of financial position	**(15)**	**(10)**	**(11)**	**(9)**
Actuarial gains and (losses) arising on plan liabilities	(4)	-	(3)	1
Actuarial gains and (losses) arising on plan assets	(2)	(1)	-	(7)
AXA New Zealand defined benefit (liability) asset				
Present value of wholly funded defined benefit obligations	(128)	-	-	-
Less: Fair value of plan assets	59	-	-	-
Net defined benefit (liability) asset recognised in the Statement of financial position	**(69)**	**-**	**-**	**-**
Actuarial gains and (losses) arising on plan liabilities	(19)	-	-	-
Actuarial gains and (losses) arising on plan assets	(4)	-	-	-

Notes to the financial statements

for the year ended 31 December 2011

26. Superannuation funds (continued)

(f) 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				AXA	
	Australia		New Zealand		Australia	Zealand
	2011	2010	2011	2010	2011	2011
Discount rate	2.9% - 6.2%	5.5%	1.7% - 2.9%	4.2%	2.9% - 6.2%	1.7% - 2.9%
Expected return on assets (before tax)	8.0%	7.8%	8.3%	9.0%	8.0%	8.3%
Expected rate of pension increases	2.5%	2.5%	1.9%	2.2%	2.5%	2.5%
Expected rate of salary increases	4.0%	4.0%	4.0%	n/a	3.5%	4.0%
Proportion of benefits expected to be taken as pensions	60.0%	60.0%	n/a	n/a	90% for pre-1995 members 60% for post-1994 members	75.0%

(g) Arrangements for employer contributions for funding defined benefit funds

Funding methods and current recommendations – AMP Australia

The AMP Australian defined benefit fund's funding policy is intended to fully cover benefits by the time they become payable. The method of funding adopted is the attained age normal method. This funding method aims to spread the cost of future benefits for current members evenly over their future working lifetimes.

The economic assumptions used to determine the current contribution recommendations are the same as the actuarial assumptions in Note 26 (f), except for the discount rate which is assumed to be 8.5 per cent (before tax) for the purposes of determining accrued benefits.

As at the most recent actuarial valuation, 31 March 2011, the fund actuary did not identify any deficit for funding purposes and no additional contributions are required. As at the date of this report, the fund actuary has not indicated any change to this position.

Funding methods and current recommendations – AXA Australia

The AXA Australian defined benefit fund's funding policy is intended to fully cover benefits by the time they become payable. The method of funding adopted is the attained age normal method. This funding method aims to spread the cost of future benefits for current members evenly over their future working lifetimes.

The economic assumptions used to determine the current contribution recommendations are the same as the actuarial assumptions in Note 26 (f), except for the discount rate which is assumed to be 7.4 per cent (before tax) for the purposes of determining accrued benefits.

AMP has adopted the fund actuaries' recommendation that AMP makes additional contributions of $30m per annum, until another review is conducted in 2012. As at the date of the most recent actuarial valuation on 30 June 2010, the accrued benefits exceeded the fair value of plan assets by $20m.

Funding methods and current recommendations – AMP New Zealand

The AMP New Zealand defined benefit fund's funding policy is intended to fully cover benefits by the time they become payable. The main group of benefits is pension rights of retired members and their spouses. The retirement benefits of active members are valued on a simplified actuarial projection basis as they are not material to the valuation of the fund.

AMP has adopted the fund actuary's recommendation that AMP makes additional contributions of $2m per annum until the financial position of the Plan is sufficiently improved.

Funding methods and current recommendations – AXA New Zealand

The AXA New Zealand defined benefit fund's funding policy is intended to fully cover benefits by the time they become payable. The main group of benefits is pension rights of retired members and their spouses. The retirement benefits of active members are valued on a simplified actuarial projection basis as they are not material to the valuation of the fund.

AMP has adopted the fund actuaries' recommendation that AMP makes additional contributions of $3m per annum. The actuaries of the plan recommended that the funding remain at the current levels.

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26. Superannuation funds (continued)

(h) Allocation of assets
The asset allocations of the defined benefit funds are shown in the following table:

	AMP				AXA	
	Australia		New Zealand		Australia	New Zealand
	2011	2010	2011	2010	2011	2011
Equity	59%	61%	59%	63%	57%	38%
Property	18%	10%	11%	12%	5%	7%
Fixed interest	14%	22%	23%	20%	25%	49%
Cash	3%	5%	7%	5%	1%	6%
Other	6%	2%	0%	0%	12%	0%

Notes to the financial statements

for the year ended 31 December 2011

27. Share-based payments

(a) Summary of AMP's share-based payment plans

AMP has a number of employee share-based payment plans. Share-based payments place employees participating in those plans ('participants') in the position of the shareholder, and in doing so, reward employees for the generation of value to shareholders. Information on plans which AMP currently offers is provided below.

Additionally, details have been provided regarding the Employee Option Plan. This plan is no longer offered to employees, but is included in the details below as awards made in 2001 expired during the year. The option plans were discontinued to simplify the range of long-term incentive plans offered to employees.

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

	Consolidated	
	2011	2010
	$'000	$'000
Plans currently offered		
Performance rights	9,446	10,415
Share rights	1,331	-
Restricted shares	9,271	8,543
Employee share acquisition plan - matching shares	115	103
Total share-based payments expense	**20,163**	**19,061**

(b) Performance rights

Plan description
The AMP Limited CEO and his direct reports, as well as selected senior executives, are required to take their long-term incentives (LTI) awards in the form of performance rights. This is to ensure that those executives who are most directly able to influence company performance are appropriately aligned with the interests of shareholders. All other LTI participants are provided with a degree of choice over whether their LTI grant is composed of performance rights, share rights or a combination of the two.

A performance right is a right to acquire one fully paid ordinary share in AMP Limited after a three-year performance period at no cost to the participant, provided a specific performance hurdle is met. Prior to conversion into shares ('vesting'), performance rights holders do not receive dividends or have other shareholder benefits (including any voting rights).

AMP has, from time-to-time, offered share bonus rights to employees in overseas domiciles when it is not possible or tax-efficient to grant performance rights. The terms and conditions of the share bonus rights are identical to the terms and conditions of the performance rights, except settlement is in cash rather than equity instruments.

The performance hurdle
The number of performance rights that vest is determined by a vesting schedule based on the performance of AMP relative to a comparator group of listed Australian companies over a three-year performance period.

The performance measure is AMP's total shareholder return (TSR) relative to the top 50 industrials companies in the S&P/ASX 100 Index as at the start of the performance period. In order for any awards to vest, AMP's TSR must be at or above the median of the comparator group; for this level of performance 50 per cent of the awards vest. The proportion of awards vesting increases on a straight-line basis until performance at the 75th percentile of the comparator group, at which point the awards vest in full. The performance hurdle and vesting schedule were chosen because they require participants to outperform AMP's key competitors for shareholder funds before the awards generate any value.

At the end of the performance period, an independent external consultant provides the People and Remuneration Committee (PRC) with AMP's TSR ranking against the comparator group. The PRC then determines the number of performance rights that vest, if any, by applying this data to the vesting schedule. If the performance hurdle is not achieved, the performance rights lapse immediately without opportunity to re-test performance at a later stage.

Exercising performance rights
If the awards vest, they are automatically exercised on behalf of the participant (i.e. converted to shares). Upon exercise, participants become entitled to shareholder benefits, including dividends and voting rights. For performance rights issued from 2008 to 2010, if performance rights are not automatically exercised on the participants' behalf, the participant has two years from the end of the performance period to exercise vested awards. When performance rights are exercised, the AMP shares needed to satisfy the awards are bought on market through an independent third party, so that there is no dilutionary effect on the value of existing AMP shares.

Treatment of performance rights on ceasing employment and change of control
Typically, unvested performance rights lapse if the participant resigns from AMP or is terminated for misconduct or inadequate performance. In other cases, such as retirement and redundancy, performance rights may be retained by the participant with vesting continuing to be subject to the same vesting conditions as if they had remained in AMP employment. In the event that AMP is subject to a takeover change of control, unvested performance rights typically vest.

Notes to the financial statements

for the year ended 31 December 2011

27. Share-based payments (continued)

Commencing from the performance rights granted in September 2011, the board has the discretion to determine an alternative treatment on cessation of employment and change of control (i.e. to determine that the performance rights lapse, are retained or vest when they would not have otherwise), if deemed appropriate in the light of the specific circumstances.

Plan valuation
The fair value of performance rights has been calculated as at the grant date, by external consultants using a simulation technique known as a 'Monte Carlo simulation'. Fair value has been discounted for the probability of not meeting the TSR performance hurdles.
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.

For the purposes of the valuation it is assumed performance rights are exercised as soon they have vested. Assumptions regarding the dividend yield and volatility have been estimated based on AMP's actual historic dividend yield and volatility over an appropriate period.

The following table shows the factors which were considered in determining the independent fair value of the performance rights granted during 2011 and the comparative period (2010):

Grant Date	Share Price	Contractual Life	Dividend Yield	Volatility	Risk-free rate	Performance hurdle discount	Fair value
09/09/2011	$4.15	2.9 years	5.9%	34%	3.7%	54%	$1.92
09/06/2011	$4.88	2.8 years	5.5%	36%	4.8%	51%	$2.39
09/06/2011	$4.88	2.1 years	5.5%	36%	4.8%	55%	$2.19
08/09/2010	$5.04	2.9 years	5.2%	39%	4.5%	50%	$2.50
12/03/2010	$6.13	2.4 years	5.3%	39%	4.9%	42%	$3.53

The following table shows the movements during the period of all performance rights:

Grant date	Exercise period	Exercise price	Balance at 1 Jan 2011	Exercised during the year	Granted during the year	Lapsed during the year	Balance at 31 Dec 2011 (1)
19/09/2008	01/08/2011 - 31/07/2013	Nil	3,238,062	-	-	3,238,062	-
20/03/2009	01/08/2011 - 31/07/2013	Nil	18,116	-	-	18,116	-
12/03/2010	01/08/2012 - 31/07/2014	Nil	3,639,657	-	-	72,594	3,567,063
08/09/2010	01/08/2013 - 31/07/2015	Nil	2,971,226	-	-	33,972	2,937,254
09/06/2011	01/08/2013 - 31/07/2015	Nil	-	-	88,040	-	88,040
09/09/2011	n/a(2)	Nil	-	-	5,251,199	4,762	5,246,437
Total			**9,867,061**	**-**	**5,339,239**	**3,367,506**	**11,838,794**

Footnote:

(1) The weighted average remaining contractual life of performance rights outstanding at the end of the period is 1.9 years.

(2) The share rights granted on 9 September 2011 have no exercise period as they are automatically exercised upon vesting.

From the end of the financial year and up to the date of this report, no performance rights have been issued, no performance rights have been exercised, and 36,112 performance rights have lapsed. Of the performance rights outstanding at the end of the period, none have vested or become exercisable.

(c) Share Rights

Plan description
As described above, LTI participants below the AMP Limited CEO and his direct reports may be eligible to take some of their award in share rights.

A share right is a right to acquire one fully paid ordinary share in AMP Group Holdings Limited after a specified service period at no cost to the participant, provided a specific service condition is met. The service period is typically three years, but may vary where the share rights are awarded to retain an employee for a critical period. Prior to conversion into shares ('vesting'), share rights holders do not receive dividends or have other shareholder benefits (including any voting rights).

As this program is designed as a means of recognising and retaining employees, no performance hurdles apply, other than continued service for the duration of the three-year holding lock.

AMP has, from time to time, offered share bonus rights without performance conditions to employees in overseas domiciles when it is not possible or tax-efficient to grant share rights or restricted shares. The terms and conditions of the share bonus rights are identical to the terms and conditions of the share rights, except settlement is in cash rather than equity instruments.

Notes to the financial statements

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27. Share-based payments (continued)

Exercising share rights
If the awards vest, they are automatically exercised on behalf of the participant (i.e. converted to shares). Upon exercise, participants become entitled to shareholder benefits, including dividends and voting rights. When share rights are exercised, the AMP shares needed to satisfy the awards are bought on market through an independent third party, so that there is no dilutionary effect on the value of existing AMP shares.

Treatment of share rights on ceasing employment and change of control
Typically, unvested share rights lapse if the participant resigns from AMP or is terminated for misconduct or inadequate performance. In other cases, such as retirement and redundancy, the participant typically retains their share rights at the board's discretion. In the event that AMP is subject to a takeover change of control, treatment of unvested share rights is subject to the board's discretion.

Plan valuation
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.

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.

For the purposes of the valuation it is assumed share rights are exercised as soon they have vested. Assumptions regarding the dividend yield have been estimated based on AMP's actual historic dividend yield over an appropriate period.

The following table shows the factors which were considered in determining the independent fair value of the share rights granted during 2011 and the comparative period (2010). Included in this table are the share bonus rights granted to overseas executives to mimic restricted share awards (disclosed under the heading of 'restricted shares' in prior year Annual Reports). Share bonus rights without performance conditions have terms that are identical to share rights, except that they are settled in cash rather than equity instruments.

Grant date	Share price	Contractual life	Dividend yield	Dividend discount	Fair value
09/09/2011	$4.15	2.9 years	5.9%	16%	$3.50
09/09/2011	$4.15	2.0 years	5.9%	11%	$3.69
08/09/2010	$5.04	2.9 years	5.2%	14%	$4.34
08/09/2010	$5.04	2.0 years	5.2%	10%	$4.56
28/05/2010	$5.65	1.9 years	5.3%	9%	$5.13
12/03/2010	$6.13	2.4 years	5.3%	12%	$5.40
12/03/2010	$6.13	2.0 years	5.3%	10%	$5.53

The following table shows the movement in share rights (and share bonus rights without performance conditions) outstanding during the year.

Grant date	Exercise period	Exercise price	Balance at 1 Jan 2011	Exercised during the year	Granted during the year	Lapsed during the year	Balance at 31 Dec 2011[1]
19/09/2008	01/08/2011 - 31/07/2013	Nil	218,458	–	–	218,458	–
12/03/2010	23/02/2012 - 22/02/2014	Nil	41,867	–	–	–	41,867
12/03/2010	01/08/2012 - 31/07/2014	Nil	212,155	–	–	–	212,155
28/05/2010	22/03/2012 - 21/03/2014	Nil	35,211	–	–	–	35,211
08/09/2010	16/08/2012 - 15/08/2014	Nil	20,791	–	–	20,791	–
08/09/2010	01/08/2013 - 31/07/2015	Nil	123,217	–	–	7,642	115,575
09/09/2011	n/a[(2)]	Nil	–	–	35,630	–	35,630
09/09/2011	n/a[(2)]	Nil	–	–	2,791,895	6,216	2,785,679
Total			**651,699**	–	**2,827,525**	**253,107**	**3,226,117**

Footnote:
1 *The weighted average remaining contractual life of performance rights outstanding at the end of the period is 2.3 years.*
2 *The share rights granted on 9 September 2011 have no exercise period as they are automatically exercised upon vesting.*

From the end of the year and up to the date of this report, no share rights have been issued, no share rights have been exercised, and 7,143 share rights have lapsed. Of the share rights outstanding at the end of the period, none have vested or become exercisable.

Notes to the financial statements

for the year ended 31 December 2011

27. Share-based payments (continued)

(d) Restricted shares

Plan description
From time-to-time, AMP awards restricted shares to retain critical employees. Additionally, prior to 2011, Australian LTI participants were eligible to take some of their award in restricted shares (rather than share rights).

A ‘restricted share’ is an ordinary AMP share that has a holding lock in place until the specified vesting period ends. The vesting period is typically three years, but may vary where the restricted shares are awarded to retain an employee for a critical period. During this time, the holder is eligible for dividends, but is unable to sell, transfer or hedge their award.

As this program is designed as a means of recognising and retaining employees, no performance hurdles apply, other than continued service for the duration of the three-year holding lock. If the individual resigns from AMP (or employment terminated for misconduct or inadequate performance) during the holding period, the shares are forfeited.

In cases such as retirement and redundancy, the individual retains their restricted shares; however the holding lock remains in place until the end of the three-year vesting period. Restricted shares are bought on market and granted at no cost to employees.

Plan valuation
The fair value of restricted shares has been 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.

The following table shows the number of restricted shares that were granted during 2011 and the comparative period (2010), and the fair value per instrument of restricted shares as at the grant date.

Grant date	Number Granted	Weighted Average Fair Value
09/09/2011	221,725	4.15
09/06/2011	39,416	4.88
08/09/2010	1,235,923	5.02
28/05/2010	160,264	5.60
12/03/2010	1,611,289	6.14

AMP offers share bonus rights to employees in overseas domiciles where it was not possible or tax-efficient to grant restricted shares. The terms and conditions of the share bonus rights are identical to the terms and conditions of the restricted shares except the share bonus rights are not entitled to dividends and settlement is in cash rather than equity instruments.

(e) Employee Share Acquisition Plan

Plan description
From time-to-time, AMP has provided employees and executives with the opportunity to become shareholders in AMP through the Employee Share Acquisition Plan (ESAP), typically by way of salary sacrificing their fixed remuneration or short-term incentive to acquire shares. Depending on the terms of the particular award, participants may be entitled to receive matching shares for shares acquired under the ESAP (e.g. the most recent awards provided one free share for every 10 shares acquired via salary sacrifice). Additionally, AMP can provide employees with free shares under the ESAP. Where the awards are acquired at no cost to the participant, service-based conditions must be met for the participant to receive their full entitlement. There are no performance hurdles applying to the plan as it is primarily designed to encourage employee share ownership.

The plan was suspended mid-way through 2009 in Australia due to the changes to the taxation treatment of employee share plan awards. Consequently, no shares were acquired by Australian employees under the ESAP plan in 2010 or 2011. The plan continues to operate in New Zealand.

If applicable, matching shares are bought on market through an independent third party.

Participants who cease to be employed within the AMP group within the three-year holding period may lose their entitlement to some or all of their matching shares or free shares, depending on the reason for leaving the company. To receive the maximum entitlement, participants must be employed by AMP for the whole three-year period.

Plan valuation
All awards made during 2011 and the comparative year (2010) were offers to salary sacrifice to acquire shares, with matching shares awarded on a one-for-ten basis after a three-year vesting period. Each matching share has been valued by external consultants as the face value of an AMP ordinary share at the date the salary sacrifice shares were acquired, less the present value of the expected dividends (to which the participant is not entitled until the end of the vesting period). The number of matching shares expected to be granted is estimated based on the average number of shares held in the ESAP by each employee at the beginning of each year. In determining the share-based payments expense for the period, the number of matching shares expected to be granted has been adjusted to reflect the number of employees expected to remain with AMP until the end of the three-year vesting period.

The following table shows the number of matching shares expected to be granted based on the shares purchased by employees under the ESAP during the current period and the comparative period, and the fair value.

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27. Share-based payments (continued)

Grant date	Estimated number of matching shares to be granted	Weighted average fair value
2011 – various	**652**	**$3.98**
2010 – various	762	$4.90

2006 and 2007 capital returns
Shareholders approved capital returns of 40 cents per share at the AMP Group Holdings Limited Annual General Meetings in 2006 and 2007.

To compensate for the resulting reduction in the value of entitlements to matching shares, ESAP participants are entitled to be paid 40 cents per vested matching share for each matching share entitlement held in the ESAP prior to the relevant capital return date (and for each capital return). In 2011, a cash payment of 40 cents per vested matching share (up to a maximum of 100 shares) was paid to each ESAP participant in relation to the 2007 capital return (i.e. matching shares on ESAP acquisitions from 1 January 2007 to the May 2007 capital return date).

(f) Employee and Executive Option Plan

Plan description
In the past, employees and executives were granted options to purchase AMP shares, subject to various performance hurdles. The last options to be awarded under this plan were granted under the Employee Option Plan in 2001. The performance period for the 2011 Options was completed in 2004 and they remained exercisable until 2011.

The table below shows options issued under the Employee Option Plan that were exercisable during 2011.

Grant date	Exercise period	Exercise price[(1)]	Balance at 1 Jan 2011	Exercised during the year	Granted during the year	Lapsed during the year	Balance at 31 Dec 2011
Employee Option Plan							
21/07/2001	21/07/2004-20/07/2011	$14.75	431,455	-	-	431,455	-
15/12/2001	15/12/2004-14/12/2011	$12.89	1,294	-	-	1,294	-
Total			432,749	-	-	432,749	-

Footnote:

(1) *The exercise prices shown in this column became effective on 17 May 2007. To compensate for the impact of the 2007 capital return of 40 cent per share the exercise prices of outstanding options were reduced by 40 cents per share in accordance with ASX listing rules.*

(2) *The weighted average remaining contractual life of options outstanding at the end of the period is 1.3 years.*

From the end of the year and up to the date of this report no employee options have been granted. Thus there are nil options on issue at the date of this report.

2006 and 2007 capital return
In accordance with the ASX Listing Rules and the rules of the plan, the exercise prices of outstanding options were reduced by 40 cents per option following the 2006 and 2007 capital returns of 40 cents per share to shareholders. The terms and conditions of the options were not altered as a result of the capital returns as the reduction in exercise prices occurred under their original terms.

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28. Group controlled entity holdings

NAME OF ENTITY	COUNTRY OF INCORPORATION	Share type	Footnote	% Holdings 2011	% Holdings 2010
140 St Georges Terrace Pty Limited	Australia	Ord		100	100
255 George Street Investment A Pty Ltd	Australia	Ord		100	100
255 George Street Investment B Pty Ltd	Australia	Ord		100	100
35 Ocean Keys Pty Limited	Australia	Ord		100	100
Abbey Capital Real Estate Pty Limited	Australia	Ord		100	100
Accountants Resourcing (Australia) Pty Ltd	Australia	Ord	(1)	100	-
ACIT Finance Pty Limited	Australia	Ord	(1)	100	-
ACN 100 509 993 Pty Ltd	Australia	Ord	(1)	100	-
ACPP Industrial Pty Ltd	Australia	Ord		100	100
ACPP Office Pty Ltd	Australia	Ord		100	100
ACPP Retail Pty Ltd	Australia	Ord		100	100
AdviceFirst Limited	New Zealand	Ord	(1)	67	-
Adviser Resourcing Pty Ltd	Australia	Ord	(1)	100	-
Aged Care Investment Services No. 1 Pty Limited	Australia	Ord		100	100
Aged Care Investment Services No. 2 Pty Limited	Australia	Ord		100	100
Allmarg Corporation Limited	New Zealand	Ord, Pref		100	100
AMP (UK) Finance Services Plc	United Kingdom	Ord		100	100
AMP ASAL Pty Ltd	Australia	Ord		100	100
AMP Australian Financial Services Holdings Limited	Australia	Ord	(2)	-	100
AMP Capital (International Finance No. 1) SA	Luxembourg	Ord, MRPS	(2)	-	100
AMP Capital (International Finance No. 2) SA	Luxembourg	Ord, MRPS	(2)	-	100
AMP Capital AB Holdings Pty Limited	Australia	Ord		100	100
AMP Capital Advisors India Private Limited	India	Ord		100	100
AMP Capital Bayfair Pty Limited	Australia	Ord		100	100
AMP Capital Core Infrastructure Pty Limited	Australia	Ord	(1)	100	-
AMP Capital Finance Limited	Australia	Ord		100	100
AMP Capital Global Property Securities Pty Limited	Australia	Ord	(2)	-	100
AMP Capital Holdings Limited	Australia	Ord		100	100
AMP Capital Investments No. 2 Limited	New Zealand	Ord A & B, Pref		100	100
AMP Capital Investments No. 8 Limited	New Zealand	Ord A & B, Pref		100	100
AMP Capital Investments No 11 Limited	New Zealand	Ord A & B		100	100
AMP Capital Investments No. 14 Limited	New Zealand	Ord A & B, Pref		100	100
AMP Capital Investors (Hong Kong) Limited	Hong Kong	Ord		100	100
AMP Capital Investors (Jersey No. 2) Limited	Jersey	Ord	(1)	100	-
AMP Capital Investors (Luxembourg No. 3) S.à r.l.	Luxembourg	Ord		100	100
AMP Capital Investors (Luxembourg No. 4) S.à r.l.	Luxembourg	Ord		100	100
AMP Capital Investors (Luxembourg No. 5) S.à r.l.	Luxembourg	Ord		100	100
AMP Capital Investors (Luxembourg No. 6) S.à r.l.	Luxembourg	Ord		100	100
AMP Capital Investors (Luxembourg) S.a.r.l.	Luxembourg	Ord		100	100
AMP Capital Investors (New Zealand) Limited	New Zealand	Ord		100	100
AMP Capital Investors (Property Funds Management Jersey) Limited	Jersey	Ord		100	100
AMP Capital Investors (Singapore) Private Property Trust Limited [formerly AMP Capital Investors (Singapore) REIT Management Limited]	Singapore	Ord		100	100
AMP Capital Investors (Singapore) Pte Ltd	Singapore	Ord		100	100

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28. Group controlled entity holdings (continued)

NAME OF ENTITY	COUNTRY OF INCORPORATION	Share type	Footnote	% Holdings 2011	% Holdings 2010
AMP Capital Investors (UK) Limited	United Kingdom	Ord		100	100
AMP Capital Investors (US) Limited	USA	Ord		100	100
AMP Capital Investors Advisory (Beijing) Limited	China	Ord		100	100
AMP Capital Investors International Holdings Limited	Australia	Ord		100	100
AMP Capital Investors Japan	Japan	Ord		100	100
AMP Capital Investors KK	Japan	Ord		100	100
AMP Capital Investors Limited	Australia	Ord		100	100
AMP Capital Investors Property Japan KK	Japan	Ord		100	100
AMP Capital Investors Real Estate Pty Limited	Australia	Ord		100	100
AMP Capital Lifestyle Limited	Australia	Ord		100	100
AMP Capital Office & Industrial (Singapore) Pte Limited	Singapore	Ord		100	100
AMP Capital Office and Industrial Pty Limited	Australia	Ord		100	100
AMP Capital Palms Pty Limited	Australia	Ord		100	100
AMP Capital Property Nominees Ltd	Australia	Ord		100	100
AMP Capital Shopping Centres Pty Limited	Australia	Ord		100	100
AMP CMBS No. 1 Pty Limited	Australia	Ord		100	100
AMP CMBS No. 2 Pty Limited	Australia	Ord		100	100
AMP Crossroads Pty Limited	Australia	Ord		100	100
AMP Custodian Services (NZ) Limited	New Zealand	Ord		100	100
AMP Davidson Road Pty Limited	Australia	Ord		100	100
AMP Finance Limited	Australia	Ord		100	100
AMP Finance Services Limited	Australia	Ord		100	100
AMP Financial Planning Pty Limited	Australia	Ord		100	100
AMP Financial Services Holdings Limited	Australia	Ord		100	100
AMP GBS Limited	Australia	Fixed		100	100
AMP GDPF Pty Limited	Australia	Ord		100	100
AMP GI Distribution Pty Limited	Australia	Ord	(2)	-	100
AMP Global Property Investments Pty Ltd	Australia	Ord		100	100
AMP Group Finance Services Limited	Australia	Ord		100	100
AMP Group Services Limited	Australia	Ord		100	100
AMP Holdings Limited	Australia	Ord A, Ord B, Red Pref B Class		100	100
AMP Insurance Investment Holdings Pty Limited	Australia	Ord		100	100
AMP Investment Management (NZ) Limited	New Zealand	Ord		100	100
AMP Investment Services No. 2 Pty Limited	Australia	Ord		100	100
AMP Investment Services Pty Limited	Australia	Ord		100	100
AMP Investments Chile Limitada	Chile	Ord	(2)	-	100
AMP Life (NZ) Investments Holdings Limited	New Zealand	Ord		100	100
AMP Life (NZ) Investments Limited	New Zealand	Ord		100	100
AMP Life Limited	Australia	Ord		100	100
AMP Macquarie Holding Pty Limited	Australia	Ord		100	100
AMP Macquarie Pty Limited	Australia	Ord		100	100
AMP NZ Carpark Limited	New Zealand	Ord		100	100
AMP Pacific Fair Pty Limited	Australia	Ord		100	100
AMP Personal Investment Services Limited	Australia	Ord		100	100

Notes to the financial statements
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28. Group controlled entity holdings (continued)

NAME OF ENTITY	COUNTRY OF INCORPORATION	Share type	Footnote	% Holdings 2011	% Holdings 2010
AMP Planner Register Company Pty Limited	Australia	Ord		100	100
AMP Private Capital Funds Holdings Limited	New Zealand	Ord, Pref		100	100
AMP Private Capital New Zealand Limited	New Zealand	Ord		100	100
AMP Private Capital No. 2 Pty Limited	Australia	Ord		100	100
AMP Private Capital Pty Limited	Australia	Ord		100	100
AMP Private Investments Pty Limited	Australia	Ord		100	100
AMP Private Wealth Management Pty Limited	Australia	Ord		100	100
AMP Property Investments (Qld) Pty. Ltd.	Australia	Ord		100	100
AMP Remuneration Rew ard Plans Nominees Pty. Limited	Australia	Ord		100	100
AMP Riverside Plaza Pty Limited	Australia	Ord		100	100
AMP Royal Randw ick Pty Limited	Australia	Ord		100	100
AMP Services (NZ) Limited	New Zealand	Ord		100	100
AMP Services Holdings Limited	Australia	Ord		100	100
AMP Services Limited	Australia	Ord		100	100
AMP SMSF Holding Co Limited	Australia	Ord		100	100
AMP SMSF Investments Pty Limited	Australia	Ord	(1)	100	-
AMP Superannuation (NZ) Limited	New Zealand	Ord		100	100
AMP Superannuation Limited	Australia	Ord		100	100
AMP Warringah Mall Pty Ltd	Australia	Ord		100	100
AMP/ERGO Mortgage and Savings Limited	New Zealand	Ord		100	100
Arrive Wealth Management Limited	Australia	Ord		100	100
Arrow Systems Pty Limited	Australia	Ord		100	100
Arthur Ellis & Co. Limited	New Zealand	Ord	(2)	-	100
Associated Planners Financial Services Pty Ltd	Australia	Ord	(1)	95	-
Associated Planners Strategic Finance Pty Ltd	Australia	Ord	(1)	95	-
Assure Funds Management Limited	New Zealand	Ord	(1)(2)	-	-
Assure New Zealand Limited	New Zealand	Ord	(1)(2)	-	-
Assure Nominees Limited	New Zealand	Ord	(1)	100	-
Auburn Mega Mall Pty Limited	Australia	Ord		100	100
Australian Mutual Provident Society Pty Limited	Australia	Ord		100	100
Australian Securities Administration Limited	Australia	Ord		100	100
AWOF New Zealand Office Pty Limited	Australia	Ord		100	100
AXA (Guangzhou) Softw are Development and Services Company Limited	China	Ord	(1)(2)	-	-
AXA (Hong Kong) Life Insurance Insurance Company Limited	Hong Kong	Ord	(1)(2)	-	-
AXA APH Executive Plan (Australia) Pty Ltd	Australia	Ord	(1)	100	-
AXA APH GESP Deferred (Australia) Pty Ltd	Australia	Ord	(1)	100	-
AXA APH GESP Exempt (Australia) Pty Ltd	Australia	Ord	(1)	100	-
AXA Asia Pacific Finance Limited	Australia	Ord	(1)	100	-
AXA Asia Pacific Holdings Limited	Australia	Ord	(1)	100	-
AXA Australia Staff Superannuation Pty Ltd	Australia	Ord	(1)	100	-
AXA China Region (Bermuda) Limited	Bermuda	Ord	(1)(2)	-	-
AXA China Region Insurance Company (Bermuda) Limited	Bermuda	Ord	(1)(2)	-	-
AXA China Region Insurance Company Limited	Hong Kong	Ord	(1)(2)	-	-
AXA China Region Investment Services Limited	Hong Kong	Ord	(1)(2)	-	-
AXA China Region Limited	Bermuda	Ord	(1)(2)	-	-

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28. Group controlled entity holdings (continued)

NAME OF ENTITY	COUNTRY OF INCORPORATION	Share type	Footnote	% Holdings 2011	2010
AXA China Region Trustee Limited	Hong Kong	Ord	(1)(2)	-	-
AXA Financial Planning Limited	Australia	Ord	(1)	100	-
AXA Financial Services (Singapore) Pte Ltd	Singapore	Ord	(1)(2)	-	-
AXA Financial Services Holdings Limited	Bermuda	Ord	(1)(2)	-	-
AXA Financial Services Trustee Limited	Hong Kong	Ord	(1)(2)	-	-
AXA Funds Management Pty Ltd	Australia	Ord	(1)	100	-
AXA Hong Kong Finance Limited	Hong Kong	Ord	(1)	100	-
AXA India Holdings Limited	Mauritius	Ord	(1)(2)	-	-
AXA Life Insurance Singapore Pte Ltd	Singapore	Ord	(1)(2)	-	-
AXA New Zealand Finance Pty Ltd	Australia	Ord	(1)	100	-
AXA New Zealand HJV Limited	New Zealand	Ord	(1)	100	-
AXA New Zealand Limited	New Zealand	Ord	(1)	100	-
AXA New Zealand Nominees Limited	New Zealand	Ord	(1)	100	-
AXA Partners Limited	Hong Kong	Ord	(1)(2)	-	-
AXA Wealth Management (HK) Limited	Hong Kong	Ord	(1)(2)	-	-
AXA Wealth Management Limited	New Zealand	Ord	(1)	100	-
AXA Wealth Management Singapore Pte Ltd	Singapore	Ord	(1)(2)	-	-
BMRI Financial Services Pty Ltd	Australia	Ord	(1)	100	-
Carter Bax Pty Ltd	Australia	Ord	(1)	100	-
CBD Financial Planning Pty Limited	Australia	Ord		100	100
Charter Financial Planning Limited	Australia	Ord	(1)	100	-
Client Portfolio Administration Limited	New Zealand	Ord	(1)(2)	-	-
Client Reserve Limited	New Zealand	Ord	(1)	100	-
Clientcare Financial Planning Pty Ltd	Australia	Ord	(1)	100	-
Collins Place No. 2 Pty Ltd	Australia	Ord		100	100
Collins Place Pty Limited	Australia	Ord		100	100
Datrix Limited	United Kingdom	Ord	(1)(2)	-	-
Detura Limited	British Virgin Islands	Ord	(1)(2)	-	-
Didus Pty Limited	AUS	Ord	(1)	100	-
Donaghys Australia Pty Limited	New Zealand	Ord, Redem Pref		58	50
Donaghys Industries Limited	New Zealand	Ord		58	50
Donaghys International Limited	New Zealand	Ord, Pref		58	50
Donaghys Limited	New Zealand	Ord A & B		58	50
Donaghys Pty Limited	New Zealand	Ord A, B & E		58	50
Enemelay Investments Pty Ltd	Australia	Ord	(1)	100	-
Financial Composure Pty Ltd	Australia	Ord	(1)	95	-
Financially Yours Holdings Pty Ltd	Australia	Ord	(1)	80	-
Financially Yours Pty Ltd	Australia	Ord	(1)	80	-
First Quest Capital Pty Ltd	Australia	Ord	(1)	95	-
Focus Property Services Pty Limited	Australia	Ord		56	98
Foundation Wealth Advisers Pty Ltd	Australia	Ord	(1)	57	-
Garrisons (Rosny) Pty Ltd	Australia	Ord	(1)	100	-
Genesys Group Holdings Pty Ltd	Australia	Ord	(1)	100	-
Genesys Group Pty Ltd	Australia	Ord	(1)	95	-
Genesys Holdings Limited	Australia	Ord	(1)	95	-
Genesys Kew Pty Ltd	Australia	Ord	(1)	100	-
Genesys Wealth Advisers (WA) Pty Ltd	Australia	Ord	(1)	100	-
Genesys Wealth Advisers Ltd	Australia	Ord	(1)	95	-

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28. Group controlled entity holdings (continued)

NAME OF ENTITY	COUNTRY OF INCORPORATION	Share type	Footnote	% Holdings 2011	2010
Glendenning Pty Limited	Australia	Ord		100	100
GWM Spicers Limited	New Zealand	Ord	(1)	100	-
Hillross Alliances Limited	Australia	Ord		100	100
Hillross Financial Services Limited	Australia	Ord		100	100
Hillross Innisfail Pty Limited	Australia	Ord		100	100
Hillross Wealth Management Centre Canberra Pty Limited	Australia	Ord	(2)	-	50
Hillross Wealth Management Centre Melbourne Pty Limited	Australia	Ord		100	100
Hindmarsh Square Financial Services Pty Ltd	Australia	Ord	(1)	100	-
Hindmarsh Square Wealth Advisers Pty Ltd	Australia	Ord	(1)	72	-
Honeysuckle 231 Pty Limited	Australia	Ord		60	60
Hospital Car Parking Holdings Limited	New Zealand	Ord		100	100
Hospital Car Parking Limited	New Zealand	Ord		100	100
INSSA Pty Limited	Australia	Ord		100	100
Integrity Financial Advice Network Company Limited	Hong Kong	Ord	(1)(2)	-	-
Integrity Financial Advice Network Holdings Limited	Cayman Islands	Ord	(1)(2)	-	-
Integrity Independent Risk & Financial Solutions Company Limit	China	Ord	(1)(2)	-	-
Integrity Independent Risk & Financial Solutions Holdings Limite	New Zealand	Ord	(1)(2)	-	-
Integrity Partnership Limited	Cayman Islands	Ord	(1)(2)	-	-
Inversiones Mineras Los Andes Limitada	Chile	Ord	(2)	-	100
ipac Asset Management Limited	Australia	Ord	(1)	100	-
ipac Financial Care Pty Ltd	Australia	Ord	(1)	67	-
ipac Financial Planning Hong Kong Limited	China	Ord	(1)(2)	-	-
ipac Financial Planning Taiwan Ltd	Taiwan	Ord	(1)(2)	-	-
ipac Group Services Pty Limited	Australia	Ord	(1)	100	-
ipac Portfolio Management (Dublin) Ltd	Ireland	Ord	(1)(2)	-	-
ipac Portfolio Management Limited	Australia	Ord	(1)	100	-
ipac Securities Limited	Australia	Ord	(1)	100	-
ipac Taxation Services Pty Ltd	Australia	Ord	(1)	75	-
Jeminex Pty Limited	Australia	Ord		51	51
John Coombes & Company Pty Ltd	Australia	Ord	(1)	55	-
Kent Street Pty Limited	Australia	Ord		100	100
Kiwi Kat Limited	New Zealand	Ord		70	70
KiwiPlus Limited	New Zealand	Ord	(1)	100	-
Knox City Shopping Centre Investments (No. 2) Pty Limited	Australia	Ord		100	100
Kramar Holdings Pty Limited	Australia	Ord		78	78
Lidomain Pty Ltd	Australia	Ord	(1)	100	-
LifeFX Pty Ltd	Australia	Ord	(1)	100	-
Lindwall Group Pty Ltd	Australia	Ord	(1)	100	-
Marrickville Metro Shopping Centre Pty Limited	Australia	Ord		100	100
Monitor Money Corporation Pty Ltd	Australia	Ord	(1)	100	-
Mortgage Backed Bonds Limited	New Zealand	Ord	(1)	100	-
Mowla Pty. Ltd.	Australia	Ord		100	100
Multiport Pty Ltd	Australia	Ord	(1)	100	-
Multiport Resources Pty Ltd	Australia	Ord	(1)	100	-
National Mutual Assets Management (New Zealand) Limited	New Zealand	Ord	(1)(2)	-	-
National Mutual Corporate Superannuation Services Limited	New Zealand	Ord	(1)(2)	-	-

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28. Group controlled entity holdings (continued)

NAME OF ENTITY	COUNTRY OF INCORPORATION	Share type	Footnote	% Holdings 2011	2010
National Mutual CPS Management Limited	New Zealand	Ord	(1)	100	-
National Mutual Funds Management (Global) Limited	Australia	Ord	(1)	100	-
National Mutual Funds Management Limited	Australia	Ord	(1)	100	-
National Mutual Funds Management NZ Limited	New Zealand	Ord	(1)(2)	-	-
National Mutual International Pty Limited	Australia	Ord	(1)(2)	-	-
National Mutual Leasing NZ Limited	New Zealand	Ord	(1)	100	-
National Mutual Life Nominees Limited	Australia	Ord	(1)	100	-
National Mutual Superannuation Master Trustee Limited	New Zealand	Ord	(1)	100	-
Network Financial Services Limited	Hong Kong	Ord	(1)(2)	-	-
NM Computer Services Pty Ltd	Australia	Ord	(1)	100	-
NM Rural Enterprises Pty Ltd	Australia	Ord	(1)	100	-
NM Superannuation Pty Ltd	Australia	Ord	(1)	100	-
NMMT Limited	Australia	Ord	(1)	100	-
Northstar Lending Pty Ltd	Australia	Ord	(1)	100	-
Omega (Australia) Pty Limited	Australia	Ord		100	100
Pajoda Investments Pty Ltd	Australia	Ord	(1)	55	-
Parkside Investorplus Solutions Pty Ltd	Australia	Ord	(1)	100	-
PHFT Finance Pty Limited	Australia	Ord		100	100
PPS Lifestyle Solutions Pty Ltd	Australia	Ord	(1)	100	-
PremierOne Mortgage Advice Pty Limited	Australia	Ord		100	100
Principal Healthcare Finance No. 2 Pty Limited	Australia	Ord		100	100
Principal Healthcare Finance Pty Limited	Australia	Ord		100	100
Principal Healthcare Holdings Pty Limited	Australia	Ord		100	100
Priority One Financial Services Limited	Australia	Ord		100	100
Private Wealth Managers Pty Ltd	Australia	Ord	(1)	100	-
PT.AXA Asset Management Indonesia	Indonesia	Ord	(1)(2)	-	-
PT.AXA Financial Indonesia	Indonesia	Ord	(1)(2)	-	-
PT.AXA Life Indonesia	Indonesia	Ord	(1)(2)	-	-
PT.AXA Services Indonesia	Indonesia	Ord	(1)(2)	-	-
PT.Indonesia Emas Parkasa	Indonesia	Ord	(1)(2)	-	-
PT.Kotak Biru Investama	Indonesia	Ord	(1)(2)	-	-
PT.Kotak Biru Konsultama	Indonesia	Ord	(1)(2)	-	-
Quadrant Securities Pty Ltd	Australia	Ord	(1)	95	-
Quantum Financial Solutions Limited	New Zealand	Ord	(1)	100	-
Quay Mining (No. 2) Limited	Bermuda	Ord, Red Pref		100	100
Quay Mining Pty Limited	Australia	Ord		100	100
Resourcing Services SDN BHD	Malaysia	Ord	(1)	80	-
Roost 2007 Limited	New Zealand	Ord		100	100
Scrabster Bay Pty Limited	Australia	Ord		100	100
SG (Aust) Holdings Pty Ltd	Australia	Ord	(1)	100	-
SG Holdings Limited	New Zealand	Ord	(1)	100	-
Silverton Securities Pty Ltd	Australia	Ord	(1)	100	-
SMSF Advice Pty Ltd	Australia	Ord	(1)	100	-
Solar Risk Pty Ltd	Australia	Ord	(1)	100	-
Spicers Portfolio Management Limited	New Zealand	Ord	(1)	100	-

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28. Group controlled entity holdings (continued)

NAME OF ENTITY	COUNTRY OF INCORPORATION	Share type	Footnote	% Holdings 2011	2010
SPP No. 1 (Alexandra Canal) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Cowes) Pty Limited	Australia	Ord		86	86
SPP No. 1 (H) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Hawthorn) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Mona Vale) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Mornington) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Mt. Waverley Financing) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Mt. Waverley) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Newcastle) Pty Limited	Australia	Ord		86	86
SPP No. 1 (North Melbourne) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Pakenham) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Point Cook) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Port Melbourne) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Q Stores) pty Limited	Australia	Ord		86	86
SPP No. 1 (Rosebery) Pty Limited	Australia	Ord		86	86
SPP No. 1 Holdings Pty Limited	Australia	Ord		86	86
SPP No. 3A Investments Pty Limited	Australia	Ord		100	100
Stephenson & Watt Pty Ltd	Australia	Ord	(1)	100	-
Sterling Portfolio Management Limited	New Zealand	Ord	(1)	100	-
Sterrey Financial Planning Pty Ltd	Australia	Ord	(1)	98	-
Strategic Planning Partners Pty Ltd	Australia	Ord	(1)	100	-
Strategic Wealth Solutions Pty Ltd	Australia	Ord	(1)	100	-
Sugarland Shopping Centre Pty Limited	Australia	Ord		100	100
Sunshine West Development Pty Limited	Australia	Ord		75	75
Sunshine West Income Pty Limited	Australia	Ord		100	100
Suwarraow Pty Ltd	Australia	Ord	(1)	100	-
Swiss Privilege Limited	Hong Kong	Ord	(1)(2)	-	-
Synergy Capital Management Pty Ltd	Australia	Ord	(1)	95	-
TFS Financial Planning Pty Ltd	Australia	Ord	(1)	100	-
The India Infrastructure Fund LLC	Mauritius	Red Pref		100	100
The National Mutual Life Association of Australasia Limited	Australia	Ord	(1)	100	-
TM Fallback Options Pty Ltd	Australia	Ord	(1)	100	-
TM Securities Pty Ltd	Australia	Ord	(1)	100	-
TOA Pty Ltd	Australia	Ord		100	100
Tynan Mackenzie Holdings Pty Ltd	Australia	Ord	(1)	73	-
Tynan Mackenzie Pty Ltd	Australia	Ord	(1)	98	-
United Equipment Holdings Pty Limited	Australia	Ord		60	53
Walker Lawrence & Associates Pty Ltd	Australia	Ord	(1)	100	-
Waterfront Place (No. 2) Pty. Ltd.	Australia	Ord		100	100
Waterfront Place (No. 3) Pty. Ltd.	Australia	Ord		100	100
Wealth Management Maritius Holdings Limited	Mauritius	Ord	(1)(2)	-	-
Wilsanik Pty Ltd	Australia	Ord	(1)	100	-

(1) Controlling interest acquired in 2011
(2) Controlling interest lost in 2011

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28. Group controlled entity holdings (continued)

Details of significant investments in controlled trusts are as follows:

TRUSTS AND OTHER ENTITIES	COUNTRY OF		% Holdings	
NAME OF ENTITY	**REGISTRATION**	**Footnote**	**2011**	**2010**
140 St Georges Terrace Trust	Australia		100	100
ACPP Holding Trust	Australia		100	100
ACPP Industrial Trust	Australia		100	100
ACPP Office Trust	Australia		100	100
ACPP Retail Trust	Australia		100	100
Active Quant Share Fund	Australia		76	73
AFS Australian Property Securities Fund No. 1	Australia	(1)	100	-
AFS Extended Alpha Fund (formerly AMP Capital Sustainable Extended Alpha Fund)	Australia		100	100
AFS Global Property Securities Fund No. 1	Australia	(1)	100	-
AFS International Share Fund 1	Australia	(1)	100	-
Aggressive Enhanced Index Fund	Australia		100	100
AHGI Martineau Fund	Australia		100	100
AHGI Martineau Galleries Fund	Australia		100	100
AMP Capital Asia ex-Japan Fund	Australia		100	92
AMP Capital Asian Equity Growth Fund	Australia		73	94
AMP Capital Business Space REIT	Singapore		100	100
AMP Capital Corporate Bond Fund	Australia		86	93
AMP Capital Credit Strategies Fund	Australia		93	90
AMP Capital Global Equities Sector Rotation Fund	Australia	(1)	100	-
AMP Capital Global Infrastructure Securities Fund (Hedged)	Australia		84	100
AMP Capital Global Infrastructure Securities Fund (Unhedged)	Australia	(1)	84	-
AMP Capital Global Tactical Asset Allocation Fund	Australia		100	98
AMP Capital Investors Australian Equity Long Short Fund	Australia		100	100
AMP Capital Investors China Strategic Growth Fund	Australia		100	100
AMP Capital Investors Infrastructure Fund 1	Australia		100	100
AMP Capital Lifestyle Trust	Australia	(2)	-	100
AMP Capital Macro Strategies Fund	Australia		84	78
AMP Capital Mature Life Fund A	Australia	(2)	-	100
AMP Capital Mature Life Fund B	Australia	(2)	-	100
AMP Capital Multi Asset Fund (formerly New Balanced Fund)	Australia		99	100
AMP Capital Pacific Fair and Macquarie Shopping Centre Fund	Australia		90	90
AMP Capital Sustainable Share Fund	Australia	(1)	66	-
AMP Life Cash Management Trust	Australia	(1)	100	-
AMP Macquarie Holdings Trust	Australia		90	90
AMP Macquarie Trust	Australia		90	90
AMP Pacific Fair Trust	Australia		90	90
AMP Private Capital Trust No.4	Australia	(2)	-	100
AMP Private Capital Trust No.9	Australia		100	100
AMP Smaller Companies Fund	Australia	(1)	51	-
AMP UK Shopping Centre Fund	Australia		100	100
AMP Wholesale Office Fund	Australia	(3)	37	46
AMPCI FD Infrastructure Trust (formerly FD Infrastructure Trust)	Australia		97	100
Assure Australasian Equities	New Zealand	(1)	100	-
Australian Government Fixed Interest Fund	Australia	(1)	100	-
Australian Pacific Airports Fund	Australia		66	66
AWOF New Zealand Office Trust	New Zealand	(3)	36	46
AXA Australian Equities Franked Value Fund	Australia	(1)	100	-
AXA Wholesale Global Property Securities Fund	Australia	(1)(2)	-	-
AXA Wholesale Global Property Securities Fund (Hedged)	Australia	(1)(2)	-	-
Balanced Enhanced Index Fund	Australia		100	99
Bourke Place Unit Trust	Australia		57	57

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28. Group controlled entity holdings (continued)

TRUSTS AND OTHER ENTITIES	COUNTRY OF		% Holdings	
NAME OF ENTITY	REGISTRATION	Footnote	2011	2010
Cautious Enhanced Index Fund	Australia		100	100
Commercial Loan Pool No. 1	Australia	(1)	100	-
Conservative Enhanced Index Fund	Australia		98	96
Core Plus Fund	Australia	(1)	100	-
Crossroads Trust	Australia		100	100
Davidson Road Trust	Australia		100	100
Diversified Strategies - Diversified Strategy No. 2	Australia	(1)(2)	-	-
Diversified Strategies - Diversified Strategy No. 6	Australia	(1)	59	-
EFM Australian Share Fund 1	Australia		97	97
EFM Australian Share Fund 2	Australia		99	99
EFM Australian Share Fund 3	Australia		98	98
EFM Australian Share Fund 4	Australia		94	95
EFM Australian Share Fund 6	Australia		99	99
EFM Australian Share Fund 7	Australia		98	98
EFM Fixed Interest Fund 2	Australia		97	97
EFM Fixed Interest Fund 3	Australia		96	97
EFM Fixed Interest Fund 4	Australia		94	94
EFM Infrastructure Fund 1	Australia		96	97
EFM International Share Fund 3	Australia		97	97
EFM International Share Fund 5	Australia		97	97
EFM International Share Fund 7	Australia		92	92
EFM Listed Property Fund 1	Australia		96	96
Emerging Market Fund	Australia	(1)	98	-
Enhanced Index International Share Fund	Australia		82	82
Enhanced Index Share Fund	Australia		90	84
FD Australian Share Fund 1	Australia		97	97
FD Australian Share Fund 3	Australia		93	93
FD Global Property Securities Fund 1	Australia		94	94
FD International Bond Fund 3	Australia		89	96
FD International Share Fund 1	Australia		95	95
FD International Share Fund 3	Australia		99	99
FD International Share Fund 4	Australia		97	96
Floating Rate Income Fund	Australia		97	98
Future Directions Australian Bond Fund	Australia		96	98
Future Directions Asia ex Japan Fund	Australia		74	82
Future Directions Australian Share Fund	Australia		94	94
Future Directions Australian Small Companies Fund	Australia		89	94
Future Directions Balanced Fund	Australia		98	98
Future Directions Conservative Fund	Australia		94	94
Future Directions Core International Share Fund 2	Australia		58	72
Future Directions Credit Opportunities Fund	Australia		97	100
Future Directions Enhanced Index Australian Share Fund	Australia		97	100
Future Directions Enhanced Index Global Property Securities Fund	Australia		96	100

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28. Group controlled entity holdings (continued)

TRUSTS AND OTHER ENTITIES	COUNTRY OF		% Holdings	
NAME OF ENTITY	REGISTRATION	Footnote	2011	2010
Future Directions Enhanced Index International Bond Fund	Australia		81	82
Future Directions Enhanced Index International Share Fund	Australia	(2)	-	96
Future Directions Geared Australian Share Fund	Australia		92	91
Future Directions Growth Fund	Australia		96	95
Future Directions Hedged Core International Share Fund	Australia		63	76
Future Directions High Growth Fund	Australia		95	94
Future Directions Inflation Linked Bond Fund	Australia		97	100
Future Directions Infrastructure Fund	Australia		97	100
Future Directions International Bond Fund	Australia		93	96
Future Directions International Share Fund	Australia		57	92
Future Directions Moderately Conservative Fund	Australia		95	93
Future Directions Opportunistic Fund	Australia		97	100
Future Directions Private Equity Fund 1A	Australia		97	100
Future Directions Private Equity Fund 1B	Australia		100	100
Future Directions Private Equity Fund 2A	Australia		97	100
Future Directions Private Equity Fund 2B	Australia		100	100
Future Directions Private Equity Fund 3A	Australia		100	100
Future Directions Private Equity Fund 3B	Australia		100	100
Future Directions Property (Feeder) Fund	Australia		96	98
Future Directions Total Return Fund	Australia		97	99
Future Directions Emerging Markets Share Fund	Australia	(1)	51	-
Global Credit Fund	Australia	(1)	100	-
Global Credit Strategies Fund	Australia		87	87
Global Government Fixed Interest Fund	Australia	(1)	100	-
Global Growth Opportunities Fund	Australia		96	96
Global Listed Infrastructure Fund	Australia		100	100
Goldman Sachs Commodity Index Light Energy - E92 Portfolio	Australia		96	95
International Bond Fund	Australia		91	93
Kent Street Investment Trust	Australia		100	100
Kent Street Unit Trust	Australia		100	100
Loftus Street Trust	Australia	(3)	36	46
Macquarie Balanced Growth Fund	Australia		78	68
Managed Treasury Fund	Australia		76	77
Moderately Aggressive Enhanced Index Fund	Australia		100	100
Moderately Conservative Enhanced Index Fund	Australia		100	100
Monash House Trust	Australia		100	100
Multi-Manager Portfolio - Australian Property	Australia	(1)	100	-
Multi-Manager Portfolio - Australian Shares	Australia	(1)	100	-
Multi-Manager Portfolio - Balanced	Australia	(1)	100	-
Multi-Manager Portfolio - Growth	Australia	(1)	100	-
Multi-Manager Portfolio - High Growth	Australia	(1)	100	-
Multi-Manager Portfolio - International Shares	Australia	(1)	100	-
Multi-Manager Portfolio - International Shares Hedged	Australia	(1)	100	-
Multi-Manager Portfolio - Secure	Australia	(1)	100	-
Multi-Manager Portfolio - Secure Growth	Australia	(1)	100	-
NMFM Managed Stable Fund	Australia	(1)(2)	-	-
NMFM Superannuation Fund	Australia	(1)(2)	-	-
Principal Healthcare Holdings Trust	Australia		100	100

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28. Group controlled entity holdings (continued)

TRUSTS AND OTHER ENTITIES	COUNTRY OF		% Holdings	
NAME OF ENTITY	REGISTRATION	Footnote	2011	2010
Private Equity Fund IIIA	Australia		94	94
Private Equity Fund IIIB	Australia		94	94
Responsible Investment Leaders Conservative Fund	Australia		94	92
Responsible Investment Leaders Grow th Fund	Australia		96	96
Responsible Investment Leaders High Grow th Fund	Australia		100	100
Riverside Plaza Trust	Australia		100	100
Select Property Portfolio No. 1	Australia		86	86
Short Term Credit Fund	Australia	(1)	100	-
Student Housing Accommodation Grow th Trust 2	Australia	(2)	-	100
Sydney Cove Trust	Australia		100	100
The Glendenning Trust	Australia		100	100
The Pinnacle Fund	Australia		99	99
Warringah Mall Trust	Australia		67	67
Wholesale Australian Bond Fund	Australia		93	92
Wholesale Australian Diversified Property Security Fund	Australia	(1)(2)	-	-
Wholesale Australian Equity Industrials Fund	Australia	(1)	77	-
Wholesale Australian Equity Style Blend Fund	Australia	(1)(2)	-	-
Wholesale Core Australian Equity Grow th Fund	Australia	(1)	100	-
Wholesale Core Australian Equity Value Fund	Australia	(1)	100	-
Wholesale Credit Fund	Australia	(1)	99	-
Wholesale Global Diversified Yield Fund	Australia	(1)	99	-
Wholesale Global Equity - Grow th Fund	Australia	(1)	79	-
Wholesale Global Equity - Grow th Fund (Hedged)	Australia	(1)	100	-
Wholesale Global Equity - Index Fund (Hedged)	Australia	(1)	100	-
Wholesale Global Equity - Index Fund (Unhedged)	Australia	(1)	100	-
Wholesale Global Equity - Value Fund (Hedged)	Australia	(1)	100	-

Footnote:

(1) Controlling interest acquired in 2011.

(2) Controlling interest lost in 2011.

(3) Not more than 50 per cent holding, but consolidated because AMP retains control over the operating functions.

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29. Associates

(a) Investments in associates accounted for using the equity method

	Principal activities	Ownership Interest 2011 %	Ownership Interest 2010 %	Carrying Amount 2011 $m	Carrying Amount 2010 $m	Country of incorporation
AIMS AMP Capital Industrial REIT [2][3]	Industrial property trust	14	16	58	61	Singapore
AIMS AMP Capital Property Management Ltd	Property management	50	50	4	4	Singapore
AIMS AMP Capital Industrial REIT Management Ltd	Investment management	50	50	4	4	Singapore
AMP Capital Brookfields Limited	Investment management	50	50	7	8	Australia
Australian Financial Risk Management Pty Ltd[1]	Provision of Risk Insurance Advice	40	-	3	-	Australia
IMB Financial Planning Limited[1]	Provision of Financial Services	50	-	3	-	Australia
PSK Financial Services Group Pty Ltd[1]	Provision of Financial Services	24	-	7	-	Australia
Super IQ Pty Limited (formery Super CEO Pty Ltd)	Investment management	49	49	5	8	Australia
Treysta Wealth Management Pty Ltd[1]	Provision of Financial Services	41	-	4	-	Australia
Other (each less than $3m)				20	4	
Total investments in associates accounted for using the equity				**115**	**89**	

(1) Became an associate entity during 2011.

(2) The value of AMP's investment in AIMS AMP Capital Industrial REIT based on published quoted prices as at 31 December 2011 is $45m (31 December 2010: $53m).

(3) The combination of the 14 per cent investment in AIMS AMP Capital Industrial REIT and the joint control of the manager companies is considered to represent significant influence by AMP.

Aggregated financial information extracted from the financial statements of associates accounted for using the equity method	**2011 $m**	**2010 $m**
Assets	773	595
Liabilities	241	187
Revenues	203	49
Expenses - including tax	136	34
Profit	66	15
Share of contingent liabilities incurred in relation to associates accounted for using the equity method	nil	nil

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29. Associates (continued)

(b) Investments in associates held by the life entities' statutory funds measured at fair value through profit or loss[1]

	Principal activity [2]	Footnote	Ownership interest 2011 %	Ownership interest 2010 %	Carrying amount 2011 $m	Carrying amount 2010 $m
COMPANIES[2]						
Diversified Commercial Backed Mortgage Securities Pty Ltd	Investment in mortgage securities		43	43	29	97
Gove Aluminium Finance	Aluminium smelting		30	30	138	125
Others (each less than $20m)			Various		14	12
Total investments held by the AMP life insurance entities' statutory funds in associated companies					**181**	**234**
UNIT TRUSTS						
AIF Equity Units	Investment trusts		43	46	96	101
AMP Capital Strategic NZ Shares Fund	Investment trusts		32	32	126	126
AMP Capital China Growth Fund	Investment trusts		38	37	81	101
AMP Equity Trust	Investment trusts		42	41	181	230
AMP Capital Property Portfolio	Investment trusts		38	38	229	261
AMP Capital Shopping Centre Fund	Investment trusts		37	46	642	725
AMP Small Companies Trust (Class C)[4]	Investment trusts		-	46	-	118
AMP Investments World Index Fund	Investment trusts		46	46	51	67
AMPCI RIL Australian Share Fund Class C[3]	Investment trusts		24	0	61	-
Australian Pacific Airports Fund 3 C Class[3]	Investment trusts		36	0	64	-
Darling Park Property Trust	Investment trusts		50	50	231	223
Esplanade Property Trust[3]	Investment trusts		50	-	158	-
Future Directions International Small Companies Class C[3]	Investment trusts		40	-	137	-
Global Property Securities Fund	Investment trusts		27	23	268	381
Infrastructure Equity Fund	Investment trusts		29	28	190	113
Marrickville Metro Trust	Investment trusts		50	50	82	78
Property Income Fund	Investment trusts		35	38	216	215
Responsible Investments Leader Balanced Fund	Investment trusts		42	28	212	236
Strategic Infrastructure Trust Europe	Investment trusts		34	27	146	117
Sugarland Shopping Centre Trust	Investment trusts		50	50	51	49
Sustainable Futures Australia Share Fund[4]	Investment trusts		-	45	-	589
Value Plus Australia Share Fund	Investment trusts		25	23	51	61
Wholesale Cash Management Trust[3]	Investment trusts		33	-	139	-
Wholesale Global Equity Value Fund[3]	Investment trusts		33	-	74	-
Others (each less than $50m)	Investment trusts		Various		164	235
Total investments held by the AMP life insurance entities' statutory funds in associated companies					**3,650**	**4,026**

Footnote:

(1) Investments in associated entities that back investment contract and life insurance contract liabilities are treated as financial assets and are measured at fair value. Refer to Note 1(g)

(2) In the course of normal operating investment activities, the life statutory funds hold investments in various operating businesses. Investments in associated entities reflect investments where the life statutory fund hold between a 20 per cent and 50 per cent equity interest.

(3) Trust became an associated entity during 2011.

(4) Trust ceased being an associated entity during 2011.

Notes to the financial statements

for the year ended 31 December 2011

30. Forward investments, leasing and other commitments

	Consolidated 2011 $m	Consolidated 2010 $m
Forward investments - callable at any time		
Uncalled capital on shares in relation to:[1]		
- associated entities	44	46
- other entities	15	17
Uncalled capital on units in relation to:[1]		
- associated unit trusts	25	17
- other unit trusts	7	3
Total forward investments	**91**	**83**
Operating lease commitments (non cancellable)		
Due within one year	46	45
Due within one year to five years	166	117
Due later than five years	134	21
Total operating lease commitments	**346**	**183**
Other commitments		
Due within one year	28	2
Due within one year to five years	89	1
Due later than five years	64	-
Total other commitments	**181**	**3**

Footnote:

(1) Uncalled capital represents a commitment to make further capital contributions for shares, units in trusts and certain private capital investments held within the life entities' statutory funds.

Notes to the financial statements

for the year ended 31 December 2011

31. Contingent liabilities

The AMPGH group from time to time may incur obligations arising from litigation or various types of contracts entered into in the normal course of business; including guarantees issued by the parent for performance obligations to controlled entities in the AMPGH group.

The parent 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.

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

At the reporting date there were no other material contingent liabilities where the probability of any outflow in settlement was greater than remote.

Notes to the financial statements

for the year ended 31 December 2011

32. Related-party disclosures

(a) Key management personnel (KMP) details

The following individuals were the key management personnel for the current period:

Colin Storrie (appointed 18 February 2011)
Simon Hoole
David Rowe (appointed 16 December 2011)
Paul Leaming (resigned 31 December 2011)
Brian Salter (resigned 21 February 2011)

(b) Remuneration of key management personnel

The following table provides aggregate details of the compensation of key management personnel

	Short-term benefits	Post employment benefits	Share-based payments	Termination benefits	Total
	$'000	$'000	$'000	$'000	$'000
2011	3,084	48	2,891	1,694	7,717
2010	3,152	45	1,411	528	5,136

(c) Transactions with key management personnel

During the year, key management personnel and their personally related entities have entered into transactions with the parent entity or its subsidiaries. All such transactions have occurred within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those that it is reasonable to expect AMP would have adopted if dealing at arm's length with an unrelated individual. These transactions include:

- normal personal banking with AMP Bank Limited including the provision of credit cards
- the purchase of AMP insurance and investment products
- financial investment services.

Information about such transactions does not have the potential to affect adversely decisions about the allocation of scarce resources made by users of this Financial Report, or the discharge of accountability by the specified executives or specified directors.

(d) Other related party transactions

AMPGH group controlled entities provide management services to associated unit trusts at normal commercial rates. Shares and other financial securities have been traded between AMPGH group controlled entities and respective trusts at market value. AMPGH group controlled entities provide management services to operating trusts with fees determined on a cost recovery basis. Interests held in associated entities (including percentage ownership) are set out in Note 28.

(e) 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.

Notes to the financial statements

for the year ended 31 December 2011

33. Auditors' remuneration

	Consolidated	
	2011	**2010**
	$'000	**$'000**
Amounts received or due and receivable by Auditors of AMP Limited for:		
Audit services		
Audit or review of financial statements	10,641	8,956
Other audit services[(1)]	1,721	1,709
Total audit service fees	**12,362**	**10,665**
Non-audit services		
Assurance related services		
- Other assurances services [(2)]	582	546
Other non-audit services		
- Transaction support	50	312
- Tax and compliance advice	7	55
- Other services[(3)]	437	432
Total non-audit services	**1,076**	**1,345**
Total amounts received or due and receivable by Auditors of AMP Limited[(4) (5)]	**13,438**	**12,010**

Footnote:

(1) Other audit services includes fees for reviews of the full year and half year Investor Reports, compliance audits and other audit procedures performed for vehicles controlled by AMP life insurance entities' statutory funds and those managed by AMP Capital

(2) Other assurance services include fees for fund prospectus reviews and other procedures performed for investment vehicles owned by the AMP Life entities' statutory funds.

(3) Other non-audit services includes fees for the review of AMP and AXA systems and processes.

(4) Includes fees paid to Ernst & Young affiliates overseas.

(5) Periodically, the AMPGH group gains control of entities whose incumbent auditor is an audit firm other than Ernst & Young. In addition to the audit fees paid to Ernst & Young for auditing the AMP group, immaterial audit fees are also paid to these non-Ernst & Young audit firms in relation to the audit of those periodically controlled entities. The non-Ernst & Young audit firms are also independently contracted to provide other services to other controlled entities of the AMP group, unrelated to their audit work.

Notes to the financial statements

for the year ended 31 December 2011

34. Events occurring after reporting date

As at the date of this report, the directors are not aware of any matter or circumstance that has arisen since the end of the year that has significantly affected or may significantly affect the entity's operations in future years; the results of those operations in future years; or the entity's state of affairs in future years which is not already reflected in this report, other than the following:

- On 9 December 2011, AMP announced that it had entered into a strategic alliance with Mitsubishi UFJ Trust and Banking Corporation (MUTB) which included the sale to MUTB of a 15% interest in the AMP Capital business. Settlement date for this transaction is in March 2012 (subject to receipt of necessary regulatory approvals).

AMP Group Holdings Limited

Directors' declaration

for the year ended 31 December 2011

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 the company will be able to pay its debts as and when they become due and payable;

(b) in the opinion of the directors the financial statements and the notes are in accordance with the Corporations Act 2001, including Section 296 (compliance with accounting standards) and Section 297 (true and fair view)

(c) the notes to the financial statements include an explicit and unreserved statement of compliance with the International Financial Reporting Standards as discussed in Note 1(a)

Colin Storrie
Director

Simon Hoole
Director

Sydney, 27 February 2012

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

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

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

Report on the financial report

We have audited the accompanying financial report of AMP Group Holdings Limited, which comprises the consolidated statement of financial position as at 31 December 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

ERNST & YOUNG

Opinion

In our opinion:

a. the financial report of AMP Group Holdings Limited is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(a).

Ernst & Young

Ernst & Young

Andrew Price
Partner
Sydney
27 February 2012