AMP Notes
2013 annual report

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Annual report 2013

All amounts are in Australian dollars, unless otherwise specified.

AMP Group Holdings Limited
88 079 804 676

CHAIRMAN'S FOREWORD

27 March 2014

Dear Securityholders

This annual report provides you with the 2013 full year statutory directors' report and financial report of AMP Group Holdings Limited, the parent company of AMP Group Finance Services Limited.

AMP Group Finance Services Limited is the issuer of your AMP Notes while AMP Group Holdings Limited is the guarantor.

AMP Notes were issued on 9 April 2009 as interest-bearing, unsecured, subordinated debt securities. There are two types of AMP Notes – Australian dollar AMP Notes (A$ Notes) listed on the Australian Securities Exchange under the code AQNHA and New Zealand dollar AMP Notes (NZ$ Notes) listed on the New Zealand Debt Exchange under the code AQN010.

All AMP Notes are to be redeemed on 15 May 2014, in accordance with the AMP Notes terms. At that time, all AMP Notes securityholders will receive the face value of their AMP Notes (A$100 per A$ AMP Note and NZ$1 per NZ$ AMP Note) plus any accrued and unpaid interest.

Interest payments
AMP Notes pay interest quarterly. The A$ Notes (which had an issue price of A$100) paid interest based on the Australian 90 day Bank Bill Swap Rate (BBSW) plus a margin of 4.75 per cent. The NZ$ Notes (which had an issue price of NZ$1) paid a fixed rate of interest of 9.8025 per cent.

For the final interest payment on 15 May 2014, A$ Notes holders will receive an interest rate of 7.3750 per cent per annum which is A$1.7983 per A$ Note while NZ$ Notes holders will receive 9.8025 per cent per annum which is NZ$0.0245 per NZ$ Note.

Board changes
Colin Storrie resigned as Chairman of AMP Group Finance Services Limited on 28 February 2014. I was appointed to the role of Chief Financial Officer for AMP and Chairman of AMP Group Finance Services Limited on 1 March 2014. I would like to thank Colin for his valuable contribution to the company. As this investment comes to a close, I would like to take this opportunity to thank you for investing in AMP Notes and for the support of our company.

Gordon Lefevre
Chairman
AMP Group Finance Services Limited

DIRECTORS' REPORT

for the year ended 31 December 2013

Your directors present their report on the consolidated entity consisting of AMP Group Holdings Limited and the entities it controlled at the end of or during the year ended 31 December 2013.

Directors

The directors of the Company during the year ended 31 December 2013 up to the date of this report are shown below.

Colin Storrie	(Chairman)
David Rowe	
Leanne Ward	(Appointed: 18 November 2013)
Simon Hoole	(Resigned: 18 November 2013)

Operating and financial review

Principal activities

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

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

The company serves customers in Australia and New Zealand, as well as Asia, Europe, Middle East and North America. It has more than 5,700 employees, 850,000 shareholders and $197 billion of assets under management.

AMP provides customers in Australia and New Zealand with financial advice, superannuation, retirement income and other investment products for individuals. It also provides superannuation services for businesses, income protection, disability and life insurance and selected banking products. AMP financial advisers are AMP's primary means of connecting with customers and AMP now has 4,286 aligned and employed financial advisers in Australia and New Zealand, as well as extensive relationships with independent financial advisers.

AMP's business consists of AMP Financial Services which includes Australian wealth management, AMP Bank, Australian wealth protection, Australian mature and New Zealand and AMP Capital.

Australian wealth management (Wealth Management) provides customers with superannuation, retirement income, investment, self-managed superannuation fund (SMSF) administration and financial planning services (through aligned and owned advice businesses).

Australian wealth protection (Wealth Protection) comprises individual and group term, disability and income protection insurance products. These products can be bundled with a superannuation product or held independently.

The *Australian mature* business is the largest closed life insurance business in Australia. Mature assets under management (AUM) support capital guaranteed products (73 per cent) and market linked products (27 per cent). Mature products include whole of life, endowment, investment linked, investment account, retirement savings account (RSA), eligible rollover fund (ERF), annuities, insurance bonds, personal superannuation and guaranteed savings accounts.

New Zealand (NZ) provides tailored financial products and solutions through a network of quality financial advisers. NZ's risk business is the second largest by market share and is complemented by the largest wealth management business and the largest network of advisers in the country.

AMP Capital is a diversified investment manager, managing investments across major asset classes including shares, fixed interest, infrastructure, property, diversified funds, multi-manager and multi-asset funds. Since 1 March 2012, Mitsubishi UFJ Trust and Banking Corporation (MUTB) has held a 15 per cent ownership interest in AMP Capital.

Review of operations and results
AMP operates in one of the largest and fastest growing wealth management markets in the world. It holds market-leading positions in financial advice and key product categories with high quality, award-winning products, platforms and investment capabilities and a broad distribution footprint. It has a strong market presence with scale, efficiency, a large and diverse customer base and a trusted brand.

AMPGH group's profit attributable to shareholders of AMP Group Holdings Limited for the year ended 31 December 2013 was $573 million. The profit attributable to shareholders of AMP Group Holdings Limited for the year ended 31 December 2012 was $653 million[1].

The operating results of each of the business segments for 2013 were as follows:

- *Wealth Management* – Operating earnings increased by $45 million (16 per cent) to $330 million in 2013 from $285 million in 2012. The increase in operating earnings was due to stronger net cash flows and improved investment markets leading to a 14 per cent growth in average AUM, higher member fees from increased customer numbers, less small account rebates as customer balances have risen, and continued cost reduction, including the realisation of merger related cost synergies.
- *Wealth Protection* – Operating earnings decreased by $126 million (66 per cent) to $64 million in 2013 from $190 million in 2012 due to worsening insurance claims and lapse experience.
- *Mature* – Operating earnings increased by $11 million (7 per cent) to $178 million in 2013 from $167 million in 2012. Operating earnings benefited from higher investment markets ($16 million) and lower controllable costs ($10 million). These were partially offset by an expected run-off in the portfolio ($11 million) and lower experience profits ($4 million).
- *NZ* – Operating earnings increased by $24 million (33 per cent) to $97 million in 2013 from $73 million in 2012, as a result of strong growth in profit margins, a significant improvement in experience and favourable exchange rates.
- *AMP Capital* – Operating earnings including minority interests increased by $3 million (3 per cent) to $117 million in 2013 from $114 million in 2012. AMP Capital's operating earnings increased as a result of growth in revenues driven by strong market performance and a continued focus on cost efficiency.

Strategies and prospects[2, 3]

AMP's increased size and scale as a result of its merger with AXA mean the company is well placed to capitalise on market developments and changes in consumer behaviour through investment in growth areas and continuing focus on cost efficiency.

During the year, AMP announced a strategic intent to better deliver on its promise to help people own tomorrow. The company will pursue four strategic priorities to achieve this, being:

1- Prioritise investments in the $2.2 trillion[4] Australian wealth management market.
AMP is committed to leveraging its current leading positions in a market that is projected to double by 2022. AMP's leading positions include:

- No. 1 in retail superannuation and pensions with 19.2 per cent market share[5].

[1] 31 December 2012 balances were restated due to the adoption of AASB 10 *Consolidated Financial Statements* and AASB 119 *Employee Benefits.*
[2] Forward looking statements in the strategies and prospects section of the Directors' Report are based on management's current views and assumptions and involve known and unknown risks and uncertainties, many of which are beyond AMP's control and could cause actual results, performance or events to differ materially from those expressed. These forward looking statements are not guarantees or representations of future performance, and should not be relied upon.
[3] AMP does not produce a profit forecast as this is driven by market movements which cannot be predicted. However, AMP does provide forward looking guidance on certain business outcomes.
[4] ABS- Managed Funds Industry in Australia - September 2013.
[5] DEXXAR projections - May 2013.

- No. 1 in individual risk insurance with 18.4 per cent market share[6].
- No. 1 in financial advice with 19.7 per cent market share[7].

2- Transform the core Australian business to be more relevant to customers.

AMP has embarked on a program to increase the scale and pace of change in its Australian business to better respond to changing customer demands. Both customers and shareholders will be beneficiaries of this reshaping of the Australian business.

The company is investing significantly in its ability to better understand and anticipate customer needs, with the aim of ensuring that the products and services it takes to market are highly targeted and lead to an increased share-of-wallet and enduring customer loyalty.

AMP's approach to transforming the Australian business is to segment customers by life stage and, using new analytical capabilities, digital channels and advice propositions, determine the best products and services for each segment, and bring them to market quickly via a leaner, more agile operating model.

In 2013, the company began to invest in the following transformation initiatives:

- a simplified management, organisation and governance structure
- the first phase of a mobile platform, including mobile apps for iOS and Android, the Evolve app to simplify the advice process, development of a tablet app for 2014 and improved online transactional capabilities
- advice prototypes to broaden the way advice is delivered to customers, including a new Hillross branded advice model
- multi-asset fund consolidation, and
- re-engineering its wealth protection solutions.

In addition to investing in transforming the Australian business, AMP continues to invest in other areas with strong potential for profitable growth, including its SMSF business, the adviser network, the North platform and AMP Bank.

3- Reduce costs by investing in initiatives that matter most to customers and will deliver profitable growth.

In 2013 AMP put in place a three-year business efficiency program to redirect investment to areas most important to its customers, and to reduce the cost base. The company expects the program to deliver $20 million in pre-tax recurring run cost savings by the end of 2016 for a one-off investment of $320 million pre-tax over three years. The recurring cost savings are estimated to be 80 per cent controllable and 20 per cent variable.

To deliver the targeted savings, initiatives underway included:

- a supply chain review, including a review of the asset management supply chain
- redesign of some of the non-customer facing function to drive efficiency
- automation and outsourcing office processes, and
- activities to improve, modernise and reduce the cost of core IT infrastructure.

The 2014 underlying controllable costs are expected to remain close to 2013 actuals. This is due to a significant reduction in costs from the business efficiency program offsetting underlying costs growth. Total controllable costs for 2014 are expected to increase by around 1.5 per cent from 2013 due to a change in government policy restricting research and development credits and anticipated adverse NZ foreign exchange rate movements. Any outperformance in cost savings from the business efficiency program are likely to be directed to further investment in customer and growth initiatives.

4- Invest selectively in Asia and internationally through AMP Capital.

A core part of AMP's strategy is to invest selectively in Asia and more broadly through AMP Capital. The company is doing this through strong distribution partnerships in China and Japan, broadening the global pension fund client base and strengthening its capabilities in property and infrastructure.

[6] Plan for Life - September 2013.
[7] Money Management – July 2013.

At 31 December 2013, AMP Capital's business alliance with MUTB has three retail funds and two institutional funds in the market with AUM of $576 million. In addition, the Infrastructure Debt Fund No. II attracted commitments from 29 Japanese institutional clients through exclusive distribution under the alliance in Japan.

In 2013, AMP Capital established a joint venture funds management company in China with China Life Asset Management Company, called China Life AMP Asset Management Company Ltd. In January 2014 the China Life AMP Money Market Fund raised $2.2 billion during its initial public offer period.

AMP Capital's strength in infrastructure and property is also growing. AMP Capital has a $5 billion long-term property development pipeline across shopping centre, office and industrial sectors, this includes the redevelopment of Macquarie and Pacific Fair shopping centres.

Strategies and prospects by business segment[8]

Wealth Management
Wealth Management's key priorities are to:
- build a stronger, more customer centric business whilst remaining vigilant on cost control
- improve the quality of the advice experience and develop complementary advice channels
- implement a comprehensive customer and product strategy which accounts for the new regulatory environment
- improve adviser productivity, and
- develop a strong SMSF capability.

Since 2011, AMP has guided to average annual margin compression on investment related revenue to AUM of 3.5 to 4.5 per cent per annum over the MySuper implementation period to 2017. Average compression since guidance was initiated has been 3.5 per cent. As MySuper plan transitions have now commenced, average annual compression is expected to be around the higher end of the range through to 2017.

Wealth Protection
In 2013, AMP began to undertake wide-reaching actions driven by a new executive team to improve lapses and claims experience over the short and medium terms. Actions include:
- increasing the size of the claims team, repricing the income protection business to improve value and focusing on the claims finalisation pipeline to improve the timeliness of finalising claims, and
- increasing the size of retention teams to reach customers likely to lapse, rolling out tactical customer campaigns focused on pricing and value, and a review of business terms for adviser practices with high lapse rates.

Over the medium term, actions planned include developing new claims analytical tools, building a new claims technology platform and offering broader support – including rehabilitation– to customers on claim. AMP will also continue to improve on its monitoring and management of lapse experience, develop a new retention management framework and review adviser remuneration structures at both industry and AMP levels.
The strengthening of assumptions across both the retail income protection and lump sum products is expected to reduce profit margins by around $35 million in 2014. While significant action to remediate the group risk business has been undertaken during 2013, one scheme which contributed to over 70 per cent of losses will be repriced in June 2014. Some negative claims experience in group risk business is expected to continue until these repricing actions flow through.

Mature
Key priorities for management are to:
- maintain high persistency
- prudently manage asset and liability risk
- achieve greater cost efficiency, and
- maintain capital efficiency.

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[8] Forward looking statements in the strategies and prospects by business segment section of the Directors' Report are based on management's current views and assumptions and involve known and unknown risks and uncertainties, many of which are beyond AMP's control and could cause actual results, performance or events to differ materially from those expressed. These forward looking statements are not guarantees or representations of future performance, and should not be relied upon.

The Mature business remains in slow decline but is expected to remain profitable for many years. It is expected to run off between 4 to 6 per cent per annum. In volatile investment markets, this run-off rate can vary substantially.

The run-off of AUM mirrors policy liabilities, although there is potential for profit margins to be impacted differently. The run-off of Mature AUM is anticipated to have an average duration of approximately 14 years, but will be impacted by investment markets.

The expected run-off of Mature is not anticipated to be materially different from current guidance as a result of the StrongerSuper regulatory changes.

New Zealand
NZ's key priorities to grow shareholder value are:

- enhancing product features and offerings
- rationalising duplicate product sets
- improving the customer experience
- evolving distribution capability, and
- maximising cost efficiency.

Changes to the taxation of life insurance business in New Zealand will impact NZ from 1 July 2015, resulting in a material increase in the amount of corporate tax paid by NZ. These tax changes apply to all life insurance companies in New Zealand and are not specific to NZ. To offset the impact of this change on operating earnings, NZ is progressively growing its revenue base, reducing its overall costs and reducing the capital impacts of distributing life insurance.

AMP Capital
Working as a unified investment house, AMP Capital's key priorities are to generate revenue growth through:

- delivering outstanding investment outcomes to clients
- building a differentiated client experience driving strong client engagement
- partnering effectively across the AMP group to deliver investment solutions for retail, SMSF and corporate super customers
- expanding the global pension fund client base, and
- building preferential distribution partnerships in select Asian markets, particularly Japan and China.

AMP Capital's target cost to income ratio is 60 to 65 per cent by the first half of 2014.

Key risks

Key risks which may impact AMP's business strategies and prospects for future financial years include:

- A volatile economic environment could have a negative impact on the profitability of AMP. When markets are volatile and investment returns are low, customers are more likely to change their investment preferences and products. This could result in customers choosing to put less of their discretionary savings into AMP superannuation and investment products which would reduce AMP's cash inflows and create lower profit margins. AMP continues to monitor market conditions and review its product offerings to ensure they continue to meet changing customer needs. Low and volatile investment markets can also impact the risks associated with capital guaranteed products, and AMP actively manages capital, liquidity and funding requirements in this context.
- In recent times AMP, in common with much of the industry, has been experiencing elevated claims and lapse rates, with a consequent adverse impact on profit. There is a risk that this poor experience continues or further deteriorates. There are many factors impacting claims and lapse experience including slower economic activity, the impact of the Future of Financial Advice reforms, changes in society's attitudes to claiming benefits, changes in state-based injury compensation schemes as well as changes in AMP's business mix over time. Many of these issues are affecting the Australian insurance industry as a whole whilst others are more specific to AMP. One of AMP's highest priorities is improving the profitability of its insurance products, some of which are in loss recognition and can have a large impact on earnings when claims and lapse experience assumptions change. AMP has a new management team in place in this area of the business who are undertaking wide-reaching actions to change the way insurance claims are managed so customers can return to work faster. They are also implementing new initiatives to help

customers better understand the value and benefits of their policies, with the aim of reducing the number of policies which lapse.

- The Australian finance industry is in a period of significant regulatory change in relation to superannuation, the provision of financial advice, banking, capital requirements, US tax and privacy legislation. While most of the reforms are nearing completion, the interpretation, and the practical implementation of regulation, coupled with the failure to fund, manage and implement the required changes, could adversely impact AMP's business model, or result in a failure to achieve business and or strategic objectives. AMP actively engages with the government, regulators and industry bodies and has dedicated resources and change programs to meet the new requirements.
- In addition, AMP has embarked on a program to increase the scale and pace of change in its Australian business to better respond to changing customer demands and ongoing pricing pressures. Both customers and shareholders will benefit from this reshaping of the Australian business. The introduction of this program may cause some disruption within the business over the next 12 months. To manage these changes, AMP has dedicated resources and well established change programs and processes in place.
- Failure to comply with regulatory and legislative requirements could result in breaches, fines, regulatory action or reputational impacts. AMP has established frameworks and dedicated risk and compliance teams that work closely with the business to ensure compliance with regulatory and legal obligations. The provision of financial advice to customers is one of the current focus areas and AMP is working closely with regulators and external advisers to review processes and controls to ensure all financial advice provided by AMP advisers is compliant with the relevant regulations and in the best interest of the customer.
- AMP has a number of material outsourcing arrangements with external service providers. If these are not appropriately managed it could affect AMP's service to customers, financial performance, ability to meet regulatory requirements and reputation. AMP would also need to fund the cost of correcting any issues. AMP has policies and processes in place to ensure appropriate governance and management of external service providers. Dedicated teams ensure contracts and service level agreements are monitored regularly and performance targets are reviewed to ensure required deliverables and standards are met.

The directors expect these risks will continue to have the potential to impact AMP and management will continue to monitor and manage these risks closely.

Capital management

Equity and reserves of the AMPGH group attributable to shareholders decreased to $5,792m at 31 December 2013 from $6,579m at 31 December 2012.

Significant changes to the state of affairs

Details of changes in AMP's strategic priorities are set out earlier in this report.

Events occurring after the reporting date

As at the date of this report, the directors are not aware of any matter or circumstance that has arisen since the reporting date that has significantly affected or may significantly affect the 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.

The environment

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. Further information on AMP's environment policy and activities is included in the 2013 corporate governance statement.

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 and certain secretaries of the company. Each deed of indemnity and access provides that:

- these officers 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 officer, to the extent permitted by law, against any liability incurred by the officer in his or her capacity as a director or secretary 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, for the year ended 31 December 2013.

Building a better working world

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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 year ended 31 December 2013 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

Tony Johnson
Partner
Sydney
27 February 2014

Signed in accordance with a resolution of the directors.

Colin Storrie
Director

Sydney, 27 February 2014

AMP GROUP HOLDINGS LIMITED
ABN 88 079 804 676
FULL YEAR FINANCIAL REPORT
31 DECEMBER 2013

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Registered Office:
33 Alfred Street
Sydney NSW 2000 Australia

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

Income statement

for the year ended 31 December 2013

	Note	Consolidated 2013 $m	Consolidated Restated 2012 $m
Income and expenses of shareholders, policyholders, external unitholders and non-controlling interests[1]			
Life insurance premium and related revenue	4	**2,283**	2,218
Fee revenue	4	**2,460**	2,316
Other revenue	4	**413**	664
Investment gains and (losses)	5	**14,330**	11,619
Share of profit or (loss) of associates accounted for using the equity method		**14**	5
Life insurance claims and related expenses	6	**(2,084)**	(2,048)
Operating expenses	6	**(3,858)**	(4,162)
Finance costs	6	**(286)**	(370)
Movement in external unitholder liabilities		**(1,634)**	(969)
Change in policyholder liabilities			
- life insurance contracts	20	**(381)**	(934)
- investment contracts		**(9,887)**	(7,000)
Income tax (expense) credit	7	**(753)**	(676)
Profit for the year		**617**	663
Profit attributable to shareholders of AMP Group Holdings Limited		**573**	653
Profit (loss) attributable to non-controlling interests		**44**	10
Profit for the year		**617**	663

1 Income and expenses include amounts attributable to shareholders' interests, policyholders' interests in the AMP life insurance entities' statutory funds, external unitholders' interests and non-controlling interests. Amounts included in respect of the AMP life insurance 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 2013

	Consolidated 2013 $m	Consolidated Restated 2012 $m
Profit	**617**	663
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges		
- gains and (losses) in fair value of cash flow hedges	**1**	(17)
- income tax (expense) credit	**-**	5
- transferred to profit for the year	**6**	3
- transferred to profit for the year - income tax (expense) credit	**(2)**	(1)
	5	(10)
Exchange difference on translation of foreign operations		
- exchange gains (losses)	**124**	29
- transferred to profit for the year	**-**	3
- transferred to profit for the year - income tax (expense) credit	**-**	(1)
	124	31
Revaluation of hedge of net investments		
- gains and (losses) in fair value of hedge of net investments	**(3)**	(1)
- income tax (expense) credit	**1**	-
- transferred to profit for the year - gross	**-**	(3)
- transferred to profit for the year - income tax (expense) credit	**-**	1
	(2)	(3)
Items that will not be reclassified subsequently to profit or loss		
Defined benefit plans[1]		
- actuarial gains and (losses)	**218**	73
- income tax (expense) credit	**(65)**	(22)
	153	51
Owner-occupied property revaluation		
- gains (losses) in valuation of owner-occupied property	**10**	12
- income tax (expense) credit	**-**	(1)
	10	11
Other comprehensive income for the year	**290**	80
Total comprehensive income for the year	**907**	743
Total comprehensive income attributable to shareholders of AMP Group Holdings Limited	**863**	733
Total comprehensive income (loss) attributable to non-controlling interests	**44**	10
Total comprehensive income for the year	**907**	743

1 Actuarial gains and (losses) are determined in accordance with AASB 119 *Employee Benefits*. This is not the same as the calculation methods used to determine the funding requirements for the plans.

Statement of financial position

as at 31 December 2013

	Note	Consolidated 2013 $m	Restated 2012 $m	Restated 2011 $m
Assets				
Cash and cash equivalents	25	**6,010**	8,182	7,772
Receivables	8	**2,509**	2,119	2,598
Current tax assets		**156**	54	32
Inventories and other assets	9	**215**	209	294
Investments in financial assets	10	**98,611**	87,146	78,017
Investment properties	11	**6,889**	6,508	7,424
Investments in associates accounted for using the equity method	30	**113**	81	115
Property, plant and equipment	12	**456**	1,040	1,016
Deferred tax assets	7	**1,020**	1,105	988
Intangibles	13	**4,136**	4,502	4,677
Assets of disposal groups	29	**42**	187	-
Total assets of shareholders of AMP Group Holdings Limited, policyholders, external unitholders and non-controlling interests		**120,157**	111,133	102,933
Liabilities				
Payables	14	**3,745**	2,980	3,086
Current tax liabilities		**53**	43	86
Provisions	15	**442**	609	578
Other financial liabilities	10	**2,409**	2,227	2,497
Borrowings	16	**2,463**	2,697	3,095
Subordinated debt	17	**1,254**	961	949
Deferred tax liabilities	7	**2,101**	1,400	928
External unitholder liabilities		**10,724**	9,702	8,126
Life insurance contract liabilities	20	**24,934**	25,055	24,399
Investment contract liabilities	21	**66,049**	58,385	52,940
Defined benefit plan liabilities	26	**73**	286	370
Liabilities of disposal groups	29	**8**	74	-
Total liabilities of shareholders of AMP Group Holdings Limited, policyholders, external unitholders and non-controlling interests		**114,255**	104,419	97,054
Net assets of shareholders of AMP Group Holdings Limited and non-controlling interests		**5,902**	6,714	5,879
Equity[1]				
Contributed equity	19	**6,926**	6,926	6,926
Reserves		**(1,989)**	(2,151)	(2,530)
Retained earnings		**855**	1,804	1,395
Total equity of shareholders of AMP Group Holdings Limited		**5,792**	6,579	5,791
Non-controlling interests		**110**	135	88
Total equity of shareholders of AMP Group Holdings Limited and non-controlling interests		**5,902**	6,714	5,879

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

Statement of changes in equity

for the year ended 31 December 2013

	Equity attributable to shareholders of AMP Group Holdings Limited											
	Contributed equity $m	Share-based payment reserve[1] $m	Capital profits reserve[2] $m	Demerger loss reserve[3] $m	Cash flow hedge reserve[4] $m	Foreign currency translation reserve[5] $m	Hedge of net investment reserve[6] $m	Owner-occupied property revaluation reserve[7] $m	Retained earnings $m	Total shareholder equity $m	Non-controlling interest $m	Total equity $m
2013												
Balance at the beginning of the year before restatement	**6,926**	**45**	**329**	**(2,566)**	**(12)**	**(33)**	**1**	**85**	**1,786**	**6,561**	**97**	**6,658**
Balance at the beginning of the year - restated	**6,926**	**45**	**329**	**(2,566)**	**(12)**	**(33)**	**1**	**85**	**1,804**	**6,579**	**135**	**6,714**
Profit (loss)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**573**	**573**	**44**	**617**
Other comprehensive income	**-**	**-**	**-**	**-**	**5**	**124**	**(2)**	**10**	**153**	**290**	**-**	**290**
Total comprehensive income	**-**	**-**	**-**	**-**	**5**	**124**	**(2)**	**10**	**726**	**863**	**44**	**907**
Share-based payment expense	**-**	**25**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**25**	**2**	**27**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,675)**	**(1,675)**	**(85)**	**(1,760)**
Sales and acquisitions of non-controlling interest	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**14**	**14**
Balance at the end of the year	**6,926**	**70**	**329**	**(2,566)**	**(7)**	**91**	**(1)**	**95**	**855**	**5,792**	**110**	**5,902**
Restated 2012												
Balance at the beginning of the year before restatement	6,926	24	-	(2,566)	(2)	(64)	4	74	1,376	5,772	68	5,840
Balance at the beginning of the year - restated	6,926	24	-	(2,566)	(2)	(64)	4	74	1,395	5,791	88	5,879
Profit (loss)	-	-	-	-	-	-	-	-	653	653	10	663
Other comprehensive income	-	-	-	-	(10)	31	(3)	11	51	80	-	80
Total comprehensive income	-	-	-	-	(10)	31	(3)	11	704	733	10	743
Share-based payment expense	-	22	-	-	-	-	-	-	-	22	-	22
Share purchases	-	(1)	-	-	-	-	-	-	-	(1)	-	(1)
Dividends paid	-	-	-	-	-	-	-	-	(295)	(295)	(5)	(300)
Sales and acquisitions of non-controlling interest	-	-	329	-	-	-	-	-	-	329	42	371
Balance at the end of the year	6,926	45	329	(2,566)	(12)	(33)	1	85	1,804	6,579	135	6,714

Statement of changes in equity (continued)

for the year ended 31 December 2013

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 Capital profits reserve represents gains attributable to shareholders of the company on the sale of minority interests in controlled entities to entities outside the AMPGH group.

3 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.

4 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.

5 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.

6 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.

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

Statement of cash flows

for the year ended 31 December 2013

	Note	Consolidated 2013 $m	Restated 2012 $m
Cash flows from operating activities[1]	25		
Cash receipts in the course of operations		**18,208**	19,131
Interest and other items of a similar nature received		**1,533**	1,736
Dividends and distributions received[2]		**2,570**	1,026
Cash payments in the course of operations		**(21,093)**	(20,148)
Finance costs		**(305)**	(365)
Income tax refunded (paid)		**(177)**	(126)
Cash flows from operating activities		**736**	1,254
Cash flows from investing activities[1]			
Net proceeds from sale of/(payments to acquire):			
- investment property		**(38)**	989
- investments in financial assets[1]		**(3,254)**	(1,210)
- operating and intangible assets		**7**	(172)
(Payments to acquire) proceeds from disposal of subsidiaries and other businesses[3]		**(24)**	(14)
Net movement in loans (to) from parent entity		**1,465**	-
Cash flows from (used in) investing activities		**(1,844)**	(407)
Cash flows from financing activities[1]			
Proceeds from borrowings - non-banking operations		**-**	517
Net movement in deposits from customers		**(26)**	(6)
Repayment of borrowings - non-banking operations		**(223)**	(914)
Proceeds from issue of subordinated debt		**100**	-
Repayment of subordinated debt		**(30)**	-
Proceeds from the sale of 15% of AMP Capital Holdings Limited		**-**	425
Dividends paid		**(1,675)**	(295)
Cash flows from (used in) financing activities		**(1,854)**	(273)
Net increase (decrease) in cash and cash equivalents		**(2,962)**	574
Cash and cash equivalents at the beginning of the year		**13,146**	12,556
Effect of exchange rate changes on cash and cash equivalents		**46**	16
Cash and cash equivalents at the end of the year[1]		**10,230**	13,146

1 Cash flows and cash and cash equivalents include amounts attributable to shareholders' interests, policyholders' interests in AMP life insurance entities' statutory funds and controlled entities of those statutory funds, external unitholders' interests and non-controlling interests. Amounts included in respect of AMP life insurance entities' statutory funds and controlled entities of those statutory funds have a substantial impact on cash flows from operating activities and investing activities and proceeds from and repayments of borrowing - non-banking operations, and cash and cash equivalents balances.

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

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

Notes to the financial statements

for the year ended 31 December 2013

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 AMPGH group is a for-profit entity for the purposes of preparing financial statements. The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The financial statements for the year ended 31 December 2013 were authorised for issue on 27 February 2014 in accordance with a resolution of the directors.

The significant accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to the current year and comparative period, unless otherwise stated. Where necessary, comparative information has been reclassified to be consistent with current period disclosure.

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

A number of new accounting standards and amendments have been adopted effective 1 January 2013 which have had an impact on the financial position or performance of the AMPGH group, as set out below:

- AASB 10 *Consolidated Financial Statements* and revised AASB 127 *Separate Financial Statements*. These standards have changed the criteria for determining which entities are to be consolidated. As a result of adopting AASB 10, the following entities within the AMPGH group, which were previously not consolidated, are now assessed to be controlled by the AMPGH group and have been consolidated into the results of the AMPGH group from 1 January 2013, with retrospective adjustments for 2012:
  - Aged Care Investment Trusts No. 1 and No. 2, and their controlled entities.
  - AMP Capital China Growth Fund, and its controlled entity
  - AMP Capital Infrastructure Equity Fund
  - AMP Capital Strategic Infrastructure Trust of Europe No. 1, No. 2, AMP Capital Investors (European Infrastructure No. 3) and AMP Capital Investors (European Infrastructure No. 4), and their controlled entities
  - Australia Pacific Airports Fund No. 3

  Investments in these entities are held on behalf of policyholders and the AMP life entities' statutory funds recognise a liability to the policyholders. In certain cases, over time, 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.

  The consolidation of these additional entities results in the financial statements of the AMPGH group recognising a new class of investments classified as available for sale, and a new class of owner-occupied property measured at cost less subsequent depreciation and impairments. The accounting policies for these assets are set out in note 1(g) and note 1(j).

- Revised AASB 119 *Employee Benefits*. Under the previous AASB 119, a gain was recognised in profit or loss for the expected earnings on the assets of defined benefit funds, with any difference between the expected earnings and the actual earnings recognised within other comprehensive income. Under the revised AASB 119, the amount recognised in profit or loss in relation to the assets is measured using the same discount rate as for the defined benefit liability, rather than expected earnings. This amount is presented net of the interest cost of funding the defined benefit liability, which on adoption results in a net interest expense. In addition, the revised AASB 119 also requires AMPGH group to discount the portion of annual leave expected to be settled beyond 12 months. However, the impact of this discounting of annual leave is not material.

Comparatives in the financial statements have been restated retrospectively for the adoption of AASB 10 *Consolidated Financial Statements* and Revised AASB 119 *Employee Benefits.* A reconciliation of the restated comparatives to the previously reported amounts in the Income statement, Statement of other comprehensive income, Statement of financial position and Statement of cash flows is set out in note 28.

Notes to the financial statements

for the year ended 31 December 2013

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

The following Australian Accounting Standards and amendments have also become mandatory for adoption from 1 January 2013, but have not had any material effect on the financial position or performance of the AMPGH group:

- Revised AASB 101 *Presentation of Financial Statements*. The changes introduced by the revised AASB 101 relate to presentation only, and have resulted in items in the Statement of comprehensive income being segregated between those that may eventually be realised in the Income statement in future periods and those that will not.
- AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, 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 have changed the criteria for determining which entities are to be accounted for using the equity method in preparing consolidated financial statements and the required disclosures in relation to consolidated entities, joint arrangements, joint operations, associates and structured entities.
- AASB 13 *Fair Value Measurement*. This standard has centralised the definition and guidance for measuring 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 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities.* This standard has amended the disclosures in AASB 7 *Financial Instruments: Disclosures,* to require information on the effect or potential effect of netting arrangements, including rights of set-off associated with the group's recognised financial assets and recognised financial liabilities.
- AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities.* These amendments have clarified the meaning of 'currently has a legally enforceable right to set off' and the application of AASB 132 *Financial Instruments: Presentation,* offsetting criteria to settlement systems which apply to gross settlement mechanisms that are not simultaneous.
- AASB 2012-5 *Amendments Arising from the 2009-2011 Annual Improvements Project*. These amendments have clarified the disclosure requirements for segment assets and liabilities in interim financial statements to align reporting within interim financial statements to the requirements of AASB 8 *Operating Segments*.
- AASB 2012-9 *Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation 1039* removes the requirement to apply *Interpretation 1039* relating to consideration of substantive enactment of major tax bills in Australia.
- AASB 2012-10 *Amendments to Australian Accounting Standards – transition guidance and other amendments* makes various editorial amendments to a range of Australian Accounting Standards and amendments to AASB 10 and related Standards to revise the transition guidance for initial application of those Standards.
- AASB 2013-2 *Amendments to AASB 1038 – Regulatory Capital*. This standard amends the life insurance capital disclosure requirements so as to align the terminology with that used in the Australian Prudential Regulatory Authority's revised capital requirements which applied from 1 January 2013.

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 as set out below:

- AASB 9 *Financial Instruments.* This standard makes significant changes to the way financial assets are classified for the purpose of determining their measurement basis and also to the amounts relating to fair value changes which are to be taken directly to equity. This standard also makes significant changes to hedge accounting requirements and disclosures. This standard is mandatory for adoption by the AMPGH group for the year ending 31 December 2017; however early application is permitted in certain circumstances. The financial impact to the AMPGH group of adopting AASB 9 has not yet been quantified.
- AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* and additions to Corporations Regulations 2001, Regulation 2M.3.03. The revised amendments to AASB 124 remove individual key management personnel disclosures. The revised AASB 124 is mandatory for adoption by the AMPGH group in the year ending 31 December 2014. The changes to AASB 124 relate to disclosure only and are not expected to have a financial impact on the AMPGH group.

(b) Principles of consolidation

The financial statements consolidate the financial information of controlled entities. The adoption, effective 1 January 2013, of AASB 10 *Consolidated Financial Statements* and revised AASB 127 *Separate Financial Statements*, has changed the criteria for determining control. Previously, control was assessed based on when AMP Group Holdings Limited had the power to govern the operating and financing policies of an entity so as to obtain benefits from its activities. Since 1 January 2013, an entity is controlled when AMP Group Holdings Limited is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee.

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 ensure conformity with the group's accounting policies.

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 managed investment scheme 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 entities 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 shareholders of the parent entity.

Notes to the financial statements

for the year ended 31 December 2013

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

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 include the results for the part of the reporting period during which the parent entity had control.

Most acquisitions and disposals of controlled entities are in relation to managed investment schemes 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 insurance entities' statutory funds' investments are held through controlling interests in a number of managed investment schemes and companies. These investment assets are held on behalf of policyholders and the AMP life insurance 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 liabilities to the policyholders, 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.

(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 receive 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 known as *discretionary participating contracts*, 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.

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

Assets measurement basis
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 are described later in note 1.

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

Notes to the financial statements

for the year ended 31 December 2013

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

(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, being the principal amount. For the purpose of the Statement of cash flows, cash and cash equivalents also includes other highly liquid investments not subject to significant risk of change in value, with short periods to maturity, net of outstanding bank overdrafts. Bank overdrafts are shown within Borrowings in the Statement of financial position.

(e) Receivables

Receivables that back investment contract liabilities and life insurance contract liabilities are designated as financial assets measured at fair value through profit or loss. 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.

(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. Transaction costs are expensed as incurred in profit or loss. Any realised and unrealised gains or losses arising from subsequent measurement at fair value are recognised in the Income statement in the period in which they arise.

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

- the fair value of listed equity securities traded in an active market and listed managed investment schemes reflects the quoted bid price at the reporting date. In the case of equity securities and listed managed investment schemes where there is no active market, fair value is established using valuation techniques including the use of recent arm's length transactions, references to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.
- 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.
- there is no reduction for realisation costs in determining fair value.
- the fair value of derivative financial assets is determined in accordance with the policy set out in note 1(q).

Investments in available-for-sale financial assets

Available-for-sale investments are initially recognised at fair value determined as the purchase cost of the asset, exclusive of any transaction costs. Transaction costs are expensed as incurred in profit or loss. Unrealised gains or losses arising from subsequent measurement at fair value are recognised as Other comprehensive income in the Available-for-sale financial assets reserve in the period in which they arise. Testing for impairment is conducted in accordance with Note 1(l). Upon impairment or disposal, the accumulated change in fair value within the available for sale financial assets reserve is recognised within profit or loss in the Income statement.

Subsequent to initial recognition, the fair value of available-for-sale investments is determined on the same basis as for 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.

Investments in controlled entities

Investments by the parent entity in controlled entities 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 2013

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

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

(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
- capitalised leasing fees.

The process adopted to determine fair values for investment properties is set out in note 11.

(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 held by the AMPGH group for administrative purposes is initially recognised at cost, including transaction costs, and 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 11.

Owner-occupied property assets used in the business operations of aged-care facilities, held as investments on behalf of policyholders of AMP life insurance entities controlled by AMPGH group, are primarily used to earn income from the supply of services. This class of owner-occupied property is initially recognised at cost, including transaction costs and subsequently measured at cost.

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 owner-occupied property is held by the life insurance 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.

Notes to the financial statements

for the year ended 31 December 2013

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

(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.

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 on a straight-line basis over the estimated useful life of the asset, commencing at the time the asset is first put into use or held ready for use (whichever is the earlier). The useful lives of such assets generally do not exceed five years; however a useful life of up to 10 years has been applied to some capitalised costs relating to IT systems development projects where the AMPGH group expects benefits to flow over a longer period.

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 on a straight-line basis 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.

Distribution networks

An intangible asset is 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 the AMPGH group acquires customer lists, financial planner client servicing rights or other distribution related rights other than through a business combination. Distribution networks are measured initially at fair value and subsequently amortised on a straight-line basis over their useful lives of 3−15 years.

Financial planner client servicing rights held for sale in the ordinary course of business are classified as inventories and accounted for as described in note 1(f).

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 on a straight-line basis over its useful life. Software has a useful life of 2−4 years. Software maintenance costs are expensed as incurred.
- acquired management rights relating to AMP Group Holding's asset management business. For closed ended funds where AMPGH cannot be removed as manager, these management rights have an indefinite useful life and are not amortised.

2012 included aged-care bed licences granted by government agencies that did not have an expiry date and for which there was no foreseeable limit to the period over which the assets were expected to generate net cash inflows for AMPGH group. AMPGH group ceased to control the entities which held the aged-care bed licences during the 2013 year.

Reassessment of useful life

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

Notes to the financial statements

for the year ended 31 December 2013

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

(l) Impairment of assets

Assets measured at fair value, where changes in fair value are reflected in the Income statement, are not subject to impairment testing. As a result, financial assets measured at fair value through profit or loss, and investment properties, are not subject to impairment testing.

Other assets such as: available-for-sale investments; investments in financial assets measured at amortised cost; property, plant and equipment; intangible assets including goodwill; investments in associates accounted for using the equity method; and (in the case of the parent entity) investments in controlled entities, are subject to impairment testing.

For available-for-sale investments, where there is objective evidence that an investment is impaired, an impairment is recognised in the Income statement, measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss previously recognised in profit or loss. Impairment losses for equity instruments are not reversed. Impairment losses for debt instruments are reversed only to the extent of a subsequent increase in fair value which can be objectively related to an event occurring after the impairment.

For loans, advances, held to maturity investments and other receivables, impairment is recognised in the Income statement when there is objective evidence a loss has been incurred, measured as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

For other assets, impairment is recognised in the Income statement, measured as the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use.

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

For the purposes of assessing impairment 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.

(m) Taxes

Tax consolidation

AMP Limited and its wholly-owned controlled entities including AMP Group Holdings Limited are Australian domiciled companies comprise a tax-consolidated group of which AMP Limited is the head entity.

Following the AMPGH group's sale of 15 per cent ownership interest in AMP Capital Holdings Limited on 1 March 2012, AMPCH and its wholly-owned controlled entities which are Australian domiciled companies left the AMP Limited tax-consolidated group and formed their own tax consolidated-group of which AMP Capital Holdings Limited is the head entity.

The implementation date for the AMP Limited tax-consolidated group was 30 June 2003.

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

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

A tax funding agreement has been entered into by the head entity and the controlled entities in the tax-consolidated group. Entities in the tax-consolidated group continue to be responsible, by the operation of the tax funding agreement, for funding tax payments required to be made by the head entity arising from underlying transactions of the controlled entities. Controlled entities make (receive) contributions to (from) the head entity for the balances assumed by the head entity, as described above. The contributions are calculated in accordance with the tax funding agreement. The contributions are payable as set out in the agreement and reflect the timing of the respective head entities' 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 of AMP Limited. 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, and
- the impact of changes in the amounts of deferred tax assets and liabilities arising from changes in tax rates or in the manner in which these balances are expected to be realised.

Adjustments to income tax expense/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.

Income tax for investment contracts business and life insurance contracts business

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

Notes to the financial statements

for the year ended 31 December 2013

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

Investment contracts liabilities 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.

Notes to the financial statements

for the year ended 31 December 2013

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

(n) Payables

Payables are measured at the nominal amount payable. Given the short-term nature of most payables, the nominal amount payable 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, and
- 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, e.g. 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 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 are determined with reference to market yields at the end of the reporting period on high quality corporate bonds or, in countries where there is no deep market in such bonds, using market yields at the end of the period on government bonds.

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 amounts 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 certain controlled managed investment schemes of the AMP life insurance entities' statutory funds are measured at amortised cost for the purpose of determining the unit price of those schemes. These borrowings are 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.

All other borrowings of the controlled entities of the statutory funds are subsequently measured at fair value with movements recognised in the Income statement.

Notes to the financial statements

for the year ended 31 December 2013

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

(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 it has issued in respect of its products. 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 exclusive of any transactions costs 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:

- to the extent that a hedge is effective, changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised 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.
- the gain or loss relating to any ineffective portion of a hedge is recognised immediately in the Income statement.
- 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 until the forecast transaction occurs.

(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 through Other comprehensive income in the Cash flow hedge reserve in equity. 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 (including related tax impacts) through Other comprehensive income in the Hedge of net investment reserve, 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.

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 for financial assets 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 (eg, over-the-counter derivatives) is determined using valuation techniques. Valuation techniques include net present value techniques, option pricing models, discounted cash flow methods and comparison to quoted market prices or dealer quotes for similar instruments.

(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 de-recognised 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 de-recognised when the obligation specified in the contract is discharged, cancelled or expires.

Notes to the financial statements

for the year ended 31 December 2013

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

(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 planned release of this margin is included in the movement in life insurance contract liabilities recognised in the Income statement.

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 using best-estimate assumptions about the future. The liability is calculated as the net present value of these projected cash flows. 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 based on the zero coupon government bond rate and a liquidity margin, which depends 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) and, for The National Mutual Life Association (NMLA), the Memorandum of Demutualisation.

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 (ie unvested) and that which has been allocated to specific policyholders by way of bonus distributions (ie 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 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. This proportion is, mostly, 80 per cent policyholders and 20 per cent shareholders.

(ii) Other MoS profits arising from discretionary participating 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.
- the profits arising from NMLA's discretionary participating investment account business where 100 per cent of investment profit is allocated to policyholders and 100 per cent of any other profit or loss is allocated to shareholders, with the over-riding provision being that at least 80 per cent of any profit and not more than 80 per cent of any loss be allocated to policyholders' retained profits of the relevant statutory fund.
- the underwriting profit arising in respect of NMLA's Participating Business Super Risk business is allocated 90 per cent to policyholders and 10 per cent to shareholders.
- for AMP Life, additional tax on taxable income to shareholders in respect of Australian superannuation business is allocated to shareholders only.

(iii) 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.

Allocation of expenses within the 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 life statutory funds are classified as operating expenses. See note 1(aa).

Notes to the financial statements

for the year ended 31 December 2013

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

(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 accounting standards prevent those assets from being measured at fair value.

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 fair value 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.

(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 in Other comprehensive income 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 2013

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 de-recognition of the asset or liability, 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. 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 a liability to a policyholder under a 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).

Notes to the financial statements

for the year ended 31 December 2013

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

(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 AMP life insurance 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).

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, and
- 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.

Notes to the financial statements

for the year ended 31 December 2013

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

(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 AASB 119 *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 determined with reference to market yields at the end of the reporting period on high quality corporate bonds or, in countries where there is no deep market in such bonds, using market yields at the end of the period on government bonds.

After taking into account any contributions paid into the defined benefit funds during the period, movements in the net surplus or deficit of each fund, except actuarial gains and losses, are recognised in the 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 retained earnings through Other comprehensive income.

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

(ee) Disposal groups held for sale

A *disposal group* is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Disposal groups are classified as held-for-sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. The criteria for held-for-sale classification is regarded as met only when the sale is highly probable, the disposal group is available for immediate sale in its present condition, management is committed to a plan to sell the group and a sale is expected to be completed within a year.

Disposal groups classified as held-for-sale are measured at the lower of their carrying amount and fair value less costs of disposal. Assets and liabilities of disposal groups are shown separately from other assets and liabilities in the Statement of financial position.

Notes to the financial statements

for the year ended 31 December 2013

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 the AMPGH group where AMP Group Holdings Limited has control over the entities. Control arises from exposure, or rights, to variable returns from involvement with an entity, where AMP Group Holdings Limited has the ability to affect those returns through its power over the entity. Judgement is applied by management in assessing whether control exists.

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

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

(b) Fair value of investments in financial assets

The AMPGH group measures investments in financial assets, other than 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 11.

(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 25(d) provides details of intangibles acquired through business combinations during the period.

Accounting standards require management to assess, at each reporting period, whether there are any indicators of impairment in relation to the carrying value of intangible assets. Where an impairment indicator is identified, and at least annually for assets with indefinite useful lives, the recoverable amount of the asset must be determined and compared to the carrying amount.

Judgement is applied by management in assessing whether there are any impairment indicators and, where required, determining the recoverable amount. For further details on impairment of intangibles, refer to note 13.

(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 13 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 7 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 the 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 15 sets out further information on provisions.

Notes to the financial statements

for the year ended 31 December 2013

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

(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 board of each of the life entities is responsible for these judgements and assumptions, after taking advice from the Appointed Actuary. Further detail on the determination of insurance contract liabilities is set out in note 20.

(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 the fair value of backing assets, 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 21.

(j) Defined benefit plan liabilities

The defined benefit plan liabilities of the AMPGH group are 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. AASB 119 *Employee Benefits* requires defined benefit plan liabilities to be measured using discount rates determined with reference to market yields at the end of the reporting period or high quality corporate bonds or in countries where there is no deep market in such bonds, using market yields on government bonds. Judgement is applied in assessing whether there is a deep market in high quality corporate bonds and in the selection of government bonds used to determine the yield.

The determination of the fair value of the fund's assets is also subject to the other 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 2013

3. Information relating to the parent entity

	Parent 2013 $m	Parent 2012 $m
Assets and Liabilities		
Current assets	**830**	830
Total assets	**7,934**	7,936
Current liabilities	**-**	46
Total liabilities	**558**	46
Shareholders' equity		
Issued capital	**6,926**	6,926
Retained earnings	**450**	964
Total Shareholders' equity	**7,376**	7,890
Profit	**1,151**	821
Total comprehensive income	**1,151**	821

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 (FY12: $7,106m) are measured at cost less any accumulated impairment losses.

Notes to the financial statements

for the year ended 31 December 2013

4. Income

	Consolidated 2013 $m	Restated 2012 $m
(a) Life insurance premium and related revenue		
Life insurance contract premium revenue	**2,175**	2,105
Reinsurance recoveries	**108**	113
Total life insurance premium and related revenue	**2,283**	2,218
(b) Fee revenue		
Investment management and origination fees	**1,830**	1,729
Financial advisory fees	**603**	523
Service fees	**27**	64
Total fee revenue	**2,460**	2,316
(c) Other revenue		
Investment entities controlled by the AMP life insurance entities' statutory funds[1]	**311**	609
Other entities	**102**	55
Total other revenue	**413**	664

1 Other revenue of investment entities controlled by the AMP life entities' statutory funds which carry out business operations unrelated to the core wealth management operations of the AMPGH group. The reduction is mainly due to AMP ceasing to control a number of controlled operating entities, principally the controlled entities of Aged Care Investment Trust 1&2, during 2013.

Notes to the financial statements

for the year ended 31 December 2013

5. Investment gains and (losses)

	Consolidated	
		Restated
	2013	2012
	$m	$m
Investment gains and (losses)		
Interest[1]		
- related parties	**144**	174
- other entities	**1,524**	1,562
Dividends and distributions		
- associated entities not equity accounted	**923**	231
- other entities	**3,816**	2,497
Rental income	**582**	654
Net realised and unrealised gains and (losses)[2]	**7,301**	6,421
Other investment income	**40**	80
Total investment gains and (losses)[3]	**14,330**	11,619

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 predominantly consist of gains and losses on financial assets and financial liabilities designated at fair value through profit or loss upon initial recognition.

3 Investment gains and losses include amounts attributable to shareholders' interests, policyholders' interests in the AMP life insurance entities' statutory funds, external unitholders' interests and non-controlling interests.

Notes to the financial statements

for the year ended 31 December 2013

6. Expenses

	Consolidated 2013 $m	Restated 2012 $m
(a) Life insurance claims and related expenses		
Life insurance contract claims and related expenses	**(1,979)**	(1,953)
Outwards reinsurance expense	**(105)**	(95)
Total life insurance claims and related expenses	**(2,084)**	(2,048)
(b) Operating expenses		
Commission and advisory fee-for-service expense	**(1,105)**	(1,015)
Investment management expenses	**(274)**	(261)
Fee and commission expenses	**(1,379)**	(1,276)
Wages and salaries	**(950)**	(1,124)
Contributions to defined contribution plans	**(92)**	(108)
Defined benefit fund expense	**(27)**	(15)
Share-based payments expense	**(27)**	(22)
Other staff costs	**(81)**	(91)
Staff and related expenses	**(1,177)**	(1,360)
Occupancy and other property related expenses	**(105)**	(108)
Direct property expenses[1]	**(169)**	(179)
Information technology and communication	**(305)**	(295)
Professional and consulting fees	**(142)**	(123)
Advertising and marketing	**(40)**	(38)
Travel and entertainment	**(44)**	(41)
Impairment of intangibles[2]	**(25)**	(56)
Amortisation of intangibles	**(203)**	(218)
Depreciation of property, plant and equipment	**(44)**	(58)
Other expenses		
- investment entities controlled by the AMP life insurance entities' statutory funds[3]	**(76)**	(126)
- other entities[4]	**(149)**	(284)
Other operating expenses	**(1,302)**	(1,526)
Total operating expenses[3]	**(3,858)**	(4,162)
(c) Finance costs		
Interest expense on borrowings and subordinated debt	**(266)**	(348)
Other finance costs	**(20)**	(22)
Total finance costs	**(286)**	(370)

1 Direct property expenses relate to investment properties which generate rental income.

2 Impairment of intangibles includes $25m (FY12: $40m) in relation to controlled entities of AMP life insurance entities' statutory funds. Further information is provided in note 13.

3 Total operating expenses include certain trading expenses of investment entities controlled by the AMP life insurance entities' statutory funds which carry out business operations unrelated to the core wealth management operations of the AMPGH group.

4 Other expenses in 2012 includes $84m (before tax) provided for costs of implementing regulatory change.

Notes to the financial statements

for the year ended 31 December 2013

7. Income tax

	Consolidated 2013 $m	Consolidated Restated 2012 $m
(a) Analysis of income tax (expense) credit		
Current tax (expense) credit	**7**	(282)
Increase (decrease) in deferred tax assets	**(77)**	10
(Increase) decrease in deferred tax liabilities	**(703)**	(501)
Over (under) provided in previous years including amounts attributable to policyholders	**20**	97
Income tax (expense) credit	**(753)**	(676)

(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 is 30 per cent in Australia and 28 per cent in New Zealand.

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 is 28 per cent.

	Consolidated 2013 $m	Consolidated Restated 2012 $m
Profit before income tax	**1,370**	1,339
Policyholder tax (expense) credit recognised as part of the change in policyholder liabilities in determining profit before tax	**(564)**	(561)
Profit before income tax excluding tax charged to policyholders	**806**	778
Prima facie tax at the rate of 30%	**(242)**	(233)
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	**16**	(22)
- Non-deductible expenses	**(59)**	(63)
- Non-taxable income	**20**	9
- Tax offsets and credits	**65**	82
- Other items	**(15)**	(7)
Over (under) provided in previous years after excluding amounts attributable to policyholders[1]	**13**	90
Benefit arising from previously unrecognised tax losses	**-**	19
Differences in overseas tax rate	**13**	10
Income tax (expense) credit attributable to shareholders	**(189)**	(115)
Income tax (expense) credit attributable to policyholders	**(564)**	(561)
Income tax (expense) credit per Income statement	**(753)**	(676)

1 The over provision in prior years reported in 2012 mainly relates to the release of provisions previously held against the tax treatment of amounts for which additional evidence has been obtained and analysis performed during the period supporting the validity of the original tax treatment.

Notes to the financial statements

for the year ended 31 December 2013

7. Income tax (continued)

	Consolidated	Restated	
	2013	2012	2011
	$m	$m	$m
(c) Analysis of deferred tax assets			
Expenses deductible and income recognisable in future years	238	347	342
Unrealised movements on borrowings and derivatives	42	30	21
Unrealised investment losses	61	100	273
Losses available for offset against future taxable income	631	577	265
Other	48	51	87
Total deferred tax assets	**1,020**	1,105	988
(d) Analysis of deferred tax liabilities			
Unrealised investment gains	1,529	799	274
Unrealised movements on borrowings and derivatives	32	65	35
Other	540	536	619
Total deferred tax liabilities	**2,101**	1,400	928
(e) Amounts recognised directly in equity			
Deferred income tax (expense) credit related to items taken directly to equity during the current period	(67)	(54)	54
(f) Unused tax losses and deductible temporary differences not recognised			
Revenue losses	7	11	12
Capital losses	29	77	83

Notes to the financial statements
for the year ended 31 December 2013

8. Receivables

	Consolidated		
		Restated	
	2013 $m	2012 $m	2011 $m
Investment income receivable	**270**	117	193
Investment sales and margin accounts receivable	**1,012**	656	689
Life insurance contract premiums receivable	**366**	369	355
Reinsurance and other recoveries receivable	**26**	29	11
Reinsurers' share of life insurance contract liabilities	**465**	530	477
Trade debtors	**208**	226	309
Other receivables			
- parent	**1**	13	15
- parent entity tax related amount	**45**	21	269
- related parties	**2**	4	4
- investment entities controlled by the AMP life insurance entities' statutory funds	**6**	34	95
- other entities	**108**	120	181
Total receivables[1]	**2,509**	2,119	2,598

1 $387m (2012: $464m) 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 2013

9. Inventories and other assets

	Consolidated		
		Restated	
	2013 $m	2012 $m	2011 $m
Inventories[1]	**142**	145	202
Prepayments	**70**	52	71
Other assets[2]	**3**	12	21
Total inventories and other assets[3]	**215**	209	294

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. Inventories also include financial planning client servicing rights held for sale in the ordinary course of business. AMPGH group has arrangements in place with certain financial planning advisers whereby AMPGH group is required, subject to the adviser meeting certain conditions, to pay a benefit to those advisers on surrender of the client servicing rights. The benefit paid under these arrangements is calculated based on value metrics attributable to the client register at the valuation date. AMPGH has the right to change the multiples used to determine the benefit paid (subject to a notice period). In some cases, the arrangements can be changed without notice should legislation, economic or product changes render them inappropriate. In the normal course of business, AMPGH group seeks to on-sell the client servicing rights to other financial planning advisers and accordingly any client servicing rights acquired under these arrangements are classified as inventory.

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 $99m (2012: $93m) 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 2013

10. Investments in financial assets and other financial liabilities

	Consolidated		
		Restated	
	2013 $m	2012 $m	2011 $m
Investments in financial assets measured at fair value through profit or loss[1]			
Equity securities and listed managed investment schemes	**47,788**	38,377	33,189
Debt securities[2]	**32,675**	31,112	29,292
Investments in unlisted managed investment schemes	**16,356**	15,366	12,988
Derivative financial assets	**1,618**	2,131	2,239
Other financial assets[3]	**146**	145	179
Total investments in financial assets measured at fair value through profit or loss	**98,583**	87,131	77,887
Investments in financial assets measured at amortised cost			
Loans and advances	**25**	12	18
Debt securities - held to maturity	**3**	3	112
Total investments in financial assets measured at amortised cost	**28**	15	130
Total investments in financial assets	**98,611**	87,146	78,017
Other financial liabilities			
Derivative financial liabilities	**995**	1,173	1,048
Collateral deposits held[4]	**1,414**	1,054	1,449
Total other financial liabilities	**2,409**	2,227	2,497

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 w ithin 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 are mostly in respect of 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 2013

11. Investment property

	Consolidated	
	2013	2012
	$m	$m
Investment property		
Directly held	**6,889**	6,508
Total investment property	**6,889**	6,508
Movements in investment property		
Balance at the beginning of the year	**6,508**	7,424
Additions - through direct acquisitions	**54**	465
Additions - subsequent expenditure recognised in carrying amount	**151**	104
Acquisitions (disposal) through business combinations	**71**	(793)
Disposals	**(16)**	(766)
Net gains (losses) from fair value adjustments	**111**	70
Foreign currency exchange differences	**10**	4
Balance at the end of the year[1]	**6,889**	6,508

1 Investment property of $3,901m (2012: $3,066m) held by controlled entities of the life entities' statutory funds 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 price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the reporting date.

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	
	2013	2012
Primary assumptions used in valuing investment property		
Capitalisation rates[1]	**5.75%-10.00%**	6.00%-10.00%
Market determined, risk adjusted discount rate[2]	**8.50%-11.00%**	8.75%-11.00%

1 The fair value of investment properties would increase/decrease if the capitalisation rate was lower/higher.

2 The fair value of investment properties would increase/decrease if the risk adjusted discount rate was lower/higher.

Notes to the financial statements

for the year ended 31 December 2013

12. Property, plant and equipment

2013	Owner-occupied property measured at fair value[1] $m	Owner-occupied property measured at cost[2] $m	Leasehold improvements $m	Plant & equipment[2] $m	Total $m
Property, plant and equipment					
Gross carrying amount	**331**	**-**	**103**	**294**	**728**
Less: accumulated depreciation and impairment losses	**-**	**-**	**(88)**	**(184)**	**(272)**
Property, plant and equipment at written down value	**331**	**-**	**15**	**110**	**456**
Movements in property, plant and equipment					
Balance at the beginning of the year	**321**	**529**	**15**	**175**	**1,040**
Additions (reductions) through acquisitions (disposal) of controlled entities[2]	**-**	**(521)**	**-**	**(39)**	**(560)**
Additions					
- through direct acquisitions	**-**	**-**	**7**	**13**	**20**
- subsequent expenditure recognised in carrying amount	**3**	**15**	**-**	**-**	**18**
Increases(decreases) from revaluations recognised directly in equity	**10**	**-**	**-**	**-**	**10**
Disposals	**-**	**(18)**	**-**	**(3)**	**(21)**
Depreciation expense	**(3)**	**(5)**	**(7)**	**(29)**	**(44)**
Transfer to disposal group	**-**	**-**	**-**	**(8)**	**(8)**
Other movements	**-**	**-**	**-**	**1**	**1**
Balance at the end of the year	**331**	**-**	**15**	**110**	**456**
Restated 2012					
Property, plant and equipment					
Gross carrying amount	321	538	98	356	1,313
Less: accumulated depreciation and impairment losses	-	(9)	(83)	(181)	(273)
Property, plant and equipment at written down value	321	529	15	175	1,040
Movements in property, plant and equipment					
Balance at the beginning of the year - before restatement	311	-	14	154	479
Balance at the beginning of the year - restated	311	503	14	188	1,016
Additions					
- through direct acquisitions	-	35	10	43	88
- subsequent expenditure recognised in carrying amount	2	-	-	-	2
Increases(decreases) from revaluations recognised directly in equity	12	-	-	-	12
Depreciation expense	(4)	(9)	(9)	(39)	(61)
Transfer to disposal group	-	-	-	(15)	(15)
Other movements	-	-	-	(2)	(2)
Balance at the end of the year	321	529	15	175	1,040

1 For Owner-occupied property measured at fair value; had the asset been measured at historic cost the amortised carrying value would have been $198m (2012: $198m).

2 Owner-occupied property measured at cost and Plant and equipment include operating assets of investment entities controlled by the AMP life insurance 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 2013

13. Intangibles

2013	Goodwill[1] $m	Capitalised costs $m	Value of in-force business $m	Distribution networks $m	Other intangibles $m	Total $m
Intangibles						
Gross carrying amount	**2,841**	**881**	**1,191**	**186**	**95**	**5,194**
Less: accumulated amortisation and/or impairment losses	**(130)**	**(526)**	**(282)**	**(46)**	**(74)**	**(1,058)**
Intangibles at written down value	**2,711**	**355**	**909**	**140**	**21**	**4,136**
Movements in intangibles						
Balance at the beginning of the year	**2,876**	**229**	**1,011**	**143**	**243**	**4,502**
Additions (reductions) through acquisitions (disposal) of controlled entities	**(116)**	**-**	**-**	**3**	**(190)**	**(303)**
Additions through internal development	**-**	**190**	**-**	**-**	**-**	**190**
Disposals	**(16)**	**-**	**-**	**-**	**(6)**	**(22)**
Transferred to disposal groups	**(15)**	**-**	**-**	**-**	**(5)**	**(20)**
Amortisation expense[2]	**-**	**(64)**	**(102)**	**(16)**	**(21)**	**(203)**
Impairment losses[3]	**(18)**	**-**	**-**	**-**	**-**	**(18)**
Transfer from inventories	**-**	**-**	**-**	**10**	**-**	**10**
Balance at the end of the year	**2,711**	**355**	**909**	**140**	**21**	**4,136**
Restated 2012						
Intangibles						
Gross carrying amount	3,020	691	1,191	173	349	5,424
Less: accumulated amortisation and/or impairment losses	(144)	(462)	(180)	(30)	(106)	(922)
Intangibles at written down value	2,876	229	1,011	143	243	4,502
Movements in intangibles						
Balance at the beginning of the year - before restatement	2,815	171	1,114	128	119	4,347
Balance at the beginning of the year - restated	2,947	171	1,114	128	317	4,677
Additions (reductions) through acquisitions (disposal) of controlled entities and other businesses	23	-	-	13	-	36
Additions through separate acquisition	-	-	-	27	-	27
Additions through internal development	-	120	-	-	-	120
Disposals	-	-	-	-	(6)	(6)
Transferred to disposal groups	(54)	-	-	-	(19)	(73)
Amortisation expense[2]	-	(60)	(103)	(20)	(35)	(218)
Impairment losses[3]	(40)	(2)	-	-	(14)	(56)
Other movements	-	-	-	(5)	-	(5)
Balance at the end of the year	2,876	229	1,011	143	243	4,502

1 Total goodwill comprises amounts attributable to shareholders of $2,683m (2012: $2,682m) and amounts attributable to policyholders of $28m (2012: $194m).

2 Amortisation expense for the year is included in Operating expenses in the Income statement.

3 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 2013

13. Intangibles (continued)

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

Goodwill attributable to shareholders
$2,683m (2012: $2,682m) of the goodwill is attributable to shareholders and arose from the acquisition of AMP AAPH Limited group in the prior year, a previous *Life Act* Part 9 transfer of life insurance business into the statutory funds of AMP Life and other business combinations where AMPGH group was the acquirer.

Each of the businesses acquired included activities conducted in the same business units already operated by AMP. Those business units are Australian Wealth Management (WM), Australian Wealth Protection (WP), 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 WM – goodwill attributable: $1,406m (2012: $1,405m)
- Australian WP – goodwill attributable: $668m (2012: $668m)
- Australian Mature – goodwill attributable: $350m (2012: $350m)
- AMP Financial Services New Zealand – goodwill attributable $172m (2012: $172m)
- AMP Capital – goodwill attributable $87m (2012: $87m).

AMP Capital has other intangible assets of $1m (2012: $1m) with an indefinite useful life. There were no other intangibles with indefinite useful lives allocated to the shareholder cash generating units.

The recoverable amount for each cash generating unit has been determined using the fair value less costs of disposal basis. For each cash generating unit, other than AMP Capital, the fair value has been determined considering a combination of the estimated embedded value plus the value of one year's new business times a multiplier. These are generally regarded as features of a Life insurance business that, when taken together, would be an estimate of fair value. Embedded value is a calculation which represents the economic value of the shareholder capital in the business and the future profits expected to emerge from the business currently in-force expressed in today's dollars.

The key assumptions applied in estimating the embedded value and value of one year's new business are: mortality, morbidity, discontinuance rates, maintenance unit costs, future rates of supportable bonus for participating business, franking credits, risk discount rates, investment returns and inflation rates. Premium and claim amounts are estimated over the expected life of the in-force policies which varies depending on the nature of the product. Future maintenance and investment expenses are estimated based on unit costs derived from budgeted amounts for the following year and increased in future years for expected rates of inflation. Assumptions applied in this valuation are consistent with the best estimate assumptions used in calculating the policy liabilities of AMP's life insurance entities except that the value of in-force and new business calculation includes a risk discount rate. Note 1(s) and note 20 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. All relevant business is projected for the embedded value and the description of the assumptions in note 20 applies even where that business is not valued by projection methods for profit reporting. The value of in-force and new business calculation uses a risk discount rate based on the zero coupon government bond curve plus a discount margin of 4 per cent (2012: 3 per cent): Australia 6.5–9.5 per cent (2012: 6.3 per cent), New Zealand 7.2–9.4 per cent (2012: 6.6 per cent).

The recoverable amount for the AMP Capital cash generating unit is determined based on a multiple of 17.4 times current period earnings, which approximates the fair value of this business, less an allowance for disposal costs.

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 AMP life insurance 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.

Policyholder cash generating units were allocated $28m of goodwill at 31 December 2013 (31 December 2012: $194m). Policyholder cash generating units had no other intangibles with indefinite useful lives (31 December 2012: $198m).

The individual goodwill components are not significant in comparison with the total carrying amount of goodwill attributable to policyholders. Impairment testing resulted in an impairment of $18m recognised during the year ended 31 December 2013 (31 December 2012: $40m). The $18m impairment was incurred as a result of a decline in projected future cash flows in underlying operating subsidiaries controlled by the AMP life insurance entities' statutory funds. Total impairment for the period was $25m of which $7m related to impairment of assets of disposal groups (refer to note 29).

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 13.0 per cent and 19.6 per cent (2012: 11.9 per cent and 15.0 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 3.0 per cent and 4.0 per cent per annum (2012: 2.7 – 4.0 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 of future cash outflows by the entity that will improve or enhance the entity's performance.

Notes to the financial statements

for the year ended 31 December 2013

13. Intangibles (continued)

At the reporting date, there is no reasonably possible change in key assumptions that could cause the carrying amount to exceed the recoverable amount.

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 AMP life insurance 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 2013

14. Payables

	Consolidated		
		Restated	
	2013	2012	2011
	$m	$m	$m
Investment purchases and margin accounts payable	**602**	454	551
Life insurance and investment contracts in process of settlement	**354**	314	349
Accrued expenses	**152**	214	201
Interest payable	**15**	21	35
Trade creditors	**93**	100	237
Other payables			
- parent entity	**1,788**	623	770
- subsidiaries tax related amounts	**26**	73	-
- investment entities controlled by AMP life insurance entities' statutory funds	**158**	473	412
- other entities	**557**	708	531
Total payables[1 2]	**3,745**	2,980	3,086

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

2 $7m (2012: $1m) 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 2013

15. Provisions

	Consolidated		
		Restated	
	2013	2012	2011
	$m	$m	$m
(a) Provisions			
Employee entitlements[1]	**265**	315	289
Restructuring[2]	**16**	16	50
Other[3]	**161**	278	239
Total provisions	**442**	609	578

	Employee entitlements[1]	Restructuring[2]	Other[3]	Total
	$m	$m	$m	$m
(b) Movements in provisions - consolidated				
Balance at the beginning of the year	**315**	**16**	**278**	**609**
Additions (reductions) through acquisitions (disposal) of controlled entities	**(33)**	**-**	**(6)**	**(39)**
Additional provisions made during the year	**167**	**23**	**108**	**298**
Unused amounts reversed during the year	**(16)**	**(6)**	**(91)**	**(113)**
Provisions used during the year	**(170)**	**(17)**	**(131)**	**(318)**
Foreign exchange movements	**2**	**-**	**3**	**5**
Balance at the end of the year	**265**	**16**	**161**	**442**

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, w ages, bonuses, annual leave and long service leave, but exclude share-based payments. $18m (2012: $17m) 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 w hich the business is conducted. Nil (2012: 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. $14m (2012: $12m) is expected to be settled more than 12 months from the reporting date.

Notes to the financial statements

for the year ended 31 December 2013

16. Borrowings

	Consolidated		
		Restated	
	2013	2012	2011
	$m	$m	$m
Deposits	**111**	121	127
Borrowings and interest bearing liabilities			
- Corporate borrowings	**711**	706	594
- Investment entities controlled by AMP life insurance entities' statutory funds	**1,641**	1,870	2,375
Total borrowings[1]	**2,463**	2,697	3,096

1 Total borrowings comprise amounts to fund:

i) Corporate borrowings of AMPGH group $711m (2012: $706m). Of this balance $710m (2012: $706m) 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 $1,752m (2012: $1,991m). Of this balance $1,163m (2012: $1,441m) is expected to be settled more than 12 months from the reporting date.

Notes to the financial statements

for the year ended 31 December 2013

17. Subordinated debt

	Consolidated 2013 $m	Consolidated 2012 $m
Corporate subordinated debt[1]		
- 6.875% GBP Subordinated Guaranteed Bonds (maturity 2022)	72	67
- Floating Rate Subordinated Unsecured Notes (first call date 2016, maturity 2021)[2]	602	600
- A$ AMP Notes (first call date 2014, maturity 2019)[3]	173	202
- NZ$ AMP Notes (first call date 2014, maturity 2019)[3]	107	92
- Subordinated debt from parent entity	300	-
Total subordinated debt	1,254	961

1 Subordinated debt amounts are to fund corporate activities of AMPGH group. The A$ AMP Notes and NZ$ AMP Notes are expected to be called in 2014. The remainder of this balance (2012: all) is expected to be settled more than 12 months from the reporting date.

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 w eighted 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 per cent higher than that at issue.

Notes to the financial statements

for the year ended 31 December 2013

18. Dividends

	Consolidated	
	2013	2012
	$m	$m
Dividends paid		
Dividends paid during the year	**1,675**	295
(2013: 16.1 cents per share, 2012: 2.84 cents per share)		
Total dividends paid	**1,675**	295

Notes to the financial statements

for the year ended 31 December 2013

19. Contributed equity

	Consolidated 2013 $m	Restated 2012 $m
Movements in issued capital		
Balance at the beginning of the year	**6,926**	6,926
Balance at the end of the year	**6,926**	6,926
Total issued capital		
10,373,884,649 (2012: 10,373,884,649) ordinary shares fully paid	**6,926**	6,926

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

Notes to the financial statements

for the year ended 31 December 2013

20. 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 The National Mutual Life Association of Australasia Limited (NMLA).

	Consolidated	
	2013	**2012**
	$m	**$m**
(a) Analysis of life insurance contract premium and related revenue		
Total life insurance contract premiums received and receivable	**3,327**	3,203
Less: component recognised as a change in life insurance contract liabilities	**(1,152)**	(1,098)
Life insurance contract premium revenue[1]	**2,175**	2,105
Reinsurance recoveries	**108**	113
Total life insurance contract premium and related revenue	**2,283**	2,218
(b) Analysis of life insurance contract claims and related expenses		
Total life insurance contract claims paid and payable	**(3,974)**	(3,448)
Less: component recognised as a change in life insurance contract liabilities	**1,995**	1,495
Life insurance contract claims expense	**(1,979)**	(1,953)
Outw ards reinsurance expense	**(105)**	(95)
Total life insurance contract claims and related expenses	**(2,084)**	(2,048)
(c) Analysis of life insurance contract operating expenses		
Life insurance contract acquisition expenses		
- commission	**(91)**	(109)
- other expenses	**(148)**	(148)
Life insurance contract maintenance expenses		
- commission	**(193)**	(191)
- other expenses	**(413)**	(427)
Investment management expenses	**(56)**	(54)

1 Life insurance contract premium revenue consists entirely of direct insurance premiums; there is no inw ard reinsurance component.

Notes to the financial statements

for the year ended 31 December 2013

20. Life insurance contracts (continued)

	Consolidated	
	2013	**2012**
	$m	**$m**
(d) Life insurance contract liabilities		
Life insurance contract liabilities determined using projection method		
Best estimate liability		
- value of future life insurance contract benefits	**18,179**	19,423
- value of future expenses	**4,465**	4,958
- value of future premiums	**(17,454)**	(18,987)
Value of future profits		
- life insurance contract holder bonuses	**2,824**	2,320
- shareholders' profit margins	**2,991**	3,230
Total life insurance contract liabilities determined using the projection method[1]	**11,005**	10,944
Life insurance contract liabilities determined using accumulation method		
Best estimate liability		
- value of future life insurance contract benefits	**11,194**	11,593
- value of future acquisition expenses	**(5)**	(6)
Total life insurance contract liabilities determined using the accumulation method	**11,189**	11,587
Value of declared bonus	**226**	221
Unvested policyholder benefits liabilities[1]	**2,049**	1,773
Total life insurance contract liabilities before reinsurance	**24,469**	24,525
Add: Reinsurers' share of life insurance contract liabilities	**465**	530
Total life insurance contract liabilities	**24,934**	25,055

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 policyholder benefits liabilities and is included within life insurance contract liabilities even though it is yet to be vested as specific policyholder entitlements.

(e) Reconciliation of changes in life insurance contract liabilities		
Total life insurance contract liabilities at the beginning of the year	**25,055**	24,399
Change in life insurance contract liabilities recognised in the Income statement	**381**	934
Premiums recognised as an increase in life insurance contract liabilities	**1,152**	1,098
Claims recognised as a decrease in life insurance contract liabilities	**(1,995)**	(1,495)
Change in reinsurers' share of life insurance contract liabilities	**(65)**	53
Foreign exchange adjustment	**406**	66
Total life insurance contract liabilities at the end of the year	**24,934**	25,055

Notes to the financial statements

for the year ended 31 December 2013

20. Life insurance contracts (continued)

(f) 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)
Conventional	Projection	Bonuses
Investment account	Modified accumulation	n/a
Retail risk (lump sum)	Projection	Expected premiums
Retail risk (income protection - AMP Life NZ only)	Projection	Expected premiums
Retail risk (income protection - all others)	Projection	Expected claims
Group risk (lump sum)	Accumulation	n/a
Group risk (income benefits)	Accumulation	n/a
Participating allocated annuities (AMP Life only)	Modified accumulation	n/a
Life annuities	Projection	Annuity payments

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

(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:

Business type		Basis[1]	31 December 2013 Australia	31 December 2013 New Zealand	31 December 2012 Australia	31 December 2012 New Zealand
Retail risk (other than income benefit open claims)		Zero coupon government bond yield curve	**2.5% - 5.5%**	**3.2% - 5.4%**	2.6% - 4.4%	2.5% - 4.1%
Retail risk and group risk (income benefit open claims)		Zero coupon government bond yield curve (including liquidity premium)	**2.7% - 5.7%**	**3.5% - 5.7%**	2.9% - 4.7%	2.8% - 4.4%
Life annuities[2]	Non-CPI	Zero coupon government bond yield curve (including liquidity premium)	**2.8% - 5.8%**	**3.6% - 5.7%**	3.0% - 4.8%	2.9% - 4.5%
	CPI	Commonwealth indexed bond yield curve (including liquidity premium)	**1.2% - 2.6%**	**2.2% - 3.8%**	0.8% - 1.8%	1.0% - 2.0%

1 The discount rates vary by duration in the range shown above.

2 Australian non-CPI annuities and all CPI annuities are AMP Life only.

(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 premiums 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 premiums applicable at the valuation date are shown in the table below.

Notes to the financial statements

for the year ended 31 December 2013

20. Life insurance contracts (continued)

	10 year government bonds	Risk premiums				
		Local equities	International equities	Property	Fixed interest	Cash
Australia						
31 December 2013	**4.3%**	**4.5%**	**3.5%**	**2.5%**	**AMP Life: 0.6% NMLA: 0.9%**	**(0.5%)**
31 December 2012	3.3%	4.5%	3.5%	2.5%	AMP Life: 0.8% NMLA: 0.9%	(0.5%)
New Zealand						
31 December 2013	**4.8%**	**4.5%**	**3.5%**	**2.5%**	**AMP Life: 0.6% NMLA: 0.0%**	**(0.5%)**
31 December 2012	3.6%	4.5%	3.5%	2.5%	AMP Life: 0.8% NMLA: 0.0%	(0.5%)

The risk premiums for local equities include allowance for imputation credits. The risk premiums for fixed interest reflect 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.

Average asset mix[1]		Equities	Property	Fixed interest	Cash
Australia					
31 December 2013	AMP Life	**29%**	**10%**	**40%**	**21%**
	NMLA	**37%**	**13%**	**35%**	**15%**
31 December 2012	AMP Life	30%	11%	39%	20%
	NMLA	37%	13%	35%	15%
New Zealand					
31 December 2013	AMP Life	**40%**	**17%**	**37%**	**6%**
	NMLA	**48%**	**2%**	**40%**	**10%**
31 December 2012	AMP Life	40%	17%	37%	6%
	NMLA	48%	2%	40%	10%

1 The asset mix above includes both conventional and investment account business for AMP Life, but only conventional business for NMLA. As described in note 1(s), 100 per cent of investment profits on NMLA's investment account business are allocated to policyholders.

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 shareholder 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 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 2013

20. Life insurance contracts (continued)

Typical supportable bonus rates on major product lines are as follows for AMP Life and NMLA (31 December 2012 in parentheses).

Reversionary bonus		Bonus on sum insured	Bonus on existing bonuses
Australia	AMP Life	**1.0% - 1.4%** (0.4% - 0.9%)	**1.4% - 2.1%** (0.7% - 0.9%)
	NMLA	**0.6% - 1.3%** (0.6% - 1.2%)	**1.2% - 1.9%** (1.2% - 1.8%)
New Zealand	AMP Life	**0.9% - 1.3%** (0.4% - 0.7%)	**0.9% - 1.3%** (0.4% - 0.7%)
	NMLA	**1.2%** (0.9%)	**1.7%** (1.3%)

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	AMP Life	**2.4% - 6.7%** (2.2% - 4.6%)
	NMLA	**2.7% - 8.8%** (3.9% - 7.8%)
New Zealand	AMP Life	**3.9% - 5.2%** (2.9% - 3.1%)
	NMLA	**3.0% - 6.8%** (3.0% - 5.0%)

(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 the AMPGH group. 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 future 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 2013	AMP Life and NMLA	**2.6% CPI, 3.0% expenses**	**2.5% CPI, 3.0% expenses**
31 December 2012	AMP Life and NMLA	2.7% CPI, 3.0% expenses	2.5% 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's and NMLA's own historical experience. 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, premium structure, 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.

The assumptions for future rates of discontinuance for the major classes of life insurance contracts are shown in the following table. The table includes the short term voluntary discontinuance assumptions for Australian risk business.

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for the year ended 31 December 2013

20. Life insurance contracts (continued)

Business type	Life company	31 December 2013 Australia	31 December 2013 New Zealand	31 December 2012 Australia	31 December 2012 New Zealand
Conventional	AMP Life	**2.1%-3.0%**	**1.1%-1.9%**	2.1%-3.0%	1.3%-2.5%
	NMLA	**3.5%-4.0%**	**4.1%-4.7%**	3.6%-4.1%	4.2%-4.9%
Retail risk (lump sum)	AMP Life[1]	**12.1%-17.7%**	**12.0%-13.0%**	11.9%-14.6%	10.5%-12.0%
	NMLA	**13.3%-16.4%**	**12.1%**	11.5%-13.4%	11.3%
Retail risk (income benefit)	AMP Life	**9.1%-21.5%**	**7.0%-12.0%**	8.0%-20.0%	7.0%-12.0%
	NMLA	**12.0%-14.6%**	**9.2%-13.4%**	8.8%-9.4%	10.3%-10.6%
Flexible Lifetime Super (FLS) risk business	AMP Life	**10.2%-20.0%**	**n/a**	8.8%-22.7%	n/a
Investment account	AMP Life	**n/a**	**n/a**	n/a	n/a
	NMLA	**4.6%-21.9%**	**7.0%-8.0%**	4.8%-22.7%	7.0%-8.0%

1 Excludes a small mortgage insurance product for w hich rates are typically higher than other products.

(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. These are then adjusted by factors that take account of AMP Life and NMLA's own experience.

Rates of mortality assumed at 31 December 2013 for AMP Life and NMLA are as follows:

- Conventional in Australia and New Zealand and Wealth Protection in New Zealand are unchanged from those assumed at 31 December 2012 in Australia and New Zealand. The rates are based on IA95-97 for AMP Life and IA90-92 for NMLA with an allowance for future mortality improvements for Conventional business.
- Annuitant mortality rates are unchanged from those assumed in December 2012
- AMP Life and NMLA Australian Retail Risk mortality rates have changed to be based on the new Industry standard IA04-08 Death Without Riders table modified based on our aggregated experience but with overall product specific adjustment factors.

For TPD and Trauma business the Australian AMPL and NMLA Retail Risk products assumptions have been changed to use the latest industry table IA04-08 modified based on our aggregated experience but with overall product specific adjustment factors. No changes have been made to the New Zealand assumptions.

For Income Protection business the assumptions have been updated to use the IAD89-93 standard table modified for AMPL and NMLA Australia and New Zealand combined experience with overall product specific adjustment factors. The adjustment factors include age, gender, occupation, waiting period, duration on claim, benefit band and benefit period.

The assumptions are summarised in the following table:

	Conventional - % of IA95-97[1] (AMP Life)		Conventional - % of IA90-92 (NMLA)	
Conventional	**Male**	**Female**	**Male**	**Female**
Australia	67.5%	67.5%	60.0%	68.0%
New Zealand	73.0%	73.0%	81.0%	95.0%
	Retail lump sum - % of table (AMP Life)		**Retail lump sum - % of table (NMLA)**	
Risk products	**Male**	**Female**	**Male**	**Female**
Australia[1]	86%-118%	86%-118%	88%-104%	88%-104%
New Zealand[2 3]	63.0%	63.0%	68.0%	60%-77.0%

1 Base IA04-08 Death Without Riders table modifed based on our aggregated experience but with overall product specific adjustment factors.

2 AMP Life: Base IA95-97 Death Without Riders table modified based on our aggregated experience but with overall product specific adjustment factors.

3 NMLA: Base IA90-92 Death Without Riders table modified based on our aggregated experience but with overall product specific adjustment factors.

	AMP Life		NMLA	
Annuities	**Male - % of IML00***	**Female - % of IFL00***	**Male - % of PNML00**	**Female - % of PNFL00**
Australia and New Zealand[1]	95%	80%	80%	80%

1 Annuities tables modified for future mortality improvements

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for the year ended 31 December 2013

20. Life insurance contracts (continued)

Typical morbidity assumptions, in aggregate, are as follows:

Income protection	Incidence rates - % of IAD89-93 (AMP Life)	Incidence rates - % of IAD 89-93 (NMLA)	Termination rates (ultimate) - % of IAD 89-93(AMP Life)	Termination rates (ultimate) - % of IAD 89-93 (NMLA)
Australia	24%-138%	60%-122%	44%-68%	42%-72%
New Zealand	45%-67%	41%-80%	57%-67%	33%-46%

Retail lump sum	Male % of IA04-08 (AMP Life)	Male % of IA04-08 (NMLA)	Female % of IA04-08 (AMP Life)	Female % of IA04-08 (NMLA)
Australia TPD[1]	140%-155%	125%-138%	177%-196%	158%-175%
Australia Trauma[2]	105%-110%	96%-116%	105%-121%	96%-111%

1 Base IA04-08 TPD table modified for modified based on our aggregated experience but w ith overall product specific adjustment factors.

2 Base IA04-08 Trauma table modified for modified based on our aggregated experience but w ith overall product specific adjustment factors.

The actuarial tables used were as follows:

IA95-97	A mortality table developed by the Actuaries Institute of Australia based on Australian insured lives experience from 1995–1997. The table has been modified to allow for future mortality improvement.
IA90-92	A mortality table developed by the Actuaries Institute of Australia based on Australian insured lives experience from 1990-1992.
IML00*/IFL00*	IML00 and IFL00 are mortality tables developed by the Actuaries Institute 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.
IA04-08 DTH	This was published by The Actuaries Institute under the name A graduation of the 2004-2008 Lump Sum Investigation Data. We refer to this table as IA04-08. The table contains separate graduations for Smoker, Non Smokers, Males and Females and Death With and Without Riders.
IA04-08 TPD	This is the TPD graduation published in the same paper as above.
IAD04-08Trauma	This is the trauma graduation published in the same paper as above.
IAD 89-93	A disability table developed by Actuaries Institute of Australia based on the Australian disability income experience for the period 1989-1993. This table has been extensively modified based on our aggregate experience.

(x) Impact of changes in assumptions

Under MoS, for life insurance contracts valuations using the projection method, changes in 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 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.

Notes to the financial statements

for the year ended 31 December 2013

20. Life insurance contracts (continued)

The impact on future profit margins of changes in assumptions from 31 December 2012 to 31 December 2013 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			NMLA		
Assumption change	**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**
	$m	**$m**	**$m**	**$m**	**$m**	**$m**
Non-market related changes to discount rates	2	-	-	-	(1)	1
Mortality and morbidity	(52)	-	-	(78)	109	(76)
Discontinuance rates	(179)	-	-	(40)	68	(47)
Maintenance expenses	10	-	-	23	(43)	30
Other assumptions[1]	40	-	-	21	(62)	44

1 Other assumptions changes include the impact of product and 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

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20. Life insurance contracts (continued)

(f) 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 period shareholder profit after income tax, and equity, to a number of possible changes in assumptions relating to insurance risk.

		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**
AMP Life					
Mortality	10% increase in mortality rates	-	-	-	-
Annuitant mortality	50% increase in the rate of mortality improvement	-	-	-	-
Morbidity - lump sum disablement	20% increase in lump sum disablement rates	-	-	-	-
Morbidity - disability income	10% increase in incidence rates	11	7	(8)	(5)
Morbidity - disability income	10% decrease in recovery rates	25	18	(17)	(13)
Discontinuance rates	10% increase in discontinuance rates	-	-	-	-
Maintenance expenses	10% increase in maintenance expenses	1	1	(1)	(1)
NMLA					
Mortality	10% increase in mortality rates	-	-	-	-
Annuitant mortality	50% increase in the rate of mortality improvement	-	-	-	-
Morbidity - lump sum disablement	20% increase in lump sum disablement rates	-	-	-	-
Morbidity - disability income[1]	10% increase in incidence rates	116	98	(81)	(69)
Morbidity - disability income[1]	10% decrease in recovery rates	183	150	(128)	(105)
Discontinuance rates[1]	10% increase in discontinuance rates	20	20	(14)	(14)
Maintenance expenses[1]	10% increase in maintenance expenses	20	20	(14)	(14)

1 At 31 December 2012, changes in assumptions fully absorbed future profit margins on NMLA's retail ordinary disability income products and these products remain in a capitalised loss position at 31 December 2013. Any improvement in the assumptions for these products w ould be recognised initially as a reversal of the previously recognised loss.

(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 risk, 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.

Notes to the financial statements

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20. Life insurance contracts (continued)

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 their 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 following table 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.

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 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 the Life Company's discretion for the portfolio as a whole.	Benefits, defined by the insurance contract, are not directly affected by the performance of any 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 insured 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.
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 when due. Interest is credited regularly.	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 with not less than 80% allocated to policyholders. Distribution of policyholder profit is through an interest rate mechanism.	Fees, lapses, expenses and market earning rates on the assets backing the liabilities, interest rates.

(i) Liquidity risk and future net cash outflows

The following table 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	1 to 5 years	Over 5 years	Total
	$m	$m	$m	$m
2013	**1,208**	**2,479**	**8,225**	**11,912**
2012	1,026	2,411	8,169	11,606

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21. Other life insurance and investment contract disclosures

	Consolidated	
	2013	2012
	$m	$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	**535**	498
- profits (losses) arising from difference between actual and assumed experience	**(49)**	70
- profits (losses) arising from changes in assumptions	**1**	(102)
- capitalised (losses) reversals	**(46)**	21
Profit related to life insurance and investment contract liabilities	**441**	487
Attributable to:		
- life insurance contracts	**249**	324
- investment contracts	**192**	163
Investment earnings on assets in excess of life insurance and investment contract liabilities	**109**	134

(b) Restrictions on assets in 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 as set out below:

No. 1 fund	Australia	Capital guaranteed business (whole of life, endowment, investment account, retail and group risk and immediate annuities).
	New Zealand	All business (whole of life, endowment, investment account, retail and group risk, investment-linked and immediate annuities).
No. 2 fund	Australia	Investment-linked superannuation business (retail and group investment-linked and deferred annuities).
No. 3 fund	Australia	Investment-linked ordinary business.

NMLA has six statutory funds as set out below:

No. 1 fund	Australia	Capital guaranteed ordinary business (whole of life, endowment, investment account and retail and group risk).
	New Zealand	All business (whole of life, endowment, investment account, retail and group risk, retail and group investment-linked and immediate annuities).
No. 2 fund	Australia	Investment-linked superannuation business (retail and group investment-linked and deferred annuities).
No. 3 fund	Taiwan	All business (individual whole of life, endowment and term and group life).
No. 4 fund	Australia	Capital guaranteed superannuation business (whole of life, endowment, investment account and retail (lump sum only) and group risk).
No. 5 fund	Australia	Investment-linked ordinary business.
No. 6 fund	Australia	North longevity guarantee.

Notes to the financial statements

for the year ended 31 December 2013

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

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 21(d).

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:

	2013			2012		
	AMP Life and NMLA			AMP Life and NMLA		
	Non-investment linked	Investment linked	Total life entities' statutory funds	Non-investment linked	Investment linked	Total life entities' statutory funds
	$m	$m	$m	$m	$m	$m
Assets of life entities' statutory funds						
Net assets of life entities' statutory funds attributable to policyholders and shareholders	**31,510**	**62,786**	**94,296**	32,297	54,731	87,028
Attributable to policyholders						
Life insurance contract liabilities	**24,934**	**-**	**24,934**	25,055	-	25,055
Investment contract liabilities[1]	**3,463**	**62,547**	**66,010**	4,093	54,207	58,300
	28,397	**62,547**	**90,944**	29,148	54,207	83,355
Attributable to shareholders	**3,113**	**239**	**3,352**	3,149	524	3,673

1 Investment contract liabilities in the table above exclude the investment contract liability for the North capital guarantee which is held outside the life companies.

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.

Impact of the life statutory fund 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 AMP Group Holdings Limited financial report. The consolidated balances include 100 per cent of the underlying investments in financial assets, investment property, and other net operating assets of the controlled entities of AMP life entities’ statutory funds. Most of the controlled entities are managed investment schemes and the share of the consolidated profit and net assets of those managed investment schemes 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 AMP life entities’ statutory funds and the entities controlled by AMP life entities’ statutory funds.

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

Income statement	Life entities' statutory funds consolidated 2013 $m	Restated 2012 $m
Insurance premium and related revenue	**2,283**	2,218
Fee revenue	**1,200**	1,006
Other revenue	**215**	640
Investment gains and (losses)	**14,312**	11,475
Insurance claims and related expenses	**(2,084)**	(2,049)
Operating expenses including finance costs	**(2,670)**	(2,897)
Movement in external unitholders' liabilities	**(1,615)**	(922)
Change in life insurance contract liabilities	**(381)**	(934)
Change in investment contract liabilities	**(9,937)**	(6,997)
Income tax (expense)/credit	**(751)**	(840)
Profit	**572**	700
Assets		
Cash and cash equivalents	**5,061**	7,430
Investments in financial assets measured at fair value through profit or loss	**98,106**	86,210
Investment property	**7,220**	6,829
Other assets	**3,180**	3,388
Total assets of policyholders, shareholders and non-controlling interests	**113,567**	103,857
Liabilities		
Life insurance contract liabilities	**24,934**	25,055
Investment contract liabilities	**66,010**	58,300
Other liabilities	**8,124**	7,004
External unitholders' liabilities	**11,098**	9,753
Total liabilities of policyholders, shareholders and non-controlling interests	**110,166**	100,112
Net assets	**3,401**	3,745

(c) Capital guarantees

	Consolidated 2013 $m	2012 $m
Life insurance contracts with a discretionary participating feature		
- amount of the liabilities that relate to guarantees	**19,402**	19,856
Investment linked contracts		
- amount of the liabilities subject to investment performance guarantees	**1,061**	1,228
Other life insurance contracts with a guaranteed termination value		
- current termination value	**137**	154

Notes to the financial statements

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

(d) Capital requirements

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. New prudential capital standards for Australian Life and General Insurance Companies (LAGIC) were introduced effective 1 January 2013. This LAGIC framework is intended to take account of the full range of risks to which a regulated institution is exposed and introduces the prescribed capital amount (PCA) requirement. The PCA is the minimum level of capital that the regulator deems must be held to meet policyholder obligations. The regulatory capital base and prescribed capital amounts at 31 December 2013 have been calculated based on the new standards. Capital disclosures prior to 1 January 2013 were based on the capital standards in place at the time and have not been restated to reflect the LAGIC requirements.

In addition to the regulatory capital requirements, the Company maintains a target surplus providing additional capital buffer against adverse events. The Company uses internal capital models to determine its target surplus, with the models reflecting the risks of the business, principally the risk of adverse asset movements relative to the liabilities and of worse than expected claims costs.

The excess of the Company's capital base over the prescribed capital amount under LAGIC as at 31 December 2013 was $865m and $315m for AMP Life and NMLA respectively.

The Appointed Actuaries of AMP Life and NMLA have confirmed that the available assets of each life statutory fund have exceeded PCA at all times during 2013 and exceeded the previous capital adequacy and the solvency reserve required at all times during 2012.

2013	AMP Life $m	NMLA $m
Common Equity Tier 1 Capital	1,563	681
Adjustments to Common Equity Tier 1 Capital	-	-
Additional Tier 1 Capital	-	-
Adjustments to Additional Tier 1 Capital	-	-
Tier 2 Capital	215	85
Adjustments to Tier 2 Capital	-	-
Total capital base	**1,778**	**766**
Total Prescribed capital Amount (PCA)	**913**	**451**
Capital adequacy multiple	**194%**	**170%**

Prior to 1 January 2013, Life companies were required to hold prudential reserves based on the greater of the requirements under solvency and capital adequacy standards. The purpose of the solvency requirement was to ensure, as far as practicable, that at any time the life company was able to meet all existing liabilities as they became due. The capital adequacy requirement was a separate requirement (usually greater), taking into account also viability as an ongoing concern. These were specified in the *Life Insurance Act 1995*, the previous *LPS 2.04 Solvency Standard* and *LPS 3.04 Capital Adequacy Standard*.

2012	AMP Life $m	NMLA $m
Solvency requirement	75,423	13,266
Assest available for solvency	4,121	1,460
Solvency reserve	3.7%	4.3%
Coverage of solvency reserve (times)	1.5	2.7

Notes to the financial statements

for the year ended 31 December 2013

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

(e) Actuarial information

Mr Rocco Mangano, BA, FIA, FIAA, as the Appointed Actuary of AMP Life and Mr Anton Kapel, BEc, MAppFin, FIAA, FSA, FFin, CERA, 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 20.

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 date

Based on assumptions as to likely withdrawal patterns of the various product groups, it is estimated that approximately $12,632m (2012: $11,936m) of policy liabilities may be settled within 12 months of the reporting date.

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22. Risk management and financial instruments disclosures

Financial risk management
Financial risk management (FRM) at AMP is an integral part of AMPGH group's enterprise risk management framework. The Audit Committee, supported by the Group Asset and Liability Committee (Group ALCO), is responsible for ensuring financial risks are appropriately managed.

(a) Risks and mitigation
Financial risks arising in 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 Enterprise Risk Management Policy and individual policies for each risk category. This financial risk management includes the use of derivative financial instruments such as cross-currency and interest rate swaps, forward rate agreements, futures, options and foreign currency contracts to hedge risk exposures arising from changes in interest rates and foreign exchange rates.

Financial risk management includes decisions made about the allocation of investment assets across asset classes and/or markets and the management of risks within these asset classes. Financial risk for investments 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 AMPGH has equity market exposure in its businesses (for example through fees on assets under management).

Market risk is the risk that the fair value of assets and liabilities, or future cash flows of a financial instrument will fluctuate due to movements in the financial markets. These movements include foreign exchange rates, interest rates, credit spreads, 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.

(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.

The only market risk relating to the parent entity is in relation to the AMP Notes 2 subordinated debt instruments issued in December 2013 which have been on-lent to other AMP subsidiaries on the same terms and conditions.

(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 AMPGH group's and the parent entity's 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 and pound sterling denominated fixed-rate and floating-rate facilities. Most of AMPGH group's debt is Australian dollar denominated and AMPGH group's 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. At the reporting date, 40 per cent (2012: 50 per cent) of the AMPGH group's borrowings and subordinated debt were effectively at fixed rates.

Notes to the financial statements

for the year ended 31 December 2013

22. Risk management and financial instruments disclosures (continued)

- *AMP Life and NMLA* – as discussed in note 1(b), AMP Life and NMLA conduct 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 capital adequacy 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 capital as advised by the appointed actuaries.

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.

	2013		2012	
	Impact on profit after tax Increase (decrease)	Impact on equity Increase (decrease)	Impact on profit after tax Increase (decrease)	Impact on equity Increase (decrease)
Change in variables	**$m**	**$m**	**$m**	**$m**
+100 basis points	**(45)**	**(41)**	(44)	(36)
-100 basis points	**61**	**57**	39	31

(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 AMP Life Statutory Fund No.1 fund) and seed and sponsor capital investments 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 and sponsor capital investments), thereby accepting the foreign currency translation risk on invested capital.

Notes to the financial statements

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22. Risk management and financial instruments disclosures (continued)

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.

	2013		2012	
	Impact on profit after tax Increase (decrease)	Impact on equity Increase (decrease)	Impact on profit after tax Increase (decrease)	Impact on equity Increase (decrease)
Change in variables	**$m**	**$m**	**$m**	**$m**
10% depreciation of AUD	**10**	**10**	2	2
10% appreciation of AUD	**(4)**	**(4)**	(3)	(3)

(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.

	2013		2012	
	Impact on profit after tax Increase (decrease)	Impact on equity Increase (decrease)	Impact on profit after tax Increase (decrease)	Impact on equity Increase (decrease)
	$m	**$m**	**$m**	**$m**
10% increase in Australian equities	**18**	**18**	19	19
10% increase in International equities	**17**	**17**	13	13
10% decrease in Australian equities	**(14)**	**(14)**	(17)	(17)
10% decrease in International equities	**(12)**	**(12)**	(6)	(6)

(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 is the risk that AMPGH group is not able to refinance the full quantum of its ongoing debt requirements on appropriate terms and pricing. This includes the AMPGH group corporate debt portfolio and AMP Capital through various investment funds, entities or mandates that it manages or controls or in which AMP Capital, AMP Life or NMLA has significant ownership interest or influence.

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 AMPGH Group Holdings Limited Board.

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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22. Risk management and financial instruments disclosures (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

2013	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	**3,704**	**17**	**-**	**-**	**3,721**
Borrowings	**575**	**1,504**	**40**	**-**	**2,119**
Subordinated debt	**331**	**734**	**494**	**-**	**1,559**
Investment contract liabilities	**1,190**	**960**	**1,717**	**62,829**	**66,696**
External unitholders' liabilities	**-**	**-**	**-**	**10,724**	**10,724**
Derivative financial instruments					
Cross currency swaps					
- outflows	**18**	**5**	**5**	**-**	**28**
- inflows	**(14)**	**(15)**	**(14)**	**-**	**(43)**
Interest rate swaps	**5**	**3**	**(11)**	**-**	**(3)**
Total undiscounted financial liabilities and off balance sheet items[3]	**5,809**	**3,208**	**2,231**	**73,553**	**84,801**
2012 - restated					
Non-derivative financial liabilities[1]					
Payables	2,553	9	-	-	2,562
Borrowings	361	2,557	-	-	2,918
Subordinated debt	70	1,011	88	-	1,169
Investment contract liabilities	1,579	1,075	1,790	54,426	58,870
External unitholders' liabilities	-	-	-	8,690	8,690
Derivative financial instruments					
Cross currency swaps					
- outflows	1	6	74	-	81
- inflows	(12)	(17)	(154)	-	(183)
Interest rate swaps	(36)	192	(399)		(243)
Total undiscounted financial liabilities and off balance sheet items[3]	4,516	4,833	1,399	63,116	73,864

1 The table provides maturity analysis of AMPGH 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 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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for the year ended 31 December 2013

22. Risk management and financial instruments disclosures (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 Audit Committee through monthly and quarterly FRM reports.

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

- *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 Risk and Compliance Committee (AMP Capital 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* - Credit risk, including portfolio construction, in the fixed income portfolios managed by AMP Capital is the responsibility of the individual investment teams. There is also a dedicated credit research team and a specific credit investment committee. The investment risk and performance team provides reports to AMP Capital Investment Committee. This credit risk in the cash and fixed income portfolios relating directly to shareholders' funds is included in the aggregation by Group Treasury and reported to Group ALCO and the AMP Limited Audit Committee.

(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 monthly and quarterly FRM Report.

(ii) Exposure to credit risk

The exposures on interest bearing securities and cash equivalents which impact the AMPGH group's capital position are managed by AMP Treasury within limits set by the AMP Concentration Risk Policy. The following table provides information regarding the credit risk exposures for items monitored by AMP Treasury according to the credit rating of the counterparties.

	2013	**2012**
	$m	**$m**
AAA	**4,364**	3,041
AA- to AA+	**8,676**	11,317
A- to A+	**3,066**	2,551
BBB- to BBB+[1]	**2,153**	1,050
BB+ and below	**375**	83
Total financial assets with credit risk exposure monitored by AMP Treasury	**18,634**	18,042

1 The increase in the BBB- to BBB+ exposure was principally due to changes in the fixed income portfolios in AMP Life statutory fund No.1.

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for the year ended 31 December 2013

22. Risk management and financial instruments disclosures (continued)

(iii) Past due but not impaired financial assets

The following table provides an aging 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
2013	**$m**	**$m**	**$m**	**$m**	**$m**
Receivables					
- Trade debtors	**8**	**1**	**3**	**1**	**13**
- Other receivables	**17**	**-**	**-**	**-**	**17**
Total [(1)]	**25**	**1**	**3**	**1**	**30**
2012					
Receivables					
- Trade debtors	12	3	-	15	30
- Other receivables	11	2	-	2	15
Total[1]	23	5	-	17	45

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.

Notes to the financial statements

for the year ended 31 December 2013

22. Risk management and financial instruments disclosures (continued)

(v) 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:

	2013 $m	2012 $m
Cumulative adjustment	**11**	20
Change during the period	**(9)**	(7)

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.

(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 2013 $1,748m (2012:$1,510m) of funds under management were invested subject to the North guarantees. A fair value of $35m (2012: $85m) was recorded for the North guarantee liability at 31 December 2013.

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.

Notes to the financial statements

for the year ended 31 December 2013

22. Risk management and financial instruments disclosures (continued)

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.

(iii) Other derivative transactions undertaken by non-life insurance controlled entities
AMP Treasury and AMP Capital 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 as fair value hedges, 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 2013, the AMPGH group recognised a net loss of $5m (2012: $7m loss) on hedging instruments designated as fair value hedges. The net gain on hedged items attributable to the hedged risks amounted to $5m (2012:$6m gain).

(ii) Derivative instruments accounted for as cash flow hedges
The AMPGH group is exposed to variability in future cash flows on non-trading assets and liabilities which can bear interest at fixed and variable rates. The AMPGH group uses interest rate swaps and cash flow hedges to manage these 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
2013					
Cash inflows	**9**	**8**	**-**	**-**	**-**
Cash outflows	**(15)**	**(11)**	**-**	**-**	**-**
Net cash inflow/(outflow)	**(6)**	**(3)**	**-**	**-**	**-**
2012					
Cash inflows	22	19	18	-	-
Cash outflows	(32)	(28)	(24)	-	-
Net cash inflow/(outflow)	(10)	(9)	(6)	-	-

Nil (2012: nil) was recognised in the Income statement due to hedge ineffectiveness from cash flow hedges.

Notes to the financial statements

for the year ended 31 December 2013

22. Risk management and financial instruments disclosures (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 (2012: nil) due to the ineffective portion of hedges relating to investments in seed pool foreign operations.

(g) Master netting or similar agreements

(i) Derivative financial assets and liabilities
Certain derivative assets and liabilities are subject to legally enforceable master netting arrangements, such as an International Swaps and Derivatives Association (ISDA) master netting agreement. In certain circumstances, for example, when a credit event such as a default occurs, all outstanding transactions under an ISDA agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

An ISDA agreement does not meet the criteria for offsetting in the Statement of financial position as the AMPGH group does not have any currently legally enforceable right to offset recognised amounts, as the right to offset is enforceable only on the occurrence of future events such as a default.

As at 31 December 2013, if these netting arrangements were applied to the derivative portfolio, the derivative assets of $1,618m would be reduced by $160m to the net amount of $1,458m and derivative liabilities of $995m would be reduced by $160m to the net amount of $835m (31 December 2012: derivative assets of $2,131m reduced by $94m to the net amount of $2,037m and derivative liabilities of $1,173m reduced by $94m to the net amount of $1,079m).

(ii) Repurchase Agreements
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 controlled entities of the life entities' statutory funds. Collateral deposits held includes the obligation to repay collateral held in respect of debt security repurchase arrangements entered into. As at 31 December 2013, if repurchase arrangements were netted, debt securities of $32,628m would be reduced by $1,351m to the net amount of $31,277m and collateral deposits held of $1,428m would be reduced by $1,351m to the net amount of $77m (31 December 2012: debt securities of $31,012m reduced by $1,054m to the net amount of $29,958m and collateral deposits held of $1,054m reduced by $1,054m to the net amount of nil).

(h) Other Collateral

The AMPGH group has collateral arrangements in place with some counterparties in addition to collateral deposits held with respect to repurchase agreements. Collateral generally consists of 11am loans and deposits and is exchanged between the counterparties to reduce the exposure from the net fair value of derivative assets and liabilities between the counterparties. As at 31 December 2013 there was $175m of collateral deposits due to other financial institutions (2012: $405m) and $231m of collateral loans due from other financial institutions relating to derivative assets and liabilities (2012: $147m).

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for the year ended 31 December 2013

23. Fair value information

(a) Fair values

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

	Carrying amount	Aggregate fair value	Carrying amount Restated	Aggregate fair value Restated
	2013 $m	2013 $m	2012 $m	2012 $m
Financial assets				
Debt securities - held to maturity	**3**	**3**	3	3
Loans and advances	**25**	**25**	12	12
Total financial assets	**28**	**28**	15	15
Financial liabilities				
Deposits	**111**	**111**	121	121
Corporate and other shareholder activities	**711**	**714**	706	734
Investment entities controlled by AMP life insurance entities' statutory funds	**1,641**	**1,641**	1,870	1,870
Subordinated debt	**1,254**	**1,304**	961	974
Total financial liabilities	**3,717**	**3,770**	3,658	3,699

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

(i) 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.

(b) Fair value measures

AMPGH group's assets and liabilities 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.

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23. Fair value information (continued)

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 AMPGH group's assets and liabilities measured at fair value by each level of the fair value hierarchy

2013	Level 1 $m	Level 2 $m	Level 3 $m	Total fair value $m
Assets				
Measured at fair value on a recurring basis				
Equity securities and listed managed investment schemes[1]	**45,308**	**-**	**2,480**	**47,788**
Debt securities	**-**	**32,119**	**556**	**32,675**
Investments in unlisted managed investment schemes	**-**	**15,744**	**612**	**16,356**
Derivative financial assets	**386**	**1,232**	**-**	**1,618**
Investment properties[2]	**-**	**-**	**6,889**	**6,889**
Other financial assets	**-**	**146**	**-**	**146**
Total financial assets measured at fair value on a recurring basis	**45,694**	**49,241**	**10,537**	**105,472**
Other assets measured at fair value on a non-recurring basis				
Assets of disposal groups[3]	**-**	**-**	**42**	**42**
Total other assets measured at fair value on a non-recurring basis	**-**	**-**	**42**	**42**
Total assets measured at fair value	**45,694**	**49,241**	**10,579**	**105,514**
Liabilities				
Measured at fair value on a recurring basis				
Derivative financial liabilities	**156**	**839**	**-**	**995**
Collateral deposits held	**1,414**	**-**	**-**	**1,414**
Investment contract liabilities	**-**	**2,901**	**63,148**	**66,049**
Total financial liabilities measured at fair value on a recurring basis	**1,570**	**3,740**	**63,148**	**68,458**
Other liabilities measured at fair value on a non-recurring basis				
Liabilities of disposal groups[2]	**-**	**-**	**8**	**8**
Total other liabilities measured at fair value on a non-recurring basis	**-**	**-**	**8**	**8**
Total liabilities measured at fair value	**1,570**	**3,740**	**63,156**	**68,466**
2012 - restated[4]				
Assets				
Measured at fair value on a recurring basis				
Equity securities and listed managed investment schemes	35,991	248	2,138	38,377
Debt securities	-	30,634	478	31,112
Investments in unlisted managed investment schemes	-	14,774	592	15,366
Derivative financial assets	180	1,951	-	2,131
Other financial assets	-	145	-	145
Total financial assets measured at fair value on a recurring basis	36,171	47,752	3,208	87,131
Liabilities				
Recurring				
Derivative financial liabilities	62	1,111	-	1,173
Collateral deposits held	1,054	-	-	1,054
Investment contract liabilities	-	3,566	54,819	58,385
Total financial liabilities measured at fair value on a recurring basis	1,116	4,677	54,819	60,612

1 Includes financial assets available for sale measured at fair value.

2 Refer to note 11 Investment property for valuation techniques and key unobservable inputs.

3 Refer to note 30 Group controlled entity holdings for disposal groups.

4 AASB13 introduced fair value information disclosure requirements for non-financial assets and liabilities. Retrospective application w as not required therefore comparatives have not been presented.

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23. Fair value 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:

2013	Balance at the beginning of the period $m	FX gains or losses[2] $m	Total gains/ losses[2,4] $m	Purchases/ deposits $m	Sales/ withdrawals $m	Net transfers in/(out)[1,3] $m	Balance at the end of the period $m	Total gains and losses on assets and liabilities held at reporting date $m
Assets classified as level 3[5]								
Equity securities and listed managed investment schemes	**2,138**	**133**	**104**	**66**	**(117)**	**156**	**2,480**	**104**
Debt securities	**478**	**67**	**13**	**59**	**(31)**	**(30)**	**556**	**13**
Investments in unlisted managed investment schemes	**592**	**-**	**34**	**55**	**(73)**	**4**	**612**	**34**
Liabilities classified as level 3								
Investment contract liabilities	**54,819**	**41**	**8,935**	**9,388**	**(10,040)**	**5**	**63,148**	**8,394**
2012 - restated								
Assets classified as level 3[5]								
Equity securities and listed managed investment schemes	1,982	28	(70)	225	(22)	(5)	2,138	(70)
Debt securities	460	10	47	122	(187)	26	478	47
Investments in unlisted managed investment schemes	730	-	(47)	86	(23)	(154)	592	(47)
Liabilities classified as level 3								
Investment contract liabilities	49,875	5	6,029	8,618	(9,614)	(94)	54,819	5,732

1 AMPGH group recognises transfers as at the end of the reporting period during w hich the transfer has occurred. Transfers are recognised w hen there are changes in the observability of the pricing of the relevant securities or w here the AMP group cease to consolidate a controlled entity.

2 Gains and losses are classified in investment gains and losses or change in policyholder liabilities in the Income statement.

3 Transfers in primarily relate to the reduced ow nership on the controlled entities of Aged Care 1&2 w hich ceased to be controlled during the period. There have been no significant transfers from Level 1 to Level 2 or vice versa.

4 As at 31 December 2013, net unrealised gains and losses relating to financial assets w as $116m.

5 Movements relating to Investment properties is disclosed in note 11.

Notes to the financial statements

for the year ended 31 December 2013

23. Fair value information (continued)

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

2013	Carrying amount[1 2] $m	Effect of reasonably possible alternative assumptions[3] (+) $m	(-) $m	Valuation Technique	Key Unobservable inputs
Assets					
Equity securities and listed managed investment schemes	**2,480**	**200**	**(200)**	Discounted cash flow approach utilising cost of equity as the discount rate.	Discount rate Terminal value growth rate Cash flow forecasts
Debt securities	**556**	**-**	**-**	Discounted cash flow approach.	Discount rate Cash flow forecasts
Investments in unlisted managed investment schemes	**612**	**-**	**-**	Published redemption prices.	Valuation of the unlisted managed investment schemes. Suspension of redemptions of the managed investment schemes
Assets of disposal groups	**42**	**-**	**-**	Discounted cash flow approach utilising cost of equity as the discount rate or where available, an indicative sale price received from a potential buyer.	Discount rate Cash flow forecasts
Liabilities					
Investment contract liabilities[4]	**63,148**	**6**	**(6)**	Valuation model based on published unit prices and the fair value of backing assets. Fixed retirement-income policies - discounted cash flow.	Fair value of financial instruments Cash flow forecasts Credit risk
Liabilities of disposal groups	**8**	**-**	**-**	Discounted cash flow approach and utilising a cost of equity as the discount rate or where available, an indicative sale price received from a potential buyer.	Discount rate Cash flow forecasts
2012					
Assets					
Equity securities and listed managed investment schemes	785	29	(29)		
Debt securities	212	-	-		
Investments in unlisted managed investment schemes	662	-	-		
Liabilities					
Investment contract liabilities	54,819	6	(6)		

1 The fair value of the asset or liability would increase/decrease if the discount rate decreases/increases. The fair value of the asset or liability would increase/decrease if the other inputs increase/decrease.

2 Each individual asset and industry profile will determine the appropriate valuation inputs to be utilised in each specific valuation and can vary from asset to asset. The discount rate ranges for equity securities fall within (8%-14%) and earnings multiple ranges fall within (9.7x to 10.3x).

3 Reasonably possible alternative assumptions have been calculated by changing one or more of significant unobservable inputs for individual assets to reasonably possible alternative assumptions. On financial assets this included adjusting earnings multiples by 0.5x and discount Rate 25bps-100bps. On investment contract liabilities this included adjustments to credit risk by 50bps.

4 Backing financial instruments include level 3 assets.

Financial asset valuation process

For financial assets categorised within Level 3 of the fair value hierarchy, the valuation processes applied in valuing such assets is governed by the AMP Capital Asset Valuation Policy. This policy outlines the asset valuation methodologies and processes applied to measure non-exchange traded assets which have no regular market price, including investment property, infrastructure, private equity, alternative assets, and Illiquid Debt Securities. All significant Level 3 assets are referred to the appropriate valuation committee who meet at least every 6 months, or more frequently if required.

Notes to the financial statements

for the year ended 31 December 2013

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 subsidiaries of AMPGH are regulated. This 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 (NMLA) – capital adequacy requirements as specified under the APRA Life Insurance Prudential Standards.
- AMP Capital Investors Limited and other ASIC regulated businesses – capital requirements under Australian Financial Services Licence requirements and for risks relating to North.

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 2013

25. Notes to Statement of cash flows

	Consolidated 2013 $m	Consolidated Restated 2012 $m
(a) Reconciliation of the net profit after income tax to cash flows from operating activities		
Net profit after income tax	**617**	663
Depreciation of operating assets	**44**	58
Amortisation and impairment of intangibles	**226**	274
Investment gains and losses and movements in external unitholders liabilities	**(6,411)**	(6,236)
Dividend and distribution income reinvested	**(2,031)**	(1,702)
Share-based payments	**27**	22
Decrease (increase) in receivables, intangibles and other assets	**502**	132
(Decrease) increase in net policy liabilities	**7,543**	6,101
(Decrease) increase in income tax balances	**593**	620
(Decrease) increase in other payables and provisions	**(374)**	1,322
Cash flows from (used in) operating activities	**736**	1,254
(b) Reconciliation of cash		
Comprises:		
Cash and cash equivalents for the purpose of the Statement of financial position[1]	**6,010**	**8,182**
Bank overdrafts (included in Borrowings)	**(2)**	(7)
Short-term bills and notes (included in Debt securities)	**4,222**	4,971
Cash and cash equivalents for the purpose of the Statement of cash flows	**10,230**	13,146
(c) Financing arrangements		
(i) Overdraft facilities		
Bank overdraft facility available	**710**	363
(ii) Loan facilities		
In addition to facilities arranged through bond and note issues (refer notes 16 and 17), financing facilities are provided through bank loans under normal commercial terms and conditions.		
Available	**2,514**	2,480
Used	**(1,430)**	(1,256)
Unused	**1,084**	1,224
(iii) Bond and note funding programs		
Available	**9,539**	8,134
Used	**(1,150)**	(1,399)
Unused	**8,389**	6,735

1 The decrease in Cash and cash equivalents for the purpose of the Statement of financial position is predominantly due to the investment of $1,685m of liquid resources of controlled funds into a cash fund which does not meet the definition of Cash and cash equivalents.

Notes to the financial statements

for the year ended 31 December 2013

25. Notes to statement of cash flows (continued)

(d) Acquisitions and disposal of controlled entities

Operating entities
During the year ended 31 December 2013 AMPGH acquired the following entities:
- On 1 November 2013 AMPGH acquired 100 per cent of the Supercorp Administration Pty Ltd and its controlled entities;

During the year ended 31 December 2012 AMPGH acquired the following entities:
- On 3 July 2012 AMPGH acquired 100 per cent of the self-managed superannuation fund administration and investment administration business of Cavendish Pty Limited and its controlled entities for $20m, consisting of $18m cash and a $2m deferred payment;
- In June 2012 AMPGH increased its ownership interest in Exford Pty Limited and in AMP Capital Brookfield Limited (previously associates) from 50 per cent to 100 per cent, for cash consideration of $4m in each case. The principal activities of these entities are financial planning and asset management, respectively.

There were no other significant acquisitions or disposals of operating entities in 2012 or 2013.

The impact of acquisitions of operating entities is as follows:

Operating entities	Impact in 2013 $m	Impact in 2012 $m
Assets		
Cash and cash equivalents	**(4)**	(14)
Receivables	**-**	3
Investments in financial assets measured at fair value through profit or loss	**-**	-
Investments in financial assets measured at amortised cost	**-**	-
Investments in associates accounted for using the equity method	**-**	(14)
Investment property	**-**	-
Intangible assets	**4**	36
Total assets	**-**	11
Liabilities		
Payables and provisions	**-**	11
Borrowings	**-**	-
Deferred tax liabilities	**-**	-
External unitholders liabilities	**-**	-
Minority interest	**-**	-
Total liabilities	**-**	11

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 AMPGH holding a controlling interest in the investee entity.

Most acquisitions and disposals of controlled entities are in relation to managed investment schemes 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.

Notes to the financial statements

for the year ended 31 December 2013

25. Notes to statement of cash flows (continued)

Acquisitions of controlled entities of AMP life insurance entities' statutory funds

- From 1 July 2013, AMP Life consolidated Student Housing Accommodation Growth Trust 1 and 2 and their controlled entities.

Acquisitions	Impact in 2013 $m	Impact in 2012 $m
Assets		
Cash and cash equivalents	**8**	-
Receivables	**-**	-
Investments in financial assets measured at fair value through profit or loss	**(42)**	-
Investments in financial assets measured at amortised cost	**-**	-
Investments in associates accounted for using the equity method	**-**	-
Investment property	**71**	-
Intangible assets	**15**	-
Total assets	**52**	-
Liabilities		
Payables and provisions	**5**	-
Borrow ings	**7**	-
Deferred tax liabilities	**12**	-
External unitholders liabilities	**23**	-
Minority interest	**5**	-
Total liabilities	**52**	-

Disposals of controlled entities of AMP life insurance entities' statutory funds

- On 16 August 2013, AMPGH reduced its ownership interest on the controlled entities of Aged Care Investment Trust 1&2. On that same date AMPGH increased its ownership interest in Aged Care Investment Trust 1&2.
- During 2012 AMPGH lost control over the AMP Capital Pacific Fair and Macquarie Shopping Centre Fund as a result of a reduction in its ownership interest.

The impact of these transactions were as follows:

Disposals	Impact in 2013 $m	Impact in 2012 $m
Assets		
Cash	**(28)**	(7)
Receivables	**(48)**	-
Investment property	**-**	(793)
Investments in financial assets measured at fair value through profit or loss	**149**	438
Deferred tax assets	**(26)**	-
Property, plant and equipment	**(560)**	-
Intangibles	**(322)**	-
Other assets	**-**	(12)
Total assets	**(835)**	(374)
Liabilities		
Payables and provisions	**(430)**	(9)
Borrow ings	**(301)**	(208)
Deferred tax liabilities	**(31)**	
Other financial liabilities	**-**	(19)
External unitholder liabilities	**(73)**	(138)
Total liabilities	**(835)**	(374)

Notes to the financial statements

for the year ended 31 December 2013

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 AMP 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 a range of other factors which do not reflect the financial position presented in the financial statements.

(a) Summary information of defined benefit funds

Australian defined benefit plans

Active members of AMP's Australian defined benefit plans are entitled to a lump sum or pension on retirement. Pensions provided are lifetime indexed pensions with a reversionary spouse pension. The plans are now closed to new members.

The Superannuation Industry Supervision (SIS) legislation governs the superannuation industry and provides the framework within which superannuation plans operate. The SIS legislation generally requires an actuarial valuation to be performed every year for defined benefit plans.

The plans are sub-funds within the AMP Superannuation Savings Trust (the Trust). The Trusts' trustees are responsible for the governance of the plans. The trustees have a legal obligation to act solely in the best interests of plan beneficiaries. The trustees' responsibilities include administration of the plan, management and investment of the plan assets, and compliance with superannuation laws and other applicable regulations.

The plans are exposed to a number of risks. Other than the risks of actual outcomes being different to the actuarial assumptions used to estimate the defined benefit obligation as set out in note 26(g), the most significant risks include investment risk and legislative risk. These risks apply to all superannuation plans and are not specific to AMP.

During 2013, approximately 15 per cent (AMP Australia) and 50 per cent (AMP AAPH Australia) of the assets backing current pension liabilities were invested in a fixed-income investment option with a benchmark duration based on the estimated duration of the pension liability.

As at the most recent actuarial update, 31 December 2013, the fund actuary recommended contributions to be made at the normal superannuation rates applicable to the various members and did not identify any deficit for funding purposes and therefore no additional contributions are required.

New Zealand defined benefit plans

Active members of AMP's New Zealand defined benefit plans are entitled to accumulation benefits and a lump sum payment on retirement. The plans are now closed to new members.

The Superannuation Scheme Act (1989) governs the superannuation industry and provides the framework within which the superannuation schemes operate. The Act requires an actuarial valuation to be performed every three years.

The plans' trustees are responsible for the governance of the plan. This includes administration of the plan, management and investment of the plan assets, and looking after the interests of all beneficiaries.

The plans are exposed to a number of risks. Other than the risks of actual outcomes being different to the actuarial assumptions used to estimate the defined benefit obligation as set out in note 26(g), the most significant risks include investment risk and legislative risk. These risks apply to all superannuation plans and are not specific to AMP.

There are no specific asset liability matching strategies for the New Zealand defined benefit plans.

AMP has adopted the funds' actuaries' recommendations for AMP to make additional contributions of $1m per annum (AMP New Zealand defined benefit plan) and $4m per annum (AMP AAPH New Zealand defined benefit plan) until the financial positions of the plans are sufficiently improved.

Notes to the financial statements

for the year ended 31 December 2013

26. Superannuation funds (continued)

	Consolidated 2013 $m	Restated 2012 $m
(b) Defined benefit plan income (expense)		
Current service cost	**(8)**	(7)
Interest cost	**(24)**	(30)
Interest income	**18**	25
Foreign currency gains and losses	**(13)**	(3)
Total defined benefit plan income (expense)	**(27)**	(15)
(c) Movements in defined benefit obligation		
Balance at the beginning of the year	**(964)**	(988)
Current service cost	**(8)**	(7)
Interest cost	**(24)**	(30)
Contributions by plan participants	**(1)**	(1)
Actuarial gains and losses[1]		
- change in demographic assumptions	**(17)**	27
- change in financial assumptions	**137**	(1)
- experience gain (loss)	**37**	(12)
Foreign currency exchange rate changes	**(28)**	(7)
Benefits paid	**66**	51
Other expenses	**1**	4
Balance at the end of the year	**(801)**	(964)
(d) Movement in fair value of plan assets		
Balance at the beginning of the year	**678**	618
Interest income	**18**	25
Actuarial gains and losses - actual return on plan assets less interest income	**61**	59
Foreign currency exchange rate changes	**15**	4
Employer contributions	**22**	26
Contributions by plan participants	**1**	1
Benefits paid	**(66)**	(51)
Other expenses	**(1)**	(4)
Balance at the end of the year	**728**	678

1 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 2013

26. Superannuation funds (continued)

	Consolidated 2013 $m	Restated 2012 $m
(e) Defined benefit (liability) asset		
Present value of wholly funded defined benefit obligations	**(801)**	(964)
Less: Fair value of plan assets	**728**	678
Defined benefit (liability) asset recognised on the Statement of financial position[1]	**(73)**	(286)
Movement in defined benefit (liability) asset		
(Deficit) surplus at the beginning of the year	**(286)**	(370)
Plus: Total income (expenses) recognised in income	**(27)**	(15)
Plus: Employer contributions	**22**	26
Plus: Actuarial gains (losses) recognised in Other comprehensive income[2]	**218**	73
Defined benefit (liability) asset recognised at the end of the year	**(73)**	(286)

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. Refer to note 27(a) for details of the funding of the AMP defined benefit funds.

2 The cumulative amount of the net actuarial gains and losses recognised in the Statement of comprehensive income is a $129m gain (2012 restated: $89m loss).

Notes to the financial statements

for the year ended 31 December 2013

26. Superannuation funds (continued)

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

	Consolidated	
		Restated
	2013	2012
	$m	$m
AMP Australian defined benefit (liability) asset		
Present value of wholly funded defined benefit obligations	**(311)**	(333)
Less: Fair value of plan assets	**264**	244
Net defined benefit (liability) asset recognised in the Statement of financial position	**(47)**	(89)
Actuarial gains and (losses)	**44**	47
AMP AAPH Australian defined benefit (liability) asset		
Present value of wholly funded defined benefit obligations	**(355)**	(451)
Less: Fair value of plan assets	**362**	348
Net defined benefit (liability) asset recognised in the Statement of financial position	**7**	(103)
Actuarial gains and (losses)	**116**	36
AMP New Zealand defined benefit (liability) asset		
Present value of wholly funded defined benefit obligations	**(26)**	(32)
Less: Fair value of plan assets	**23**	19
Net defined benefit (liability) asset recognised in the Statement of financial position	**(3)**	(13)
Actuarial gains and (losses)	**10**	-
AMP AAPH New Zealand defined benefit (liability) asset		
Present value of wholly funded defined benefit obligations	**(109)**	(148)
Less: Fair value of plan assets	**79**	67
Net defined benefit (liability) asset recognised in the Statement of financial position	**(30)**	(81)
Actuarial gains and (losses)	**63**	(10)

Notes to the financial statements

for the year ended 31 December 2013

26. Superannuation funds (continued)

(g) 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				AMP AAPH			
	Australia		New Zealand		Australia		New Zealand	
	2013	2012	2013	2012	2013	2012	2013	2012
Weighted average discount rate	**5.1%**	4.3%	**4.8%**	2.6%	**5.4%**	4.5%	**5.4%**	4.5%
Expected rate of pension increases	**2.5%**	2.5%	**1.9%**	1.9%	**2.5%**	2.5%	**2.5%**	2.5%
Expected rate of salary increases	**4.0%**	4.0%	**4.0%**	4.0%	**4% plus age scale**	4% plus age scale	**4.0%**	4.0%
Cash crediting rate	**n/a**	n/a	**n/a**	n/a	**3.5%**	2.5%	**n/a**	n/a

(i) Allocation of assets

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

	AMP				AMP AAPH			
	Australia[1]		New Zealand[1]		Australia[1]		New Zealand[1]	
	2013	2012	2013	2012	2013	2012	2013	2012
Equity	**45%**	37%	**47%**	55%	**34%**	37%	**40%**	44%
Property	**5%**	5%	**10%**	8%	**1%**	5%	**7%**	6%
Fixed interest	**18%**	39%	**25%**	26%	**33%**	39%	**33%**	33%
Cash	**9%**	12%	**14%**	11%	**7%**	12%	**20%**	17%
Other	**23%**	7%	**4%**	0%	**25%**	7%	**0%**	0%

1 The investment assets of the plans may at times include either direct or indirect investments in AMP Limited shares. These investments are part of normal investment mandates w ithin the plans and are not significant in relation to total plan assets. The plans do not hold any other assets w hich are occupied or used by AMPGH group.

(j) Sensitivity analysis

The defined benefit obligation has been recalculated for each scenario by changing only the specified assumption as outlined below, whilst retaining all other assumptions as per the base case. The table shows the increase (decrease) for each assumption change.

	AMP		AMP AAPH	
	Australia	New Zealand	Australia	New Zealand
	$m	$m	$m	$m
Higher discount rate (0.5%)	(18)	n/a	(24)	(6)
Low er discount rate (0.5%)	20	1	27	6
Higher expected salary increase rate (0.5%)	n/a	n/a	2	1
Low er expected salary increase rate (0.5%)	n/a	n/a	(2)	(1)
Higher expected deferred benefit crediting rate (0.5%)	n/a	n/a	3	n/a
Low er expected deferred benefit crediting rate (0.5%)	n/a	n/a	(3)	n/a
Increase to Pensioner Indexation assumption (0.5%)	20	n/a	21	n/a
Decrease to Pensioner Indexation assumption (0.5%)	(19)	1	(19)	n/a
Increase to Pensioner Mortality assumption (10.0%)	(7)	n/a	(6)	n/a
Decrease to Pensioner Mortality assumption (10.0%)	7	n/a	7	n/a
1 year additional life expectancy	n/a	1	n/a	n/a

1 Not all assumptions are material for each fund. Immaterial assumptions have been marked as n/a.

Notes to the financial statements
for the year ended 31 December 2013

26. Superannuation funds (continued)

(k) Expected contributions

	AMP		AMP AAPH	
	Australia	New Zealand	Australia	New Zealand
Expected contributions	$m	$m	$m	$m
Expected employer contributions	-	1	4	4

(l) Maturity profile of defined benefit obligation

	AMP		AMP AAPH	
	Australia	New Zealand	Australia	New Zealand
Expected benefit payments for the financial year ending on	$m	$m	$m	$m
31 December 2014	20	-	20	6
31 December 2015	20	-	20	5
31 December 2016	21	-	21	6
31 December 2017	21	-	22	6
31 December 2018	22	-	22	5
Following 5 years	116	-	120	-

	AMP		AMP AAPH	
	Australia	New Zealand	Australia	New Zealand
Weighted average duration of the defined benefit obligation	11 years	10 years	14 years	12 years

Notes to the financial statements

for the year ended 31 December 2013

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.

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

	Consolidated	
	2013	2012
	$'000	$'000
Plans currently offered		
Performance rights	**8,972**	8,356
Share rights	**17,158**	9,524
Restricted shares	**1,224**	4,123
Employee share acquisition plan - matching shares	**1**	68
Total share-based payments expense	**27,355**	22,071

(b) Performance rights
Plan description
The CEO and his direct reports, as well as selected senior executives, are required to take their long-term incentive (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. The LTI awards of other participants are comprised of either a mix of performance rights and share rights, or share rights only.

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 (ie effectively a share option with a zero exercise price), 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). From September 2011, performance rights may be settled through a cash payment in lieu of shares, at the discretion of the board.

AMP has, from time to time historically, 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. These share bonus rights were last granted to employees in 2010.

The performance hurdle
Historically, LTI awards in the form of performance rights were subject to a single relative total shareholder return (TSR) performance hurdle. After an extensive review of market practices, conducted in 2012, the board determined that AMP should introduce a return on equity (RoE) performance measure, in addition to a TSR measure.

The vesting of performance rights granted since the 2013 LTI award are now based on two performance hurdles as follows:

- 50 per cent of the LTI award value, granted as performance rights, will be subject to AMP's TSR performance relative to the top industrial companies in the S&P/ASX 100 Index (TSR tranche), and
- 50 per cent of the LTI award value, granted as performance rights, will be subject to an RoE measure (RoE tranche).

The number of performance rights that vest is determined as follows:
TSR tranche: Vesting of these performance rights is dependent on AMP's TSR performance relative to a comparator group of Australian listed companies over a three-year performance period. TSR measures the benefit delivered to shareholders over the given period, which includes dividend payments, capital returns and movement in the share price. The performance hurdle was chosen because it requires participants to outperform major ASX listed companies before the awards generate any value.

RoE tranche: Vesting of these performance rights is based on AMP's RoE performance for the year ending 31 December 2015. Prior to the 2013 grant being awarded, the board determined the threshold and maximum RoE performance targets (expressed as percentage outcomes) to be achieved for the year ending 31 December 2015. An RoE hurdle was chosen as it drives a strong capital discipline which is a key contributor to creating sustainable shareholder value.

Conversion to shares
If the awards vest, they are automatically converted to shares on behalf of participants. Upon conversion, participants become entitled to shareholder benefits, including dividends and voting rights. The board has the discretion to satisfy vested rights by either acquiring shares on-market or through the issuance of shares. AMP's practice has been, and intention is to continue, to source the shares to satisfy LTI awards on-market, so that the issue of LTIs does not dilute the value of AMP Limited shares. In the case of the CEO, the vesting of shares may only be provided by AMP procuring the transfer of shares purchased on-market.

Notes to the financial statements

for the year ended 31 December 2013

27. Share based payments (continued)

Treatment of performance rights on ceasing employment and change of control

Typically, unvested LTI awards lapse at the end of the employee's notice period if the participant resigns from AMP or their employment is terminated for misconduct or inadequate performance. In other cases, such as retirement and redundancy, LTI awards 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 or change of control, unvested performance rights, granted prior to September 2011, typically vest.

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 (ie to determine that the LTI awards would lapse, are retained or vest when they would not have otherwise), if deemed appropriate in the light of specific circumstances.

Plan valuation

The fair value of a TSR performance right has been calculated as at the grant date, by external consultants using a simulation technique known as a Monte Carlo simulation. Fair value of the TSR performance rights has been discounted for the probability of not meeting the TSR performance hurdles. The fair value of an RoE performance right 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. RoE is a non-market based performance hurdle and therefore, in accordance with AASB 2, allowance cannot be made for the impact of this hurdle in determining the award's fair value.

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 2013 and the comparative period (2012):

Grant Date	Share price	Contractual life	Dividend yield	Volatility[1]	Risk-free rate[1]	TSR performance hurdle discount	RoE performance hurdle discount[2]	TSR performance rights fair value	RoE performance rights fair value
09/09/2013	$4.62	2.5 years	4.9%	24%	2.8%	60%	0%	$1.33	$4.09
06/06/2013	$4.97	3.0 years	5.6%	23%	2.5%	60%	0%	$2.00	$4.21
07/06/2012	$3.85	2.7 years	6.3%	26%	2.3%	67%	n/a	$1.28	n/a
09/09/2011	$4.15	2.9 years	5.9%	34%	3.7%	54%	n/a	$1.92	n/a
09/06/2011	$4.88	2.8 years	5.5%	36%	4.8%	51%	n/a	$2.39	n/a
09/06/2011	$4.88	2.1 years	5.5%	36%	4.8%	55%	n/a	$2.19	n/a

1 Applies to performance rights subject to a relative TSR performance hurdle only. These factors do not apply to performance rights subject to an RoE performance hurdle.

2 In accordance with the accounting standard AASB 2, allowance cannot be made for the impact of a non-market based performance hurdle in determining fair value.

The following table shows the movement in performance rights (and share bonus rights with performance conditions) outstanding during the period:

Movements during the period of all performance rights

Grant date	Exercise period	Exercise price	Balance at 1 Jan 2013	Exercised during the year	Granted during the year	Lapsed during the year	Balance at 31 Dec 2013[1]
08/09/2010	01/08/2013 - 31/07/2015	Nil	2,932,270	-	-	2,932,270	-
09/06/2011	01/08/2013 - 31/07/2015	Nil	88,040	-	-	88,040	-
09/09/2011	n/a[2]	Nil	5,123,608	-	-	90,489	5,033,119
07/06/2012	n/a[2]	Nil	5,369,551	-	-	158,121	5,211,430
06/06/2013	n/a[2]	Nil	-	-	3,503,048	-	3,503,048
09/09/2013	n/a[2]	Nil	-	-	29,047	-	29,047
Total			**13,513,469**	**-**	**3,532,095**	**3,268,920**	**13,776,644**

1 The weighted average remaining contractual life of performance rights outstanding at the end of the period is 1.3 years.

2 The performance rights granted during 2011, 2012 and 2013 have no exercise period as they are automatically exercised upon vesting.

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27. Share based payments (continued)

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 no 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 CEO and his direct reports may be awarded share rights as part of their overall LTI award.

A share right is a right to acquire one fully paid ordinary share in AMP 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 period.

AMP has, from time to time historically, 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. These share bonus rights were last granted to employees in 2011.

Conversion to shares

If the awards vest, they are automatically converted to shares on behalf of participants. Upon conversion, participants become entitled to shareholder benefits, including dividends and voting rights. The board has the discretion to satisfy vested rights by either acquiring shares on-market or through the issuance of shares. AMP's practice has been, and intention is to continue, to source the shares to satisfy LTI awards on-market, so that the issue of LTIs does not dilute the value of AMP Limited 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.

STI deferral plan

The nominated executives and selected other senior leaders who have the ability to impact AMP’s financial soundness, participate in the AMP STI deferral plan. The plan requires that 40 per cent of a participant's STI award be delivered in rights to AMP shares (share rights). The share rights convert to AMP Limited shares (ie vest) after a two-year deferral period. Vesting is subject to on-going employment, compliance with AMP policies and the board’s discretion.

STI match plan

For each given year, high potential employees at a senior leader level are eligible for nomination to participate in the STI match plan, which provides an award of share rights to the value of 50 per cent of the individual’s STI. The STI match award is provided in addition to the STI cash opportunity. Employees at this level are not eligible to participate in AMP's long-term incentive plan. As the STI match is based on the STI plan, the number of share rights awarded to the participant depends on the individual’s contribution to company performance during the financial year.

STI match share rights convert to AMP Limited shares (ie vest) after a two-year deferral period. Vesting is subject to on-going employment, compliance with AMP policies and the board’s discretion.

Notes to the financial statements

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27. Share based payments (continued)

The following table shows the factors which were considered in determining the independent fair value of the share rights granted during 2013 and the comparative period (2012):

Grant date	Share price	Contractual life	Dividend yield	Dividend discount	Fair value
09/09/2013	$4.62	2.5 years	4.9%	11%	$4.09
09/09/2013	$4.62	0.9 years	4.9%	4%	$4.42
09/09/2013	$4.62	1.9 years	4.9%	9%	$4.20
09/09/2013	$4.62	2.9 years	4.9%	13%	$4.00
27/06/2013	$4.39	1.7 years	5.6%	9%	$4.00
06/06/2013	$4.97	0.8 years	5.6%	5%	$4.74
06/06/2013	$4.97	1.8 years	5.6%	10%	$4.48
06/06/2013	$4.97	0.9 years	5.6%	5%	$4.72
06/06/2013	$4.97	1.9 years	5.6%	10%	$4.46
06/06/2013	$4.97	3.0 years	5.6%	15%	$4.21
30/04/2013	$5.40	1.8 years	5.6%	10%	$4.87
07/06/2012	$3.85	2.7 years	6.3%	17%	$3.19
22/05/2012	$3.87	1.7 years	6.3%	11%	$3.46
27/04/2012	$4.25	1.8 years	6.3%	11%	$3.78

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

Grant date	Exercise period	Exercise price	Balance at 1 Jan 2013	Exercised during the year	Granted during the year	Lapsed during the year	Balance at 31 Dec 2013[1]
08/09/2010	01/08/2013 - 31/07/2015	Nil	115,575	107,059	-	8,516	-
09/09/2011	n/a[2]	Nil	35,630	35,630	-	-	-
09/09/2011	n/a[2]	Nil	2,740,465	-	-	62,134	2,678,331
27/04/2012	n/a[2]	Nil	1,902,884	-	-	7,020	1,895,864
27/04/2012	n/a[2]	Nil	999,335	-	-	46,248	953,087
22/05/2012	n/a[2]	Nil	247,513	-	-	-	247,513
07/06/2012	n/a[2]	Nil	2,220,558	-	-	41,496	2,179,062
30/04/2013	n/a[2]	Nil	-	-	2,619,301	3,786	2,615,515
30/04/2013	n/a[2]	Nil	-	-	15,723	-	15,723
30/04/2013	n/a[2]	Nil	-	-	808,750	10,969	797,781
06/06/2013	n/a[2]	Nil	-	-	1,537,634	4,329	1,533,305
06/06/2013	n/a[2]	Nil	-	-	80,482	-	80,482
06/06/2013	n/a[2]	Nil	-	-	31,512	-	31,512
27/06/2013	n/a[2]	Nil	-	-	9,392	-	9,392
09/09/2013	n/a[2]	Nil	-	-	107,178	-	107,178
09/09/2013	n/a[2]	Nil	-	-	18,181	-	18,181
Total			**8,261,960**	**142,689**	**5,228,153**	**184,498**	**13,162,926**

1 The weighted average remaining contractual life of share rights (and share bonus rights without performance conditions) outstanding at the end of the period is 1 year.

2 The share rights granted during 2011, 2012 and 2013 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 share rights have been issued, no share rights have been exercised, and 26,918 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 2013

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 is 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 2013 and the comparative period (2012), and the fair value per instrument of restricted shares as at the grant date.

Grant date	Number granted	Weighted average fair value
2013	nil[1]	n/a[1]
20/08/2012	65,211	$4.42

1 No restricted shares were granted during 2013.

(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 (eg 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 have been acquired by Australian employees under the ESAP plan since mid-2009. 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 2013, and the comparative year (2012), 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.

Grant date	Estimated number of matching shares to be granted	Weighted average fair value
2013 - various	**421**	**$4.14**
2012 - various	535	$3.51

Notes to the financial statements

for the year ended 31 December 2013

28. Impact from adoption of new accounting standards

(a) Restatement of comparatives

As set out in note 1(a), AMP adopted AASB 10 *Consolidated Financial Statements* and the revised AASB 19 *Employee Benefits* from 1 January 2013. Comparatives have been restated as if these standards had always been applied.

The impact of this change on individual line items for the comparative period on the Income statement, Statement of other comprehensive Income, Statement of financial position and Statement of cash flows is as follows:

Income statement

	As published 2012 $m	AASB 10 Impact $m	AASB 119 Impact $m	Restated 2012 $m
Income and expenses of shareholders, policyholders, external unitholders and non-controlling interests				
Life insurance premium and related revenue	2,218	-	-	**2,218**
Fee revenue	2,332	(16)	-	**2,316**
Other revenue	280	391	(7)	**664**
Investment gains and (losses)	11,448	171	-	**11,619**
Share of profit or (loss) of associates accounted for using the equity method	5	-	-	**5**
Life insurance claims and related expenses	(2,048)	-	-	**(2,048)**
Operating expenses	(3,787)	(362)	(13)	**(4,162)**
Finance costs	(298)	(72)	-	**(370)**
Movement in external unitholder liabilities	(880)	(89)	-	**(969)**
Change in policyholder liabilities				
- life insurance contracts	(934)	-	-	**(934)**
- investment contracts	(7,000)	-	-	**(7,000)**
Income tax (expense) credit	(685)	3	6	**(676)**
Profit for the period	651	26	(14)	**663**
Profit attributable to shareholders of AMP Group Holdings Limited	668	(1)	(14)	**653**
Profit (loss) attributable to non-controlling interests	(17)	27	-	**10**
Profit for the period	651	26	(14)	**663**

Notes to the financial statements

for the year ended 31 December 2013

28. Impact from adoption of new accounting standards (continued)

Statement of comprehensive income

	As published 2012 $m	AASB 10 Impact $m	AASB 119 Impact $m	Restated 2012 $m
Profit	651	26	(14)	**663**
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Cash flow hedges				
- gains and (losses) in fair value of cash flow hedges	(17)	-	-	**(17)**
- income tax (expense) credit	5	-	-	**5**
- transferred to profit for the period	3	-	-	**3**
- transferred to profit for the period - income tax (expense) credit	(1)	-	-	**(1)**
	(10)	-	-	**(10)**
Exchange difference on translation of foreign operations				
- exchange gains (losses)	29	-	-	**29**
- transferred to profit for the period	3	-	-	**3**
- transferred to profit for the period - income tax (expense) credit	(1)	-	-	**(1)**
	31	-	-	**31**
Revaluation of hedge of net investments				
- gains and (losses) in fair value of hedge of net investments	(1)	-	-	**(1)**
- transferred to profit for the period - gross	(3)	-	-	**(3)**
- transferred to profit for the period - income tax (expense) credit	1	-	-	**1**
	(3)	-	-	**(3)**
Items that will not be reclassified subsequently to profit or loss				
Defined benefit plans				
- actuarial gains and (losses)	53	-	20	**73**
- income tax (expense) credit	(16)	-	(6)	**(22)**
	37	-	14	**51**
Owner-occupied property revaluation				
- gains (losses) in valuation of owner-occupied property	12	-	-	**12**
- income tax (expense) credit	(1)	-	-	**(1)**
	11	-	-	**11**
Other comprehensive income for the period	66	-	14	80
Total comprehensive income for the period	717	26	-	**743**
Total comprehensive income attributable to shareholders of AMP Group Holdings Limited	734	(1)	-	**733**
Total comprehensive income (loss) attributable to non-controlling interests	(17)	27	-	**10**
Total comprehensive income for the period	717	26	-	**743**

Notes to the financial statements

for the year ended 31 December 2013

28. Impact from adoption of new accounting standards (continued)

Statement of financial position	31 December 2012			31 December 2011		
	As published $m	AASB 10 Impact $m	Restated $m	As published $m	AASB 10 Impact $m	Restated $m
Assets						
Cash and cash equivalents	8,006	176	**8,182**	7,614	158	**7,772**
Receivables	2,087	33	**2,120**	2,504	94	**2,598**
Current tax assets	54	-	**54**	32	-	**32**
Inventories and other assets	200	10	**210**	276	18	**294**
Investments in financial assets	85,741	1,404	**87,145**	76,815	1,202	**78,017**
Investment properties	6,508	-	**6,508**	7,424	-	**7,424**
Investments in associates accounted for using the equity method	81	-	**81**	115	-	**115**
Property, plant and equipment	468	572	**1,040**	479	537	**1,016**
Deferred tax assets	1,073	32	**1,105**	958	30	**988**
Intangibles	4,175	327	**4,502**	4,347	330	**4,677**
Assets of disposal groups	187	-	**187**	-	-	**-**
Total assets of shareholders of AMP Group Holdings Limited, policyholders, external unitholders and non-controlling interests	108,580	2,554	**111,134**	100,564	2,369	**102,933**
Liabilities						
Payables	2,562	418	**2,980**	2,690	396	**3,086**
Current tax liabilities	43	-	**43**	86	-	**86**
Provisions	573	35	**608**	550	28	**578**
Other financial liabilities	2,207	20	**2,227**	2,494	3	**2,497**
Borrowings	1,719	980	**2,699**	2,132	963	**3,095**
Subordinated debt	961	-	**961**	949	-	**949**
Deferred tax liabilities	1,367	33	**1,400**	890	38	**928**
External unitholder liabilities	8,690	1,012	**9,702**	7,224	902	**8,126**
Life insurance contract liabilities	25,055	-	**25,055**	24,399	-	**24,399**
Investment contract liabilities	58,385	-	**58,385**	52,940	-	**52,940**
Defined benefit plan liabilities	286	-	**286**	370	-	**370**
Liabilities of disposal groups	74	-	**74**	-	-	**-**
Total liabilities of shareholders of AMP Group Holdings Limited, policyholders, external unitholders and non-controlling interests	101,922	2,498	**104,420**	94,724	2,330	**97,054**
Net assets of shareholders of AMP Group Holdings Limited and non-controlling interests	6,658	56	**6,714**	5,840	39	**5,879**
Equity						
Contributed equity	6,926	-	**6,926**	6,926	-	**6,926**
Reserves	(2,151)	-	**(2,151)**	(2,530)	-	**(2,530)**
Retained earnings	1,786	18	**1,804**	1,376	19	**1,395**
Total equity of shareholders of AMP Group Holdings Limited	6,561	18	**6,579**	5,772	19	**5,791**
Non-controlling interests	97	38	**135**	68	20	**88**
Total equity of shareholders of AMP Group Holdings Limited and non-controlling interests	6,658	56	**6,714**	5,840	39	**5,879**

Notes to the financial statements

for the year ended 31 December 2013

28. Impact from adoption of new accounting standards (continued)

Statement of cash flows

	As published 2012 $m	AASB 10 Impact $m	Restated 2012 $m
Cash flows from operating activities			
Cash receipts in the course of operations	18,673	458	**19,131**
Interest and other items of a similar nature received	1,725	11	**1,736**
Dividends and distributions received	1,008	18	**1,026**
Cash payments in the course of operations	(19,787)	(361)	**(20,148)**
Finance costs	(293)	(72)	**(365)**
Income tax refunded/(paid)	(122)	(4)	**(126)**
Cash flows from operating activities	1,204	50	**1,254**
Cash flows from investing activities			
Net proceeds from sale of/(payments to acquire):			
- investment property	989	-	**989**
- investments in financial assets	(1,158)	(52)	**(1,210)**
- operating and intangible assets	(175)	3	**(172)**
Payments to acquire other subsidiaries and other businesses	(14)	-	**(14)**
Cash flows from (used in) investing activities	(358)	(49)	**(407)**
Cash flows from financing activities			
Proceeds from borrowings - non-banking operations	500	17	**517**
Net movement in deposits from customers	(6)	-	**(6)**
Repayment of borrowings - non-banking operations	(914)	-	**(914)**
Proceeds from the sale of 15% of AMP Capital Holdings Limited	425	-	**425**
Dividends paid	(295)	-	**(295)**
Cash flows from (used in) financing activities	(290)	17	**(273)**
Net increase (decrease) in cash and cash equivalents	556	18	**574**
Cash and cash equivalents at the beginning of the year	12,398	158	**12,556**
Effect of exchange rate changes on cash and cash equivalents	16	-	**16**
Cash and cash equivalents at the end of the year	12,970	176	**13,146**

(b) Impact on the current period

The adoption of the revised AASB 119 *Employee Benefits* decreased profit in 2013 by $16m and increased Other comprehensive income in 2013 by $16m.

The adoption of AASB 10 *Consolidated Financial Statements* increased profit for the period by $21m consisting of a loss of $2m attributable to shareholders of AMPGH Limited and a profit of $23m attributable to non-controlling interests. The adoption of AASB 10 will have impacted individual line items of the financial statements in a similar manner to that disclosed on the preceding pages for the restatement of comparatives.

Notes to the financial statements

for the year ended 31 December 2013

29. Group controlled entity holdings

Details of significant investments in controlled entities are as follows:

Companies Name of entity	Country of registration	Share type	Footnote	% Holdings 2013	Restated 2012
140 St Georges Terrace Pty Limited	Australia	Ord		85	85
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
AAPH Australia Staff Superannuation Pty Ltd	Australia	Ord		100	100
AAPH Executive Plan (Australia) Pty Ltd	Australia	Ord		100	100
AAPH GESP Exempt (Australia) Pty Ltd	Australia	Ord	2	-	100
AAPH Hong Kong Finance Limited	Hong Kong	Ord		100	100
AAPH New Zealand Finance Pty Ltd	Australia	Ord		100	100
AAPH New Zealand HJV Limited	New Zealand	Ord	2	-	100
Abbey Capital Real Estate Pty Limited	Australia	Ord		100	100
Accountants Resourcing (Australia) Pty Ltd	Australia	Ord		100	100
ACIT Finance Pty Limited	Australia	Ord	3	50	100
ACN 100 509 993 Pty Ltd	Australia	Ord		100	100
ACN 154 462 334 Pty Ltd [formerly AMP SMSF Investments Pty Limited]	Australia	Ord	2	-	100
ACN 155 075 040 Pty Limited	Australia	Ord, Class A Pref.		100	100
ACPP Industrial Pty Ltd	Australia	Ord		85	85
ACPP Office Pty Ltd	Australia	Ord		85	85
ACPP Retail Pty Ltd	Australia	Ord		85	85
AdviceFirst Limited	New Zealand	Ord		65	67
Adviser Resourcing Pty Ltd	Australia	Ord		100	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
AIMS AMP Capital Industrial REIT Management Australia Pty Limited	Australia	Ord	1	85	-
Allmarg Corporation Limited	New Zealand	Ord, Pref		100	100
AMP (UK) Finance Services Plc	UK	Ord		100	100
AMP AAPH Finance Limited	Australia	Ord		100	100
AMP AAPH Limited	Australia	Ord		100	100
AMP ASAL Pty Ltd	Australia	Ord		100	100
AMP Capital AA REIT Investments (Australia) Pty Limited	Australia	Ord	1	85	-
AMP Capital AB Holdings Pty Limited	Australia	Ord		85	85
AMP Capital Advisors India Private Limited	India	Ord		85	85
AMP Capital Asia Limited	HK	Ord		85	85
AMP Capital Bayfair Pty Limited	Australia	Ord		85	85
AMP Capital Core Infrastructure Pty Limited	Australia	Ord		85	85
AMP Capital Finance Limited	Australia	Ord		85	85
AMP Capital Funds Management Limited	Australia	Ord		85	85
AMP Capital Holdings Limited	Australia	Ord		85	85
AMP Capital Investment Management (UK) Limited	UK	Ord A & B		85	85
AMP Capital Investment Management Pty Limited	Australia	Ord A & B		85	85
AMP Capital Investments No 11 Limited	New Zealand	Ord A & B	2	-	100
AMP Capital Investments No. 14 Limited	New Zealand	Ord A & B, Pref		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 Investors (Angel Trains EU No.1) S.à r.l.	Luxembourg	Ord	3	42	41
AMP Capital Investors (Angel Trains EU No.2) S.à r.l.	Luxembourg	Ord	3	42	41
AMP Capital Investors (Angel Trains UK No.1) S.à r.l.	Luxembourg	Ord	3	42	41
AMP Capital Investors (Angel Trains UK No.2) S.à r.l.	Luxembourg	Ord	3	42	41
AMP Capital Investors (CLH No. 1) S.à r.l.	Luxembourg	Ord	3	42	41
AMP Capital Investors (CLH No. 2) B.V.	Luxembourg	Ord	3	42	41

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29. Group controlled entity holdings (continued)

Companies Name of entity	Country of registration	Share type	Footnote	% Holdings 2013	Restated 2012
AMP Capital Investors (Hong Kong) Limited	Hong Kong	Ord		85	85
AMP Capital Investors (IDF II GP) S.à.r.l.	Luxembourg	Ord	1	85	-
AMP Capital Investors (Infrastructure No.1) S.à r.l.	Luxembourg	Ord	3	42	41
AMP Capital Investors (Infrastructure No.2) S.à r.l.	Luxembourg	Ord	3	42	41
AMP Capital Investors (Infrastructure No.3) S.à r.l.	Luxembourg	Ord	3	42	41
AMP Capital Investors (Infrastructure No.4) S.à r.l.	Luxembourg	Ord	3	42	41
AMP Capital Investors (Jersey No. 2) Limited	Jersey	Ord		85	85
AMP Capital Investors (Kemble Water) S.à r.l.	Luxembourg	Ord	3	42	41
AMP Capital Investors (Luxembourg No. 3) S.à r.l.	Luxembourg	Ord		85	85
AMP Capital Investors (Luxembourg No. 4) S.à r.l.	Luxembourg	Ord		85	85
AMP Capital Investors (Luxembourg No. 5) S.à r.l.	Luxembourg	Ord		85	85
AMP Capital Investors (Luxembourg No. 6) S.à r.l.	Luxembourg	Ord		85	85
AMP Capital Investors (Luxembourg) S.à r.l.	Luxembourg	Ord		85	85
AMP Capital Investors (New Zealand) Limited	New Zealand	Ord		85	85
AMP Capital Investors (Property Funds Management Jersey) Limited	Jersey	Ord		85	85
AMP Capital Investors (Singapore) Private Property Trust Limited	Singapore	Ord		85	85
AMP Capital Investors (Singapore) Pte Ltd	Singapore	Ord		85	85
AMP Capital Investors (UK) Limited	UK	Ord		85	85
AMP Capital Investors (US) Limited	USA	Ord		85	85
AMP Capital Investors Airport S.à r.l.	Luxembourg	Ord	3	42	41
AMP Capital Investors Advisory (Beijing) Limited	R.O. C.	Ord		85	85
AMP Capital Investors International Holdings Limited	Australia	Ord		85	85
AMP Capital Investors Japan KK	Japan	Ord		85	85
AMP Capital Investors KK	Japan	Ord		85	85
AMP Capital Investors Limited	Australia	Ord		85	85
AMP Capital Investors Property Japan KK	Japan	Ord	2	-	85
AMP Capital Investors Real Estate Pty Limited	Australia	Ord		85	85
AMP Capital Investors UK Cable Limited	Luxembourg	Ord	3	42	41
AMP Capital Office & Industrial (Singapore) Pte Limited	Singapore	Ord		85	85
AMP Capital Office and Industrial Pty Limited	Australia	Ord		85	85
AMP Capital Palms Pty Limited	Australia	Ord		85	85
AMP Capital Property Nominees Ltd	Australia	Ord		85	85
AMP Capital SA Schools No. 1 Pty Limited	Australia	Ord		85	85
AMP Capital SA Schools No. 2 Pty Limited	Australia	Ord		85	85
AMP Capital Shopping Centres Pty Limited	Australia	Ord		85	85
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		85	85
AMP Custodian Services (NZ) Limited	New Zealand	Ord		85	85
AMP Davidson Road Pty Limited	Australia	Ord		85	85
AMP Direct Pty Ltd	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 Foundation Income Beneficiary Pty Ltd	Australia	Ord	3	-	-
AMP GBS Limited	Australia	Fixed		100	100
AMP GDPF Pty Limited	Australia	Ord		85	85
AMP Global Property Investments Pty Ltd	Australia	Ord		100	100
AMP Group Finance Services Limited	Australia	Ord		100	100
AMP Group Holdings Limited	Australia	Ord		100	100
AMP Group Services Limited	Australia	Ord		100	100

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29. Group controlled entity holdings (continued)

Companies Name of entity	Country of registration	Share type	Footnote	% Holdings 2013	Restated 2012
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		85	85
AMP Investment Services No. 2 Pty Limited	Australia	Ord		85	85
AMP Investment Services Pty Limited	Australia	Ord		85	85
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		85	85
AMP Macquarie Pty Limited	Australia	Ord		85	85
AMP New Zealand Holdings Limited	New Zealand	Ord		100	100
AMP Pacific Fair Pty Limited	Australia	Ord		85	85
AMP Personal Investment Services Limited	Australia	Ord		100	100
AMP Planner Register Company Pty Limited	Australia	Ord		100	100
AMP Private Capital New Zealand Limited	New Zealand	Ord		85	85
AMP Private Capital No. 2 Pty Limited	Australia	Ord		85	85
AMP Private Capital Pty Limited	Australia	Ord		85	85
AMP Private Investments Pty Limited	Australia	Ord		85	85
AMP Property Investments (Qld) Pty. Ltd.	Australia	Ord		100	100
AMP Real Estate Advisory Holdings Pty Limited	Australia	Ord		100	100
AMP Remuneration Rew ard Plans Nominees Pty. Limited	Australia	Ord		100	100
AMP Riverside Plaza Pty Limited	Australia	Ord		85	85
AMP Royal Randw ick Pty Limited	Australia	Ord		85	85
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 No. 2 Pty Ltd	Australia	Ord	1	100	-
AMP SMSF Pty Ltd	Australia	Ord	1	100	-
AMP Superannuation (NZ) Limited	New Zealand	Ord	2	-	100
AMP Superannuation Limited	Australia	Ord		100	100
AMP Warringah Mall Pty Ltd	Australia	Ord		85	85
AMP Wealth Management New Zealand Limited	New Zealand	Ord		100	100
AMP/ERGO Mortgage and Savings Limited	New Zealand	Ord		100	100
Arrive Wealth Management Limited	Australia	Ord		100	100
Associated Planners Financial Services Pty Ltd	Australia	Ord		96	96
Associated Planners Strategic Finance Pty Ltd	Australia	Ord		96	96
Auburn Mega Mall Pty Limited	Australia	Ord		85	85
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		85	85
AXA APH GESP Deferred (Australia) Pty Ltd	Australia	Ord	2	-	100
AXA Funds Management Pty Ltd	Australia	Ord	2	-	100
Baystar Pty Ltd	Australia	Ord	2	-	61
BCG Finance Pty Limited	Australia	Ord	1	100	61
BMRI Financial Services Pty Ltd	Australia	Ord		100	100
Carillon Avenue Pty Ltd	Australia	Ord	1,3	34	-
Carter Bax Pty Ltd	Australia	Ord		100	100
Cavendish Administration Pty Ltd	Australia	Ord		100	100
Cavendish Pty Ltd	Australia	Ord		100	100
Cavendish Superannuation Holdings Pty Ltd	Australia	Ord		100	100
Cavendish Superannuation Pty Ltd	Australia	Ord		100	100

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29. Group controlled entity holdings (continued)

Companies				% Holdings	Restated
Name of entity	**Country of registration**	**Share type**	**Footnote**	**2013**	**2012**
CBD Financial Planning Pty Limited	Australia	Ord		100	100
Charter Financial Planning Limited	Australia	Ord		100	100
Clientcare Financial Planning Pty Ltd	Australia	Ord		100	100
Coffs Harbour Aged Care Developments Pty Limited	Australia	Ord	2	-	61
Collins Place No. 2 Pty Ltd	Australia	Ord		100	100
Collins Place Pty Limited	Australia	Ord		100	100
DAC Finance Pty Limited	Australia	Ord	2	-	61
DAC Finance (Aust) Pty Limited	Australia	Ord	2	-	61
DAC Finance (NSW/QLD) Pty Limited	Australia	Ord	2	-	61
DAC Finance (VIC) Pty Limited	Australia	Ord	2	-	61
Didus Pty Limited	Australia	Ord		100	100
Domain Aged Care No 2 Pty Limited	Australia	Ord	2	-	61
Domain Aged Care (TM) Pty Limited	Australia	Ord	2	-	61
Domain Aged Care (Ashmore) Pty Limited	Australia	Ord	2	-	61
Domain Aged Care (Kirra Beach) Pty Limited	Australia	Ord	2	-	61
Domain Aged Care (Operations) Pty Limited	Australia	Ord	2	-	61
Domain Aged Care (Parklands) Pty Limited	Australia	Ord	2	-	61
Domain Aged Care (Services) Pty Limited	Australia	Ord	2	-	61
Domain Aged Care (Victoria) Pty Limited	Australia	Ord	2	-	61
Domain Aged Care Management Pty Limited	Australia	Ord	2	-	61
Domain Aged Care No 3 Pty Limited	Australia	Ord	2	-	61
Domain Aged Care Pty Limited	Australia	Ord	2	-	61
Domain Aged Care Developments Pty Limited	Australia	Ord	2	-	61
Domain Aged Care Investments Pty Limited	Australia	Ord	2	-	61
Domain Aged Care (QLD) Pty Limited	Australia	Ord	2	-	61
Domain Annex Pty Limited	Australia	Ord	2	-	61
Domain Group Holdings Pty Limited	Australia	Ord	2	-	61
Domain Group Investments Pty Limited	Australia	Ord	2	-	61
DPG Canada Bay Pty Limited	Australia	Ord	2	-	61
DPG Canada Bay (Holdings) Pty Limited	Australia	Ord	2	-	61
Exford Pty Ltd	Australia	Ord		100	100
Financial Composure Pty Ltd	Australia	Ord		96	96
Financially Yours Holdings Pty Ltd	Australia	Ord		100	80
Financially Yours Pty Ltd	Australia	Ord		100	80
First Quest Capital Pty Ltd	Australia	Ord		96	96
Focus Property Services Pty Limited	Australia	Ord		92	92
Foundation Wealth Advisers Pty Ltd	Australia	Ord		57	57
Garrisons (Rosny) Pty Ltd	Australia	Ord		100	100
Genesys Group Holdings Pty Ltd	Australia	Ord		100	100
Genesys Group Pty Ltd	Australia	Ord		96	96
Genesys Holdings Limited	Australia	Ord		96	96
Genesys Kew Pty Ltd	Australia	Ord		96	96
Genesys Wealth Advisers (WA) Pty Ltd	Australia	Ord		100	100
Genesys Wealth Advisers Ltd	Australia	Ord		96	96
Glendenning Pty Limited	Australia	Ord		100	100
Global Matafion S.L.	Luxembourg	Ord	3	42	41
Greater Gabbard OFTO Ltd	Luxembourg	Ord	3	42	41
Greater Gabbard OFTO Holdings Limited	Luxembourg	Ord	3	42	41
Greater Gabbard OFTO Interm Ltd	Luxembourg	Ord	3	42	41
GWM Spicers Limited	New Zealand	Ord		100	100
Hillross Alliances Limited	Australia	Ord		100	100
Hillross Financial Services Limited	Australia	Ord		100	100

Notes to the financial statements

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29. Group controlled entity holdings (continued)

Companies Name of entity	Country of registration	Share type	Footnote	% Holdings 2013	Restated 2012
Hillross Innisfail Pty Limited	Australia	Ord		100	100
Hillross Wealth Management Centre Melbourne Pty Limited	Australia	Ord		100	100
Hindmarsh Square Financial Services Pty Ltd	Australia	Ord		100	100
Hindmarsh Square Wealth Advisers Pty Ltd	Australia	Ord		73	73
Honeysuckle 231 Pty Limited	Australia	Ord		60	60
Hospital Car Parking Holdings Limited	New Zealand	Ord	2	-	85
INSSA Pty Limited	Australia	Ord		100	100
ipac Asset Management Limited	Australia	Ord		100	100
ipac Financial Care Pty Ltd	Australia	Ord		100	100
ipac Group Services Pty Limited	Australia	Ord		100	100
Ipac Portfolio Management Limited	Australia	Converting Class A		85	85
ipac Securities Limited	Australia	Ord		100	100
ipac Taxation Services Pty Ltd	Australia	Ord		75	75
Jeminex Limited	Australia	Ord		51	51
Jigsaw Support Services Limited	Australia	Ord		100	100
John Coombes & Company Pty Ltd	Australia	Ord		55	55
Kent Street Pty Limited	Australia	Ord		100	100
King Financial Services Pty Ltd	Australia	Ord		100	88
Kiwi Kat Limited	New Zealand	Ord		70	70
Lake Macquarie Aged Care Developments Pty Ltd	Australia	Ord	2	-	61
Knox City Shopping Centre Investments (No. 2) Pty Limited	Australia	Ord		100	100
LifeFX Pty Ltd	Australia	Ord		100	100
Lindwall Group Pty Ltd	Australia	Ord		100	100
Marrickville Metro Shopping Centre Pty Limited	Australia	Ord		85	85
Monitor Money Corporation Pty Ltd	Australia	Ord		100	100
Mortgage Backed Bonds Limited	New Zealand	Ord		100	100
Mowla Pty. Ltd.	Australia	Ord		100	100
Multiport Malaysia SDN BHD	Malaysia	Ord		100	100
Multiport Pty Ltd	Australia	Ord		100	100
Multiport Resources Pty Ltd	Australia	Ord		100	100
N.M. Superannuation Pty Limited	Australia	Ord		100	100
National Fire Holdings Pty Limited	Australia	Ord		51	51
National Mutual Funds Management (Global) Limited	Australia	Ord		100	100
National Mutual Funds Management Limited	Australia	Ord		100	100
National Mutual Life Nominees Limited	Australia	Ord		100	100
NM Computer Services Pty Ltd	Australia	Ord		100	100
NM New Zealand Nominees Limited	New Zealand	Ord		100	100
NM Rural Enterprises Pty Ltd	Australia	Ord		100	100
NMMT Limited	Australia	Ord		100	100
Northstar Lending Pty Ltd	Australia	Ord		100	100
Omega (Australia) Pty Limited	Australia	Ord		85	85
One Group Retail Holdings Pty Limited	Australia	Ord		52	52
Pajoda Investments Pty Ltd	Australia	Ord		55	55
Parkside Investorplus Solutions Pty Ltd	Australia	Ord		100	100
PHF No. 3 Finance Pty Ltd	Australia	Ord	2	-	61
PHFT Finance Pty Limited	Australia	Ord	2	-	100
PPS Lifestyle Solutions Pty Ltd	Australia	Ord		100	100
PremierOne Mortgage Advice Pty Limited	Australia	Ord		100	100
Principal Healthcare Finance Pty Limited	Australia	Ord	2	-	61
Principal Healthcare Apartments Pty Limited	Australia	Ord	2	-	61
Principal Healthcare Finance No 2 Pty Limited	Australia	Ord	2	-	61

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29. Group controlled entity holdings (continued)

Companies Name of entity	Country of registration	Share type	Footnote	% Holdings 2013	Restated 2012
Principal Healthcare Finance (NZ) Limited	Australia	Ord	2	-	61
Principal Healthcare Finance No. 3 Pty Limited	Australia	Ord	2	-	61
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		100	100
Project Care Pty Limited	Australia	Ord	2	-	61
Quadrant Securities Pty Ltd	Australia	Ord		96	96
Quantum Financial Solutions Limited	New Zealand	Ord	2	-	100
Quay Mining (No. 2) Limited	Bermuda	Ord, Red Pref		100	100
Quay Mining Pty Limited	Australia	Ord		100	100
S.G. Holdings Limited	New Zealand	Ord	2	-	100
SG (Aust) Holdings Pty Ltd	Australia	Ord	2	-	100
Silverton Securities Proprietary Ltd	Australia	Ord		100	100
SMSF Advice Pty Ltd	Australia	Ord		100	100
Solar Risk Pty Limited	Australia	Ord		100	100
Spicers Portfolio Management Ltd	New Zealand	Ord		100	100
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		85	85
Strategic Infrastructure Trust of Europe UK SPV Limited	Luxembourg	Ord	3	42	41
Strategic Planning Partners Pty Limited	Australia	Ord		100	100
Strategic Wealth Solutions Pty Limited	Australia	Ord		100	100
Sugarland Shopping Centre Pty Limited	Australia	Ord		85	85
Sunshine West Development Pty Limited	Australia	Ord		75	75
Sunshine West Income Pty Limited	Australia	Ord		85	85
Supercorp Administration Pty Ltd	Australia	Ord	1	100	-
Suwaraow Pty Limited	Australia	Ord		100	100
Synergy Capital Management Limited	Australia	Ord		96	96
TFS Financial Planning Pty Limited	Australia	Ord		100	100
The India Infrastructure Fund LLC	Mauritius	Red Pref	2	-	100
The National Mutual Life Association of Australasia Limited	Australia	Ord		100	100

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29. Group controlled entity holdings (continued)

Companies **Name of entity**	**Country of registration**	**Share type**	**Footnote**	**% Holdings** **2013**	**Restated** **2012**
TM Securities Pty Limited	Australia	Ord		100	100
TOA Pty Ltd	Australia	Ord		100	100
Tweed Heads Aged Care Developments Pty Limited	Australia	Ord	2	-	61
Tynan Mackenzie Holdings Pty Limited	Australia	Ord		73	73
Tynan Mackenzie Pty Limited	Australia	Ord		98	98
United Equipment Holdings Pty Limited	Australia	Ord		56	56
Waterfront Place (No. 2) Pty. Ltd.	Australia	Ord		100	100
Waterfront Place (No. 3) Pty. Ltd.	Australia	Ord		100	100
Wilsanik Pty Ltd	Australia	Ord		100	100

1 Controlling interest acquired in 2013.

2 Controlling interest lost in 2013.

3 Not more than 50 per cent holding, but consolidated because AMPGH is exposed or has rights to variable returns from its investment with the entity and has the ability to affect these returns through its power over the entity.

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29. Group controlled entity holdings (continued)

Details of significant investments in controlled trusts are as follows:

Trusts and other entities			% Holdings	
	Country of			Restated
Name of entity	**registration**	**Footnote**	**2013**	**2012**
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		75	76
AFS Alternative Fund 1	Australia		100	100
AFS Australian Equity Enhanced Index Fund 1	Australia		100	100
AFS Australian Equity Growth Fund 1	Australia		100	100
AFS Australian Equity Value Plus Fund 1	Australia	1	100	-
AFS Australian Property Securities Fund 1	Australia		100	100
AFS Australian Share Fund 8	Australia		100	100
AFS Extended Alpha Fund (formerly AMP Capital Sustainable Extended Alpha Fund)	Australia		100	100
AFS Global Property Securities Fund 1	Australia		100	100
AFS International Fixed Interest Enhanced Index Fund	Australia	1	100	-
AFS International Share Fund 1	Australia		100	100
Aged Care Investment Trust No.1	Australia		100	61
Aged Care Investment Trust No.2	Australia		100	61
Aged Care Investment Trust No 3	Australia	2	-	61
Aggressive Enhanced Index Fund	Australia		100	100
AHGI Martineau Fund	Australia		100	100
AHGI Martineau Galleries Fund	Australia		100	100
AMP Capital 1950s Fund	Australia	1	100	-
AMP Capital 1960s Fund	Australia	1	100	-
AMP Capital 1970s Fund	Australia	1	100	-
AMP Capital 1980s Fund	Australia	1	100	-
AMP Capital 1990s Fund	Australia	1	100	-
AMP Capital Absolute Return - Passive Fund	Australia	1	100	-
AMP Capital Alternative Defensive Fund	Australia		100	100
AMP Capital Alternative Defensive Fund - Delayed Redemption	Australia		84	85
AMP Capital Asia ex-Japan Fund	Australia		100	100
AMP Capital Asia Local Currency Bond Fund	Australia		100	100
AMP Capital Asian Equity Growth Fund	Australia		75	73
AMP Capital Australian Equity Concentrated Fund	Australia	1	100	-
AMP Capital Australian Equity Income Fund	Australia		100	100
AMP Capital Australian Index Fund	Australia	1	54	-
AMP Capital Australian Equity Long Short Fund	Australia		100	100
AMP Capital Australian Equity Opportunities Fund	Australia		68	81
AMP Capital Australian Small Companies Fund	Australia		55	54
AMP Capital Business Space REIT	Singapore		85	100
AMP Capital China Growth Fund	Australia	3	37	38
AMP Capital Corporate Bond Fund	Australia		70	76
AMP Capital Credit Strategies Fund	Australia		87	91
AMP Capital Direct Property Fund	Australia	1	100	-
AMP Capital Diversified Balanced Fund	Australia	1	100	-
AMP Capital Extended Multi-Asset Fund	Australia		69	71
AMP Capital Global Equities Sector Rotation Fund	Australia		100	100
AMP Capital Global Infrastructure Securities Fund (Hedged)	Australia		75	80
AMP Capital Global Infrastructure Securities Fund (Unhedged)	Australia		74	80

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29. Group controlled entity holdings (continued)

Trusts and other entities **Name of entity**	**Country of registration**	**Footnote**	**% Holdings 2013**	**Restated 2012**
AMP Capital Global Resource Fund	Australia		100	100
AMP Capital Infrastructure Trust 1	Australia		100	100
AMP Capital International Equity Index Fund Hedged	Australia	1	100	-
AMP Capital Macro Strategies Fund	Australia		84	85
AMP Capital Multi-Asset Fund	Australia	2	-	73
AMP Capital Shell Fund 1	Australia	2	-	65
AMP Capital Shell Fund 2	Australia	2	-	100
AMP Capital Shell Fund 3	Australia	1	100	-
AMP Capital Stable Fund	Australia	1	100	-
AMP Capital Sustainable Share Fund	Australia		69	66
AMP Capital Wholesale Office Fund	Australia	3	35	37
AMP Life Cash Management Trust	Australia		100	100
AMP Private Capital Trust No.9	Australia		100	100
AMP Shareholder Cash Fund	Australia		100	100
AMP Shareholder Fixed Interest Fund	Australia		100	100
AMP UK Shopping Centre Fund	Australia		100	100
AMPCI FD Infrastructure Trust	Australia		97	97
Australian Credit Fund	Australia		99	99
Australian Government Fixed Interest Fund	Australia		100	100
Australian Pacific Airports Fund	Australia		77	66
Australian Pacific Airports Fund No.3	Australia	3	33	33
AWOF New Zealand Office Trust	New Zealand	3	35	37
Balanced Enhanced Index Fund	Australia		100	100
Booragoon Trust	Australia		100	100
Bourke Place Unit Trust	Australia	3	23	25
Cautious Enhanced Index Fund	Australia		100	100
Cavendish Administration Unit Trust	Australia	1	100	-
China Strategic Growth Fund	Australia		100	100
Commercial Loan Pool No. 1	Australia		100	100
Conservative Enhanced Index Fund	Australia		99	98
Core Plus Fund	Australia		100	100
Crossroads Trust	Australia		100	100
Davidson Road Trust	Australia		100	100
Domain Group Aged Care Unit Trust No 2	Australia	2	-	61
Domain Group Aged Care Unit Trust No 3	Australia	2	-	61
EFM Australian Share Fund 1	Australia		96	97
EFM Australian Share Fund 2	Australia		99	99
EFM Australian Share Fund 3	Australia		98	98
EFM Australian Share Fund 4	Australia		94	94
EFM Australian Share Fund 6	Australia		99	99
EFM Australian Share Fund 7	Australia		98	98
EFM Fixed Interest Fund 2	Australia		97	96
EFM Fixed Interest Fund 3	Australia		95	96
EFM Fixed Interest Fund 4	Australia		94	94
EFM Infrastructure Fund 1	Australia		94	95
EFM International Share Fund 3	Australia		97	97
EFM International Share Fund 5	Australia		96	97
EFM International Share Fund 7	Australia		91	92
EFM Listed Property Fund 1	Australia		96	96
Enhanced Index International Share Fund	Australia		90	81
Enhanced Index Share Fund	Australia		89	90
Executive Share Plan Trust	Australia		100	100
FD Australian Share Fund 1	Australia		97	97

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29. Group controlled entity holdings (continued)

Trusts and other entities Name of entity	Country of registration	Footnote	% Holdings 2013	Restated 2012
FD Australian Share Fund 3	Australia		94	93
FD International Share Fund 1	Australia		96	95
FD International Share Fund 3	Australia		98	99
FD International Share Fund 4	Australia		96	97
Floating Rate Income Fund	Australia		96	97
Future Direction Australian Bond Fund	Australia		96	96
Future Directions Asia ex Japan Fund	Australia		98	74
Future Directions Australian Share Fund	Australia		93	94
Future Directions Australian Small Companies Fund	Australia		93	90
Future Directions Balanced Fund	Australia		98	98
Future Directions Conservative Fund	Australia		95	94
Future Directions Core International Share Fund 2	Australia		59	58
Future Directions Credit Opportunities Fund	Australia		96	95
Future Directions Diversified Alternatives Fund	Australia		98	97
Future Directions Enhanced Index Australian Share Fund	Australia		97	97
Future Directions Enhanced Index Global Property Securities Fund	Australia		97	96
Future Directions Enhanced Index International Bond Fund	Australia		95	81
Future Directions Geared Australian Share Fund	Australia		93	92
Future Directions Global Credit Fund (formerly FD International Bond Fund 3)	Australia		95	89
Future Directions Global Government Bond Fund	Australia		92	92
Future Directions Growth Fund	Australia		97	96
Future Directions Hedged Core International Share Fund	Australia		61	63
Future Directions High Growth Fund	Australia		95	95
Future Directions Inflation Linked Bond Fund	Australia		97	95
Future Directions Infrastructure Fund	Australia		97	97
Future Directions International Bond Fund	Australia		95	93
Future Directions International Share Fund	Australia		60	58
Future Directions Moderately Conservative Fund	Australia		95	95
Future Directions Opportunistic Fund	Australia		98	97
Future Directions Private Equity Fund 1A	Australia		97	97
Future Directions Private Equity Fund 1B	Australia		100	100
Future Directions Private Equity Fund 2A	Australia		99	97
Future Directions Private Equity Fund 2B	Australia		100	100
Future Directions Private Equity Fund 3A	Australia		97	100
Future Directions Private Equity Fund 3B	Australia		100	100
Future Directions Property (Feeder) Fund	Australia		96	97
Future Directions Total Return Fund	Australia		96	98
Future Directors Emerging Markets Share Fund	Australia	2	-	51
Genesys Participation Trust	Australia		100	100
Global Credit Fund	Australia		100	100
Global Credit Strategies Fund	Australia		87	87
Global Government Fixed Interest Fund	Australia		100	100
Global Growth Opportunities Fund	Australia		96	96
Global Listed Infrastructure Fund	Australia		100	100
Hindmarsh Square Financial Services Trust	Australia		100	100
Infrastructure Equity Fund	Australia	3	31	31
International Bond Fund	Australia		93	91
Investment Services Unit Trust	Australia		100	100
ipac Diversified Investment Strategy No.2	Australia	2	-	63
ipac Diversified Investment Strategy No.4	Australia	1	52	69
Kent Street Investment Trust	Australia		100	100

Notes to the financial statements

for the year ended 31 December 2013

29. Group controlled entity holdings (continued)

Trusts and other entities **Name of entity**	**Country of registration**	**Footnote**	**% Holdings 2013**	**Restated 2012**
Kent Street Unit Trust	Australia		100	100
Loftus Street Trust	Australia	3	35	37
Macquarie Balanced Grow th Fund	Australia		84	83
Managed Treasury Fund	Australia		88	92
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 Equities Sector	Australia		100	100
Multi-Manager Portfolio - Balanced	Australia		100	100
Multi-Manager Portfolio - Grow th	Australia		100	100
Multi-Manager Portfolio - High Grow th	Australia		100	100
Multi-Manager Portfolio - International Equities Sector	Australia		100	100
Multi-Manager Portfolio - International Shares-Hedged	Australia		100	100
Multi-Manager Portfolio - Property Sector	Australia		100	100
Multi-Manager Portfolio - Secure	Australia		100	100
Multi-Manager Portfolio - Secure Grow th	Australia		100	100
Principal Healthcare Finance Trust	Australia	2	-	61
Principal Healthcare Finance Trust No. 2	Australia	2	-	61
Principal Healthcare Holdings Trust	Australia		100	100
Private Equity Fund IIIA	Australia		94	94
Private Equity Fund IIIB	Australia		94	94
Responsible Investment Leaders Conservative Fund	Australia		91	95
Responsible Investment Leaders Grow th Fund	Australia		97	97
Responsible Investment Leaders High Grow th Fund	Australia		100	100
Riverside Plaza Trust	Australia		100	100
Select Property Portfolio No. 1	Australia		86	86
Strategic Infrastructure Trust of Europe 1	Luxembourg	3	42	41
Strategic Infrastructure Trust of Europe 2	Luxembourg	3	42	41
Strategic Infrastructure Trust of Europe 3	Luxembourg	3	42	41
Strategic Infrastructure Trust of Europe 4	Luxembourg	3	42	41
Student Housing Accomadation Grow th Trust	Australia	1,3	34	-
Student Housing Accomadation Grow th Trust No.2	Australia	1,3	34	-
Short Term Credit Fund	Australia		100	100
Sydney Cove Trust	Australia		100	100
The Glendenning Trust	Australia		100	100
The Pinnacle Fund	Australia		100	99
Warringah Mall Trust	Australia	3	50	67
Wholesale Australian Bond Fund	Australia		90	93
Wholesale Global Diversified Yield Fund	Australia		100	99
Wholesale Global Equity - Grow th Fund	Australia	2	-	84
Wholesale Global Equity - Grow th Fund (Hedged)	Australia		100	100
Wholesale Global Equity - Index Fund (Hedged)	Australia		100	100
Wholesale Global Equity - Index Fund (Unhedged)	Australia		100	100
Wholesale Global Equity - Value Fund (Hedged)	Australia	2	-	100
Wholesale Unit Trusts NZ Shares Fund	New Zealand		100	100

1 Controlling interest acquired in 2013.

2 Controlling interest lost in 2013.

3 Not more than 50 per cent holding, but consolidated because AMPGH is exposed or has rights to variable returns from its investment w ith the entity and has the ability to affect these returns through its pow er over the entity.

Notes to the financial statements

for the year ended 31 December 2013

29. Group controlled entity holdings (continued)

In the course of its normal operating investments activities the AMP life insurance entities' statutory funds acquire equity interests in entities which, in some cases, results in AMP holding a controlling interest in some of these investees. Certain controlled entities of the AMP life entities' statutory funds are operating companies which carry out business operations unrelated to the core wealth management operation of the AMPGH group.

The AMPGH group has classified operating companies, which are controlled entities of the AMP life entities' statutory funds, as disposal groups held for sale where they are subject to active sale processes at 31 December 2013 and a sale is expected to be completed within a year. These operating companies are being disposed in accordance with the investment strategy of the fund which holds the investment in these entities. Subsequent to being classified as disposal groups an impairment of $7m to the assets of disposal groups was recognised due to a decrease in their fair value. All disposal groups are held within the Australian Wealth Management operating segment.

During the financial year ended 31 December 2013, realised gains of $20m arose with respect to the sale of disposal groups classified as held for sale (2012: nil).

The major classes of assets and liabilities of the disposal groups as at 31 December 2013 are as follows:

	2013 $m	2012 $m
Assets		
Receivables	**11**	55
Inventory and other assets	**9**	44
Property, plant and equipment	**5**	15
Intangibles	**17**	73
Total assets of the disposal groups	**42**	187
Liabilities		
Payables	**8**	47
Current tax liability	**-**	2
Provisions	**-**	12
Borrowings	**-**	13
Total liabilities of the disposal groups	**8**	74
Net assets of the disposal groups	**34**	113

Refer to note 23 Fair value information for details regarding fair value measurement.

Notes to the financial statements

for the year ended 31 December 2013

30. Associates

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

	Principal activities	Ownership interest 2013 %	Ownership interest 2012 %	Carrying amount 2013 $m	Carrying amount 2012 $m	Country of incorporation
AIMS AMP Capital Industrial REIT [1,2]	Industrial property trust	**5**	5	**33**	26	Singapore
China Life AMP Asset Management Company Ltd [3]	Investment management	**15**	-	**16**	-	China
Other (each less than $10m)				**64**	55	
Total investments in associates accounted for using the equity method				**113**	81	

1 The combination of the 5 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.

2 The value of AMP's investment in AIMS AMP Capital Industrial REIT based on published quoted prices as at 31 December 2013 is $31m (31 December 2012: $26m).

3 Became an associate entity during 2013.

Aggregated financial information extracted from the financial statements of AIMS AMP Capital Industrial REIT:	2013 $m	2012 $m
Current assets	14	11
Non-current assets	968	964
Current liabilities	19	20
Non-current liabilities	254	308
Revenues	58	65
Expenses – including tax	23	24
Profit / (loss)	35	41
Share of contingent liabilities incurred in relation to associates accounted for using the equity method	nil	nil

Aggregated financial information extracted from the financial statements of China Life AMP Asset Management Company Ltd	2013 $m	2012 $m
Current assets	108	-
Non-current assets	-	-
Current liabilities	1	-
Non-current liabilities	-	-
Revenues	1	-
Expenses – including tax	1	-
Profit / (loss)	-	-
Share of contingent liabilities incurred in relation to associates accounted for using the equity method	nil	nil

Notes to the financial statements

for the year ended 31 December 2013

30. Associates (continued)

(b) Investments in associates held by the life entities' statutory funds measured at fair value through profit or loss[1,2,3]

		Ownership interest		Carrying amount	
		2013	2012	2013	2012
	Principal activity[3]	%	%	$m	$m
AFS Property Enhanced Index Fund[4]	Investment trusts	43	-	634	-
AMP Capital Community Infrastructure Fund[4]	Investment trusts	29	-	34	-
AMP Capital Global Property Securities Fund	Investment trusts	38	36	513	466
AMP Capital Multi-Asset Fund[4]	Investment trusts	49	-	94	-
AMP Capital NZ Shares Fund (formally AIF Equity Units)[5]	Investment trusts	-	23	-	75
AMP Capital NZ Shares Index Fund	Investment trusts	35	38	87	74
AMP Capital Pacific Fair and Macquarie Shopping Centre Fund	Investment trusts	26	26	297	304
AMP Capital Property Portfolio	Investment trusts	40	27	291	244
AMP Capital Shopping Centre Fund	Investment trusts	31	34	644	632
AMP Capital Strategic NZ Shares Fund	Investment trusts	38	28	124	121
AMP Equity Trust	Investment trusts	42	42	206	189
Asian Giants Infrastructure	Infrastructure investment	37	37	18	20
Darling Park Property Trust	Investment trusts	50	50	239	228
Diversified Investment Strategy No 2[4]	Investment trusts	38	-	126	-
Esplanade Property Trust	Investment trusts	50	50	159	165
Future Directions Emerging Markets Share Fund[4]	Investment trusts	36	-	304	-
Gove Aluminium Finance Limited	Investment company	30	30	84	122
Hyperion Australian Growth Companies Fund[4]	Investment trusts	23	-	57	-
K2 Australian Absolute Return Fund[4]	Investment trusts	22	-	94	-
Listed Property Trust Fund	Investment trusts	30	31	57	57
Marrickville Metro Trust	Investment trusts	50	50	82	83
NMFM Wholesale Global Equity Value Fund[5]	Investment trusts	-	37	-	76
Pimco Diversified Fixed Interest Fund[4]	Investment trusts	25	-	73	-
Property Income Fund	Investment trusts	29	30	69	126
Responsible Investments Leader Balanced Fund	Investment trusts	32	44	272	229
Responsible Investments Leaders Australian Share Fund	Investment trusts	46	26	133	33
Schroder Fixed Income Fund[5]	Investment trusts	-	24	-	178
Specialist Investment Strategies - Australian Strategies - Australian Cash Strategy No 1	Investment trusts	24	21	194	123
Specialist Investment Strategies - Australian Strategies - Australian Share Strategy No 1	Investment trusts	25	24	844	808
Specialist Investment Strategies - International Strategies - Alternative Income Strategy No 1	Investment trusts	24	26	311	333
Specialist Investment Strategies - International Strategies - Global Emerging Markets Strategy No 1[5]	Investment trusts	-	24	-	69
Specialist Investment Strategies - International Strategies - International Fixed Interest Strategy No 2[5]	Investment trusts	-	25	-	190
Specialist Investment Strategies - International Strategies - International Share Strategy No 2	Investment trusts	24	23	233	191
Specialist Investment Strategies - International Strategies - International Smaller Companies No.1	Investment trusts	27	20	148	-
Sugarland Shopping Centre Trust	Investment trusts	50	50	55	52
Templeton Global Trust Fund[4]	Investment trusts	29	-	65	-
Value Plus Australia Share Fund	Investment trusts	29	23	57	52
Wholesale Cash Management Trust	Investment trusts	28	33	193	129
Wholesale Global Equity Value Fund[5]	Investment trusts	-	33	-	76

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 The reporting date for all significant associated entities is 31 December.

3 In the course of normal operating investment activities, the life statutory fund holds 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.

4 Trust became an associated entity during 2013

5 Trust ceased being an associated entity during 2013.

Notes to the financial statements

for the year ended 31 December 2013

31. Operating lease commitments

	Consolidated	
	2013	2012
	$m	$m
Operating lease commitments (non-cancellable)		
Due within one year	**85**	79
Due within one year to five years	**296**	360
Due later than five years	**97**	169
Total operating lease commitments	**478**	608

Lease commitments are in relation to AMPGH group's offices in various locations. Under these arrangements AMPGH group generally pays rent on a period basis at rates agreed at the inception of the lease.

At 31 December 2013, the total of future minimum sublease payments expected to be received under non-cancellable subleases was $50m (2012: $68m).

Notes to the financial statements

for the year ended 31 December 2013

32. 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 the performance of obligations by 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 2013

33. Related-party disclosures

(a) Key management personnel (KMP) details

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

Colin Storrie
David Rowe
Leanne Ward (appointed 18 November 2013)
Simon Hoole (resigned 18 November 2013)

(b) Remuneration of key management personnel

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

	Short-term benefits $'000	Post employment benefits $'000	Share-based payments $'000	Total $'000
2013	**2,835**	**81**	**937**	**3,853**
2012	2,505	83	471	3,059

(c) Transactions with key management personnel

During the year, key management personnel and their related parties 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 AMPGH group 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 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 30.

(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 2013

34. Auditors' remuneration

	Consolidated 2013 $'000	Consolidated 2012 $'000
Amounts received or due and receivable by auditors of AMP Group Holdings Limited for:		
Audit services		
Audit or review of financial statements	**11,572**	11,047
Other audit services[1]	**1,842**	2,171
Total audit service fees	**13,414**	13,218
Total non-audit services[2]	**3,763**	2,481
Total amounts received or due and receivable by auditors of AMP Group Holdings Limited[3,4]	**17,177**	15,699

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 Non-audit services include tax and compliance advice, business project advice, services in relation to a target operating model and other procedures performed for investment vehicles owned by AMP Life insurance entities' statutory funds.

3 Includes fees paid to Ernst & Young affiliates overseas.

4 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 2013

35. 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 reporting date 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.

Directors' declaration

for the year ended 31 December 2013

In accordance with a resolution of the directors of AMP Group Holdings Limited, for the purposes of section 295(4) of the *Corporations Act 2001*, the directors declare that:

(a) in the opinion of the directors there are reasonable grounds to believe that AMP Group Holdings Limited will be able to pay its debts as and when they become due and payable

(b) in the opinion of the directors the financial statements and the notes of AMP Group Holdings Limited and the consolidated entity for the financial year ended 31 December 2013 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 of AMP Group Holdings Limited and the consolidated entity for the financial year ended 31 December 2013 include an explicit and unreserved statement of compliance with the International Financial Reporting Standards, as set out in note 1(a) to the financial statements

Colin Storrie
Director

Sydney, 27 February 2014

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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 2013, 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, 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 included in the directors' report.

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 31December 2013 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.

Ernst & Young

Tony Johnson
Partner
Sydney
27 February 2014

Need help?

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AMP Group Holdings Limited is incorporated and domiciled in Australia.
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