ASX Announcement

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AMP Limited (ASX/NZX: AMP)

(Also for cross-release to AMP Group Finance Services Limited (ASX: AQNHA & NZX: AQN010)

Part 1: Annual Report 2011

Part 2: Shareholder Review 2011

Part 3: Notice of Annual General Meeting 2012, Proxy Form and Mobile Voting Flyer

Annual Report 2011

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Annual Report 2011
All amounts are in Australian dollars, unless otherwise specified. The information in this report is current as at 2 March 2012.

AMP Limited ABN 49 079 354 519

AMP

A new mark for a new era

The merger between AMP and AXA's Australian and New Zealand businesses is creating a new competitive force in financial services. Together we are new AMP.

Together, we're Australia's favourite for advice, superannuation, and personal insurance.

To symbolise this new chapter in AMP's history, we have introduced a new brand mark – the AMP Spark.

Named by our customers, in the face of life's twists and turns, it represents their possibilities. At AMP, ever since we were founded in 1849, we have always believed that it's our job to help turn those possibilities, those plans and aspirations into a better tomorrow for everyone.

The mark may be new but our enduring commitment to helping Australians and New Zealanders realise their dreams and own their tomorrows remains unchanged.

Peter Mason AM
Chairman

Welcome to AMP's 2011 Annual Report

In 2011, your company embarked on a journey that has made the Australian and New Zealand financial services sector more competitive. Our 2011 financial results demonstrate that we are making good progress, showing a new, stronger, more competitive AMP. An AMP that is reaching more customers and clients – in Australia, New Zealand and in targeted overseas markets – with more innovative products and investment capabilities.

We have achieved much of this through our merger with the Australian and New Zealand businesses of AXA Asia Pacific Holdings. The combination of our two great companies is creating a strong and unique platform for future growth. The merger itself is progressing well on all our key measures and, very importantly, the company is maintaining its momentum with an expanding adviser force, sales growth and faster than anticipated synergies emerging.

We have taken significant steps to grow your company, while anticipating market, regulatory and demographic change. These investments are yielding results, positioning us well on our journey to build a more competitive company and financial services landscape.

Dividend and capital position

Your board has declared a final 2011 dividend of 14 cents per share, which will be 50 per cent franked. The dividend represents a payout ratio of 84 per cent of underlying profit in 2011, which is within our target range of 75 to 85 per cent of underlying profit. In the future, the target dividend payout range will be 70 to 80 per cent of underlying profit, to fund business growth.

Your board has a bias to holding more capital rather than less, because of ongoing market volatility and ahead of anticipated changes in regulatory capital requirements. This bias stood us in very good stead in the second half of 2011 given falling investment markets. AMP remains strongly capitalised, with $1.5 billion in surplus capital above minimum regulatory requirements at 31 December 2011.

Conclusion

I believe that our investment in growth and our track record of adapting to change will ensure your company can deliver strong performance for clients and shareholders.

Peter Mason
Chairman

Year ended 31 December		2011 $m	2010 $m	2009 $m	2008 $m	2007 $m
Consolidated income statement[1]						
Net premium, fee and other revenue		**4,219**	2,824	2,665	2,877	2,869
Investment gains (losses)		**1,464**	4,840	8,250	(13,843)	8,128
Profit (loss) before income tax from continuing operations		**673**	881	1,228	(1,094)	1,237
Income tax (expense) credit		**3**	(126)	(505)	1,668	(445)
Profit from discontinued operations held for sale after income tax[1]		**–**	–	–	6	193
Non-controlling interests		**12**	20	16	–	–
Profit after tax attributable to shareholders of AMP Limited		**688**	775	739	580	985
Consolidated statement of financial position						
Cash and cash equivalents		**4,652**	3,325	2,409	2,056	2,141
Investment assets		**96,972**	85,120	84,171	80,641	99,150
Intangibles		**4,347**	919	946	939	1,005
Assets of discontinued operations held for sale[1]		**–**	–	–	–	747
Other assets		**4,319**	2,241	2,304	3,114	2,266
Total assets		**110,290**	91,605	89,830	86,750	105,309
Borrowings and subordinated debt		**12,359**	11,136	12,350	12,376	11,653
Life insurance contract liabilities		**24,399**	17,762	18,380	19,250	20,635
Investment contract liabilities		**52,940**	48,579	47,239	41,510	52,357
Liabilities of discontinued operations held for sale[1]		**–**	–	–	–	672
Other liabilities		**13,695**	11,130	9,227	11,497	17,978
Total liabilities		**103,393**	88,607	87,196	84,633	103,295
Net assets		**6,897**	2,998	2,634	2,117	2,014
Contributed equity		**9,080**	5,051	4,814	4,481	3,827
Reserves		**(2,534)**	(2,565)	(2,563)	(2,598)	(2,446)
Retained earnings		**283**	452	320	154	546
Total equity attributable to shareholders of AMP Limited		**6,829**	2,938	2,571	2,037	1,927
Non-controlling interests		**68**	60	63	80	87
Total equity		**6,897**	2,998	2,634	2,117	2,014

		2011	2010	2009	2008	2007
Other financial data						
Basic earnings per ordinary share	($ps)	**$0.26**	$0.38	$0.37	$0.31	$0.53
Diluted earnings per ordinary share	($ps)	**$0.26**	$0.38	$0.37	$0.31	$0.53
Dividends per ordinary share	($ps)	**$0.29**	$0.30	$0.30	$0.40	$0.46
Number of ordinary shares	(m)	**2,855**	2,094	2,049	1,993	1,875
Assets under management	($bn)	**159**	115	112	105	129

Footnote:

1 On 5 March 2008, the AMP group completed the sale of its closed reinsurance operations, Cobalt/Gordian. The sale represented a complete exit from this business by the AMP group. For 2008 and 2007, the results of the discontinued operations are disclosed as a single item in the Consolidated income statement above. For 2007, the assets and liabilities of the discontinued operations held for sale are disclosed as separate items in the Consolidated statement of financial position above.

Profit

Net profit attributable to shareholders of $688 million ▼ 11%

AMP's net profit attributable to shareholders in 2011 was $688 million, compared with $775 million in 2010.

Underlying profit of $909 million ▲ 20%

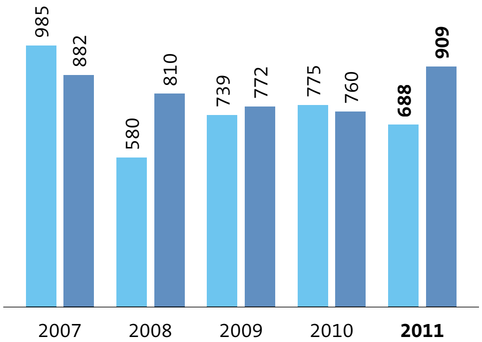
AMP delivered an underlying profit of $909 million in 2011. This compares with an underlying profit of $760 million in 2010.

These profit figures include a nine-month contribution from the Australian and New Zealand businesses of AXA Asia Pacific Holdings which merged with AMP on 30 March 2011.

Underlying profit is AMP's preferred measure of profitability as it removes merger related costs and some of the impact of investment market volatility. It is the earnings base on which the board determines the dividend payment and reflects the underlying performance of AMP.

The main difference between the two reported numbers comes from the movements in investment markets and costs from the AXA transaction. A reconciliation of Net Profit and Underlying Profit can be found on pages 9 and 59.

Full year profit
$ million



Dividend

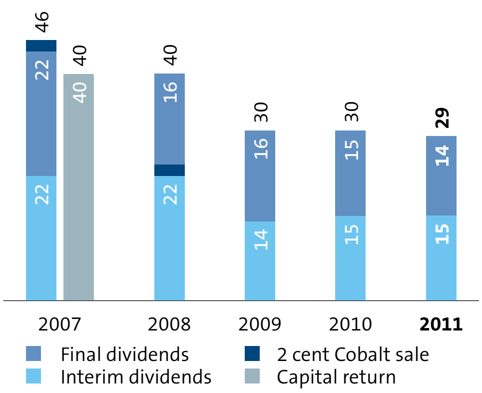
Final dividend of 14 cents per share

This brings the total dividend for 2011 to 29 cents per share.

The final dividend will be 50 per cent franked and will be paid on 5 April 2012.

The payout ratio for the full 2011 dividend is 84 per cent of the underlying profit from 2011, which is within AMP's target payout range of 75–85 per cent of underlying profit. AMP has set a new target payout range of 70–80 per cent of underlying profit.

Dividends and payments to shareholders
cents per share



Your directors present their report on the consolidated entity consisting of AMP Limited and the entities it controlled at the end of or during the year ended 31 December 2011.

Directors' details

The directors of AMP Limited during the year ended 31 December 2011 and up to the date of this report are shown below. Directors were in office for this entire period, except where stated otherwise: Peter Mason (Chairman), Craig Dunn (Chief Executive Officer and Managing Director), Patricia Akopiantz (appointed 31 March 2011), Richard Allert (appointed 31 March 2011), Catherine Brenner, Brian Clark, Paul Fegan, Richard Grellman (retired 12 May 2011), John Palmer, Nora Scheinkestel, Peter Shergold.

Details of each director's qualifications, experience and special responsibilities are set out below.

Peter Mason AM

Chairman BCom (Hons), MBA, Hon.DBus (UNSW), FAICD. Age 65

Peter was appointed to the AMP Limited Board in October 2003 and assumed the role of Chairman in September 2005. He is a member of the People and Remuneration Committee and the Nomination Committee.

Experience
Peter has 40 years experience in investment banking and is currently a Senior Advisor to UBS Investment Bank. He was Chairman of JP Morgan Chase Bank in Australia from 2000–2005. Prior to this he was Chairman and Chief Executive of Schroders Australia Limited and Group Managing Director of Schroders' investment banking businesses in the Asia Pacific region. He was a member of the Council of the University of New South Wales for 13 years, a Director of the Children's Hospital in Sydney for 12 years and Chairman of the Children's Hospital Fund for eight years. In 1995, Peter was appointed a member of the Order of Australia for his contribution to the Children's Hospital.

Listed directorships
- Director of Singapore Telecommunications Limited (appointed September 2010)
- Director of David Jones Limited (appointed November 2007)

Other directorships/appointments
- Director of the University of New South Wales Foundation
- Director of Headspace National Youth Mental Health Foundation Limited
- Chairman of the UBS Australia Foundation Pty Limited
- Director of Taylors Wines Pty Ltd
- Chairman of the Centre for International Finance and Regulation
- Trustee of the Sydney Opera House Trust

Craig Dunn

Chief Executive Officer and Managing Director BCom, FCA. Age 48

Craig was appointed Chief Executive Officer and Managing Director in January 2008 and is a member of the Diversity Advisory Committee. He has been a Director of AMP Life Limited since April 2002 and was appointed to The National Mutual Life Association of Australasia Limited (NMLA) Board in March 2011.

Experience
Prior to becoming CEO, Craig was Managing Director, AMP Financial Services from 2002–2007. He joined AMP in January 2000 and has held a number of senior roles including Managing Director of AMP Bank and Director, Office of the CEO.

Before joining AMP, Craig was CEO of a Malaysia-based insurance company, a joint venture of Colonial Limited. He worked for KPMG throughout Europe and in Indonesia before joining Colonial.

Listed directorships
Within the three years immediately before the end of the last financial year, Craig served as a Director of AMP Capital Investors Limited (responsible entity of AMP Capital China Growth Fund, a managed investment scheme listed on the ASX) (2008–December 2011).

Other directorships/appointments
- Advisory Board Member with the Australian Government's Financial Literacy Foundation
- Member of the Australian Government's Financial Services Advisory Committee
- Leaders Forum Member of the Australian Institute for Population Ageing Research
- Panel Member of the Australian Financial Centre Taskforce
- Executive Member of the Australia Japan Business Co-operation Committee

Patricia (Patty) Akopiantz

Director BA, MBA. Age 48

Patty was appointed to the AMP Limited Board and the People and Remuneration Committee in March 2011. She was appointed a Director of AMP Bank in November 2011.

Experience

Patty has over 25 years senior management and consultancy experience, primarily in the retail and consumer industries both in Australia and overseas. Over the last 12 years, she has served on numerous boards including AXA Asia Pacific Holdings Limited and Coles Group Limited. In 2003, she was awarded a Centenary Medal for services to Australian society in business leadership. She has an MBA from Harvard Business School.

Listed directorships

Within the three years immediately before the end of the last financial year, Patty served as a Director of AXA Asia Pacific Holdings Limited (April 2006–March 2011) and Wattyl Limited (September 2005–September 2010).

Other directorships/appointments

- Director of Ausgrid
- Director of the NSW State Library Foundation
- Member of Chief Executive Women

Richard (Rick) Allert AO

Director FCA. Age 69

Rick was appointed to the AMP Limited Board and the Audit Committee in March 2011.

Experience

Rick has over 40 years of senior business appointments including, Chairman of AXA Asia Pacific Holdings Limited, Chairman of Tourism Australia, Chairman of Coles Group Limited, Chairman of Southcorp Limited, Chairman of Voyages Hotels and Resorts and President of the National Heart Foundation. In 1997, Rick was appointed a member of the Order of Australia for his service to business and the community, particularly through his work with the National Heart Foundation. In 2003, Rick was awarded a Centenary Medal for service to Australian society through rail transport, business and taxation. In 2007, he was appointed an Officer of the Order of Australia for service to the business sector through leadership and promotion of corporate social responsibility, and to the community through involvement with and support for a range of artistic, charitable and educational organisations.

Listed directorships

- Deputy Chairman of Gerard Lighting Group Limited (appointed March 2010)
- Chairman of Western Desert Resources Limited (appointed January 2011)
- Director of Genesee & Wyoming Inc. (appointed July 2011)

Within the three years immediately before the end of the last financial year, Rick served as a Director of AXA Asia Pacific Holdings Limited (September 1995–March 2011, Chairman from April 2000).

Other directorships/appointments

- Chairman of the Aboriginal Foundation of South Australia Inc
- Director of Cavill Power Products Pty Limited
- Director of Genesee & Wyoming Australia Pty Limited
- Director of RG & RT Trott Pty Limited
- Member of the Australian Forces Entertainment Board

Catherine Brenner

Director BEc, LLB, MBA. Age 41

Catherine was appointed to the AMP Limited Board on 16 June 2010 and is a member of the Diversity Advisory Committee. She was appointed to the AMP Life Board in May 2009 and became Chairman in May 2011. Catherine is a member (and former Chairman) of the AMP Life Audit Committee. She was appointed Chairman of The National Mutual Life Association of Australasia Limited (NMLA) Board and a member of the NMLA Audit Committee in March 2011.

Experience

Catherine is a former Managing Director, Investment Banking at ABN AMRO where she held various senior roles. Prior to this she was a corporate lawyer.

Listed directorships

- Director of Boral Limited (appointed September 2010)
- Director of Coca-Cola Amatil Limited (appointed April 2008)

Within the three years immediately before the end of the last financial year, Catherine served as a Director of Centennial Coal Company Limited (2005–September 2010).

Other directorships/appointments

- Trustee of the Sydney Opera House Trust
- Member of the Takeovers Panel
- Member of Chief Executive Women

Brian Clark

Director DSc. Age 63

Brian was appointed to the AMP Limited Board in January 2008. He is a member of the Nomination Committee, Diversity Advisory Committee and People and Remuneration Committee.

Experience
Brian spent 10 years in a variety of senior executive roles at Vodafone internationally, most recently in the United Kingdom as Group Human Resources Director. He was Chief Executive Officer (CEO) of Vodafone's Australian business as well as CEO of the Asia Pacific region, based in Tokyo. Before joining Vodafone, Brian spent three years as CEO of Telkom SA Ltd, in South Africa.

Brian has degrees in physics and mathematics from the University of Pretoria, and has completed the Advanced Management Program at the Harvard Business School.

Listed directorships
– Director of Boral Limited (appointed May 2007)

Within the three years immediately before the end of the last financial year, Brian served as Chairman of AMP Capital Investors Limited (responsible entity of AMP Capital China Growth Fund, a managed investment scheme listed on the ASX) (2008–December 2011).

Paul Fegan

Director MBA. Age 50

Paul was appointed to the AMP Limited Board in August 2009. He was appointed to the Audit Committee in November 2009 and became Chairman of that committee in December 2010. He was appointed to the AMP Bank Board in April 2010.

Experience
Paul has over 30 years experience in the financial services industry. He was Group Managing Director, Strategy and Corporate Services with Telstra from February 2011 – January 2012 and was the Chief Executive Officer of St George Bank from November 2007 and Chief Executive Officer and Managing Director from February 2008 until its merger with Westpac Banking Corporation in December 2008. He was also a Director of St George's funds administration subsidiary, Asgard Wealth Solutions. Prior to joining St George, Paul was based in the UK as Chief Operating Officer of Yorkshire Bank. He held director positions in both Yorkshire Bank and Clydesdale Bank and a series of senior appointments with National Australia Bank in Australia, the US, Hong Kong, the UK and Ireland.

John Palmer ONZM

Director BAgrSc, FNZID. Age 64

John was appointed to the AMP Limited Board in July 2007. He is Chairman of the People and Remuneration Committee. John has been a Director of the AMP Life Limited Board since May 2004. He was appointed to The National Mutual Life Association of Australasia Limited (NMLA) Board in March 2011.

Experience
John has extensive experience as a director and chairman of companies in the agricultural and finance sectors. He has a track record of successfully leading change and reconstruction of diverse corporates in marketing, agribusiness and aviation.

In 1998 John received the Bledisloe Cup for outstanding contribution to the New Zealand fruit industry. In 1999 he was awarded with an Officer of the New Zealand Order of Merit (ONZM) for service to the New Zealand kiwifruit industry.

Listed directorships
– Chairman of Air New Zealand Limited (appointed November 2001)

Other directorships/appointments
– Chairman of Solid Energy NZ Limited
– Director of Rabobank Australia Limited and Rabobank New Zealand Limited

Dr Nora Scheinkestel

Director LLB (Hons), PhD, FAICD. Age 51

Nora was appointed to the AMP Limited Board in September 2003. She is Chairman of the Nomination Committee, Chairman of the Diversity Advisory Committee, a Director of AMP Bank Limited and AMP Capital Holdings Limited and a member of the Audit Committee of each.

Experience
Nora is an experienced company director having served as Chairman and Non-executive Director of companies including Newcrest Mining Ltd, Mayne Group and Mayne Pharma Ltd, North Limited, IOOF Funds Management, Medical Benefits Fund of Australia Limited and various energy and water utilities. Nora was formerly a senior banking executive in international and project financing. She held positions with CRA Limited, Macquarie Bank, Chase AMP Bank and Deutsche Bank. Nora's current consulting practice assists government, corporate and institutional clients in areas such as corporate governance and project and structured finance. In 2003, she was awarded a Centenary Medal for services to Australian society in business leadership.

Listed directorships
- Director of Orica Limited (appointed August 2006)
- Director of Pacific Brands Limited (appointed June 2009)
- Director of Telstra Corporation Limited (appointed August 2010)

Within the three years immediately before the end of the last financial year, Nora served as a Director of PaperlinX Limited (2000–December 2009) and a Director of AMP Capital Investors Limited (responsible entity of AMP Capital China Growth Fund, a managed investment scheme listed on the ASX) (2004–December 2011).

Other directorships/appointments
- Associate Professor at the Melbourne Business School at Melbourne University
- Member of the Takeovers Panel

Professor Peter Shergold AC

Director BA (Hons), MA, PhD, FAICD. Age 65

Peter was appointed to the AMP Limited Board in May 2008. He is a member of the Audit Committee and the Diversity Advisory Committee and has been a Director of the AMP Life Limited Board since August 2008. Peter is also a member of the AMP Life Audit Committee. He was appointed to The National Mutual Life Association of Australasia Limited (NMLA) Board in March 2011 and is a member of its Audit Committee.

Experience
Peter holds the Professorial Chair of the Centre for Social Impact, a partnership of the business schools of the University of New South Wales, Melbourne University, Swinburne University of Technology and the University of Western Australia. He is also Chancellor and Chair of the board of trustees of the University of Western Sydney.

Prior to this he served as Secretary of the Department of the Prime Minister and Cabinet for five years. Peter had previously been CEO of the Aboriginal and Torres Strait Islander Commission, Public Service Commissioner, Secretary of the Department of Employment, Workplace Relations and Small Business, and Secretary of the Department of Education, Science and Training.

He was appointed a Member of the Order of Australia in 1996, awarded a Centenary Medal in 2003 and made a Companion of the Order of Australia in 2007 for public service.

Other directorships/appointments
- Director of Corrs Chambers Westgarth
- Chairman of QuintessenceLabs Pty Limited
- Chairman of the National Centre for Vocational Education Research
- Director of the General Sir John Monash Foundation
- Director of the National Centre for Indigenous Excellence
- Chairman of the NSW Public Service Commission Advisory Board
- Deputy Chairman of the Sydney Writers' Festival

Attendance at board and committee meetings

The table below shows details of attendance by directors of AMP Limited at meetings of boards and the committees of which they were members during the year ended 31 December 2011. The directors also attended other meetings, including management meetings and meetings of subsidiary boards or committees of which they were not a member during the year.

Board/Committee	AMP Limited Board meetings		Audit Committee		Nomination Committee		People and Remuneration Committee		Diversity Advisory Committee		Ad hoc committees[1]		Subsidiary board and committee meetings[2]	
Held/attended	A	B	A	B	A	B	A	B	A	B	A	B	A	B
Patricia Akopiantz	8	8	–	–	–	–	4	4	–	–	–	–	1	1
Richard Allert	8	7	4	3	–	–	–	–	–	–	–	–	–	–
Catherine Brenner	12	12	–	–	–	–	–	–	2	2	3	3	17	17
Brian Clark	12	11	–	–	4	4	5	4	2	2	1	1	15	13
Craig Dunn	12	11	–	–	–	–	–	–	2	2	3	3	19	17
Paul Fegan	12	11	6	6	–	–	–	–	–	–	4	4	4	4
Richard Grellman	6	6	3	3	1	1	–	–	–	–	3	3	9	9
Peter Mason[3]	12	12	–	–	4	4	5	5	–	–	2	2	–	–
John Palmer	12	11	–	–	–	–	5	5	–	–	–	–	17	16
Nora Scheinkestel	12	12	2	2	4	4	–	–	2	2	–	–	23	23
Peter Shergold	12	11	6	6	–	–	–	–	2	1	–	–	17	17

Footnote:
Column A – indicates the number of meetings held while the director was a member of the board/committee.
Column B – indicates the number of those meetings attended.
1 Ad hoc committees of the board were constituted during the year in relation to financial results and merger and acquisition activity.
2 Subsidiary board and committee meetings include AMP Life/NMLA, AMP Bank and AMP Capital Investors/AMP Capital Holdings. Where meetings of AMP Life/NMLA and AMP Capital Investors/AMP Capital Holdings were held concurrently, only one meeting has been recorded in the above table.
3 The Chairman attended a number of Audit Committee and subsidiary board and committee meetings held during 2011 in an ex officio capacity.

Company secretaries' details

Details of each company secretary of AMP Limited, including their qualifications and experience, are set out below:

Brian Salter

General Counsel BA, LLB (Hons), LLM (Hons), MAICD

Brian joined AMP on 1 July 2008. Before joining AMP, Brian was a partner with a major Australian law firm for 19 years. Brian has more than 30 years experience advising many of Australia's leading financial and wealth management companies. Brian is a member of the Legal Committee of the Australian Government's Corporations and Markets Advisory Committee, the Law Committee of the Australian Institute of Company Directors, the Corporations Committee of the Business Law Section of the Law Council of Australia and a Director of AMP Superannuation Limited and SCECGS Redlands Limited.

Darryl Mackay

Head of Secretariat and Company Secretary BSc, FIAA

Darryl joined AMP in March 2011 from AXA Asia Pacific Holdings, where he held the roles of Company Secretary and General Manager, Group Chief Executive's Office. In his 33 years at AXA, Darryl held a range of senior roles including General Manager Group Human Resources and Deputy Chief Executive International. He is also a director of various AMP subsidiaries.

Vicki Vordis

Company Secretary BEc, LLB (Hons), GradDipACG, ACIS

Vicki is a Company Secretary of AMP Life and The National Mutual Life Association of Australasia (NMLA). She joined AMP in December 2000 and held various legal roles before moving into a secretariat role in 2006. Prior to 2000, Vicki worked as a lawyer in several city law practices. She holds a graduate diploma in Applied Corporate Governance and is an Associate of Chartered Secretaries Australia.

Principal activities

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

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

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

The company serves a diversified customer base, with more than five million retail customers in Australia and New Zealand and around 350 institutional clients primarily in Australia and New Zealand and increasingly Asia and Europe. AMP also has more than 6,000 employees, around 950,000 shareholders and $159 billion of assets under management.

AMP Financial Services

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

AMP Bank has approximately 100,000 customers, a mortgage book of $11.2 billion and a deposit book of $7.2 billion.

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

AMP Capital

AMP Capital is a diversified investment manager, managing around $123 billion in assets for investors. Through a team of 240 investment professionals and a carefully selected global network of investment partners, AMP Capital invests in equities, fixed interest, infrastructure, property, diversified funds and multi-manager funds. AMP Capital also provides commercial, industrial and retail property management services. In addition to its well established operations in Australia and New Zealand, AMP Capital has a growing international presence with offices in Bahrain, China, Hong Kong, India, Japan, Luxembourg, Singapore, the United Kingdom and the United States.

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

Review of operations and results

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

AMP's statutory profit attributable to shareholders of AMP Limited for the year ended 31 December 2011 was $688 million, compared to $775 million for the previous corresponding period.

Basic earnings per share for the year ended 31 December 2011 on a statutory basis were 26.3 cents per share (2010: 37.9 cents per share) reflecting its expanded capital base following the AXA merger.

Underlying profit is AMP's preferred measure of profitability as it smooths investment market volatility to reflect trends in the underlying business performance of AMP. Directors use underlying profit to determine dividends. AMP's underlying profit for the year ended 31 December 2011 was $909 million (2010: $760 million). On an underlying basis, earnings were 34.3 cents per share (2010: 36.7 cents per share).

AMP's performance against key performance measures was as follows:

- underlying profit $909 million including results from AXA for the nine months from 31 March–31 December 2011.
- growth measures:
  - AMP Financial Services net cash outflows were $581 million, down from net cash inflows of $789 million for the 12 months to 31 December 2010; AMP Capital external net cash outflows were $1,166 million, down from net cash inflows of $2,618 million for the 12 months to 31 December 2010
  - AMP Financial Services value of risk new business was up $107 million to $215 million for the 12 months to 31 December 2011
- 52 per cent of AMP Capital's funds met or exceeded benchmark over the 12 months to 31 December 2011, down from 63 per cent for the 12 months to 31 December 2010
- underlying return on equity was 15.1 per cent (26.2 per cent for the 12 months to 31 December 2010) reflecting the merger with AXA and higher capital held until changes to regulatory standards are finalised.

Total AMP assets under management were $159 billion at 31 December 2011, an increase of $44 billion from $115 billion at 31 December 2010.

Further information on the group's results by business segment is provided in Note 4 of the Financial Report.

Differences between underlying profit and statutory profit

The 31 December 2011 underlying profit of $909 million excludes the impact (net of any tax effect) of merger and acquisition transaction costs of $42 million, AXA integration costs of $105 million, amortisation of AXA acquired intangible assets of $75 million and other one-off gains of $4 million. Accounting mismatch losses of $19 million and annuity fair value adjustment gains of $13 million are also excluded from underlying profit as well as a $50 million loss on market adjustments relating to investment income and a $53 million gain on market adjustments relating to risk products. A reconciliation between underlying profit and statutory profit is provided in Note 4 of the Financial Report.

Under Australian Accounting Standards, some assets held on behalf of the policyholders (and related tax balances) are recognised in the Financial Report at different values to the values used in the calculation of the liability to policyholders in respect of the same assets. Therefore, movements in these policyholder assets result in accounting mismatches which impact profit attributable to shareholders. These differences have no impact on the operating earnings of the group.

The accounting mismatches arise from policyholder interests in the following:

- 'Treasury shares' (AMP Limited shares held by the statutory funds on behalf of policyholders) – gain of $28 million (2010: $22 million gain)
- AMP life insurance statutory funds investments in controlled entities – loss of $38 million (2010: $4 million loss)

– Owner-occupied properties – loss of $1 million (2010: $1 million gain), and
– AMP life insurance statutory funds superannuation products invested with AMP Bank – loss of $8 million (2010: $3 million gain).

Capital management
Equity and reserves of the AMP group attributable to shareholders increased to $6,829 million at 31 December 2011 from $2,938 million at 31 December 2010. This was primarily the result of additional share capital issued as a result of the merger with the AXA Australian and New Zealand business. The movement also reflects additional share capital issued under the Dividend Reinvestment Plan (DRP) and profits to 31 December 2011, less dividends paid up to 31 December 2011 and increases in the defined benefit plan liabilities.

AMP remains strongly capitalised, with $1,543 million in regulatory capital resources above minimum regulatory requirements (MRR) at 31 December 2011 ($1,482 million at 31 December 2010). This is 1.3 times Shareholder MRR (1.5 times Shareholder MRR at 31 December 2010). The MRR coverage ratio varies throughout the year due to a range of factors, including investment market movements, dividend payments and statutory profits.

AMP continues to take a prudent approach to capital management and is biased towards holding more capital rather than less with continuing market volatility and proposed changes to regulatory capital standards.

AMP's final 2011 dividend is 14 cents per share franked to 50 per cent. The dividend payout ratio for FY 11 is 84 per cent of underlying profit. AMP has revised its dividend policy to a target payout ratio in the range of 70 per cent to 80 per cent and to be franked to the maximum extent possible. This guidance represents a change to past guidance (75 per cent to 85 per cent target payout ratio) reflecting an expected increase in capital requirements to meet future business growth following the merger with AXA, increasing demand for more capital intensive products and an anticipated increase in regulatory capital requirements.

AMP will continue to offer a DRP for shareholders. For the final 2011 dividend AMP will offer a discount of 1.5 per cent to DRP participants. The DRP will not be underwritten and new shares will be issued.

Political donations
AMP's policy is that it does not make donations to political parties. AMP did not make any political donations during 2011; however, AMP did contribute $25,000 to the Menzies Research Centre and $15,000 to the Chifley Research Centre to assist with public policy development. These contributions are permitted under AMP's policy.

Significant changes to the state of affairs
Details of capital changes during 2011 are set out earlier in this report.

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

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

Events occurring after the reporting date
As at the date of this report, the directors are not aware of any matter or circumstance that has arisen since the end of the year that has significantly affected or may significantly affect the entity's operations in future years, the results of those operations in future years, or the entity's state of affairs in future years which is not already reflected in this report, other than the following:
– On 9 December 2011, AMP announced a strategic business alliance with Mitsubishi UFJ Trust and Banking Corporation (MUTB) which included the sale to MUTB of a 15 per cent interest in AMP Capital Holdings Limited. The settlement date for this transaction is in March 2012 (subject to regulatory approval).
– On 16 February 2012, AMP announced a final dividend on ordinary shares of 14 cents per share. Details of the final dividend and dividends paid and declared during the year are disclosed in Note 19 of the Financial Report.

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

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

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

As an investor, AMP believes engagement with companies on environmental issues is an effective way to influence management practices for the benefit of customers and the environment. During 2011, AMP Capital continued to be a signatory to the Carbon Disclosure Project (CDP) (www.cdproject.net). AMP was listed in the CDP 2011 ASX 200 and NZX 50 Carbon Disclosure Leadership Index and was an active participant in the Investor Group on Climate Change (www.igcc.org.au). AMP Capital is also a signatory to the United Nations Principles of Responsible Investment.

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

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

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

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

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

Indemnification and insurance of directors and officers

Under AMP's 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 AMP Limited Board. No such indemnities have been provided during or since the end of the financial year.

During the financial year, the company agreed to insure all of the officers (including all directors) of the AMP group against certain liabilities as permitted by the *Corporations Act 2001*. The insurance policy prohibits disclosure of the nature of the cover, the amount of the premium, the limit of liability and other terms.

In addition, the company and each of the directors are parties to Deeds of Indemnity and Access, as approved by the board. Those Deeds of Indemnity and Access provide that:
– the directors will have access to the books of the company for their period of office and for seven years after they cease to hold office
– the company indemnifies the directors to the extent permitted by law
– the indemnity covers liabilities incurred by the directors in their capacity as officers of the company and of other AMP group companies
– the company will maintain directors' and officers' insurance cover for the directors to the extent permitted by law for the period of their office and for seven years after they cease to hold office.

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 Limited

The directors have obtained an independence declaration from the company's auditor, Ernst & Young for the year ended 31 December 2011.

ERNST & YOUNG

Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001
Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
www.ey.com/au

Auditor's Independence Declaration to the Directors of AMP Limited

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

Ernst & Young

Ernst & Young

Andrew Price Partner
16 February 2012

Liability limited by a scheme approved under Professional Standards Legislation

Non-audit services

The Audit Committee has reviewed details of the amounts paid or payable for non-audit services provided to the AMP group of companies during the year ended 31 December 2011, by the company's auditor, Ernst & Young.

The Committee is satisfied that the provision of those non-audit services by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act and did not compromise the auditor independence requirements of the Corporations Act for the following reasons:
– all non-audit assignments were approved in accordance with the process set out in the AMP Charter of Audit Independence
– no non-audit assignments were carried out which were specifically excluded by the AMP Charter of Audit Independence
– the level of fees for non-audit services amounted to $1,187,000 or 8 per cent of total audit fees (refer to Note 34 of the Financial Report for further details).

Remuneration disclosures

The remuneration arrangements for AMP directors and senior executives are outlined in the Remuneration Report which forms part of the Directors' Report for the year ended 31 December 2011.

Directors' and senior executives' interests in AMP Limited shares, performance rights and options are also set out in the Remuneration Report on the following pages.

Remuneration Report (Audited)

The directors are pleased to present this year's Remuneration Report, which is divided into the following sections:

1 Overview
2 Remuneration strategy and governance
3 Remuneration structure in 2011
4 The link between company performance and remuneration
5 Remuneration for nominated executives in 2011
6 Contractual arrangements for nominated executives
7 Non-executive director remuneration

1 Overview

1.1 Remuneration strategy and structure

AMP's remuneration strategy is to align remuneration with the creation of value for shareholders by attracting and retaining employees who will contribute to AMP's success and motivating them to achieve outstanding performance against AMP's business objectives.

The key components of the 2011 remuneration structure were as follows:

<table>
<tr><th>Employee group</th><th>Fixed remuneration</th><th>Short-term incentives (STI)[1] or Profit Share[2]</th><th>Long-term incentives (LTI)</th><th>Other equity arrangements</th></tr>
<tr><td>Non-executive directors</td><td>Board fees, committee fees and superannuation</td><td>None</td><td>None</td><td>26% of fees required to be taken as shares</td></tr>
<tr><td>Nominated executives[3]</td><td rowspan="3">Annual base salary and superannuation (base salary includes salary-sacrificed benefits and fringe benefits tax thereon)</td><td rowspan="3">Annual cash-based awards dependent on individual, business unit and company performance assessed against financial and non-financial measures</td><td>Performance rights: rights to AMP Limited shares subject to a three-year relative total shareholder return (TSR) vesting hurdle</td><td>Minimum shareholding required
STI Deferral: deferral of 40% of the STI into rights to AMP Limited shares subject to a two-year service condition</td></tr>
<tr><td>Other senior leaders</td><td>Performance rights and/or share rights: selected employees received performance rights (as above) and/or rights to AMP Limited shares that are subject to a three-year service condition</td><td>STI Deferral: selected senior leaders defer 40% of their STI into rights to AMP Limited shares subject to a two-year service condition</td></tr>
<tr><td>Other employees</td><td>None</td><td>STI Match: selected employees receive rights to AMP Limited shares valued at an additional 50% of their STI, subject to a two-year service condition</td></tr>
</table>

Footnote:
1 A limited number of investment management and sales employees also participated in tailored business unit plans, which are based on individual/team financial measures and delivered in cash, AMP Limited equity or AMP investment products.
2 The Managing Director of AMP Capital and his direct reports participated in the AMP Capital Enterprise Profit Share plan (Profit Share) as outlined in section 3.2.3.
3 The nominated executives are the Chief Executive Officer (CEO) of AMP Limited and his direct reports as listed in section 1.2.

Key Management Personnel

For the purpose of this Remuneration Report and AASB 124 *Related Party Disclosures* (refer to Note 33 in Notes to the Financial Statements), Key Management Personnel (KMP) are people who have authority and responsibility for planning, directing and controlling the activities of the AMP group. They include the Chief Executive Officer (CEO) of AMP Limited and his direct reports (collectively the 'nominated executives') and the non-executive directors of the AMP Limited Board.

The individuals disclosed in this report were KMP for the full financial year, with the exception of:

– Richard Allert and Patricia Akopiantz, who were appointed as non-executive directors on 31 March 2011 following the merger of AMP and the Australian and New Zealand businesses of AXA Asia Pacific Holdings, and
– Richard Grellman, who retired from the board at the May 2011 Annual General Meeting.

Paul Leaming, the Chief Financial Officer, retired on 31 December 2011 and was thus a KMP for the full financial year. Colin Storrie was appointed to the position of Chief Financial Officer, effective from 1 January 2012. Colin was previously Deputy Chief Financial Officer and Group Treasurer of AMP Limited.

In addition to remuneration disclosures for KMP, the *Corporations Act 2001* requires disclosure of remuneration details for the five 'company executives' and five 'relevant group executives' who received the highest remuneration during the year.

The directors note that the nominated executives include the five highest-paid executives of the AMP group and AMP Limited.

1.2 2011 remuneration outcomes for the nominated executives

The table below sets out the cash and other benefits actually received by the nominated executives in 2011. Included are fixed remuneration (inclusive of superannuation) and the non-deferred portion of the short-term incentive (STI Cash)/Profit Share earned for the financial year. With the exception of Lee Barnett, no actual income was earned from the vesting of share awards during the year. Accounting values for unvested share awards are shown in section 5.1 in accordance with statutory disclosure requirements.

				Actual share income			
Name	Fixed remuneration $'000	Cash STI $'000	Total cash $'000	STI deferral vested during 2011 $'000	LTI/Other vested during 2011 $'000	2011 total remuneration $'000	2010 total $'000
Craig Dunn	1,664	1,344	3,008	–	–	3,008	3,360
Craig Meller	1,030	798	1,828	–	–	1,828	2,245
Stephen Dunne	1,030	863	1,893	–	–	1,893	1,850
Paul Leaming[1]	1,002	564	1,566	–	–	1,566	1,770
Brian Salter	753	450	1,203	–	–	1,203	1,467
Lee Barnett	747	465	1,212	–	1[3]	1,213	1,343
Paul Sainsbury	650	426	1,076	–	–	1,076	n/a[2]
Matthew Percival	552	345	897	–	–	897	1,163
Fiona Wardlaw	625	390	1,015	–	–	1,015	1,055
Jonathan Deane	513	330	843	–	–	843	900
Total	**8,566**	**5,975**	**14,541**	**–**	**1**	**14,542**	**15,153**

Footnote:

1 On his retirement (31 December 2011), Paul Leaming was paid $0.5m in accrued annual leave and long-service leave. This amount is not included above as it did not form part of his 2011 remuneration rather, it was the payment of leave he had accrued throughout his 14 years' service at AMP.

2 Paul Sainsbury was appointed as Integration Director on 1 January 2011 but was not a KMP in 2010.

3 This amount represents the value of matching shares that vested during 2011 as a result of participation in the Employee Share Acquisition Plan (see section 3.4.2).

The total remuneration received by the nominated executives for 2011 was consistent with 2010. While their fixed remuneration (and thus the STI and LTI opportunity) increased to ensure their earning potential remained competitive with the market, the variable amount actually received for 2011 performance, as a percentage of opportunity, continued to be lower than historical levels. This was due to AMP's financial and share price performance in 2011 being lower than the targets agreed with the board.

<table>
<tr><td>Fixed remuneration</td><td>Following two years of salary freezes for non-award staff, salary reviews were undertaken in April 2011. A market review was conducted in accordance with the process described in section 3.1. The board considered the following factors when it approved remuneration increases for the nominated executives:
– The market data for comparable roles (refer to section 2.2).
– The scope and complexity of each role. For all of the nominated executives, this had increased following the merger of AMP with the Australian and New Zealand businesses of AXA Asia Pacific Holdings.
– The individual's capability, performance and criticality to AMP.

In light of the current climate in the financial services sector, it is anticipated that fixed remuneration for the nominated executives will not increase in 2012.</td></tr>
<tr><td>Short-term incentive (STI)</td><td>STI opportunity increased, but the amount received by the executives in 2011 decreased. STI opportunity is expressed as a percentage of fixed remuneration. Thus, when fixed remuneration increased, so did the STI opportunity. However, as described in section 4.2, STI amounts paid decreased as a percentage of opportunity, with the nominated executives receiving 60% of their maximum STI opportunity on average (65% in 2010). Additionally, as 40% of the STI is now subject to deferral, the cash amount the nominated executives received on completion of the financial year was less than in 2010.</td></tr>
<tr><td>Long-term incentive (LTI)</td><td>The performance period for the 2008 LTI completed in July 2011. The performance rights issued under the 2008 LTI lapsed as the total shareholder return (TSR) hurdle was not met.</td></tr>
</table>

1.3 Initiatives to enhance the effectiveness of AMP's remuneration approach
As part of AMP's commitment to ensuring remuneration supports the creation of value for AMP shareholders, the People and Remuneration Committee (PRC) commissioned an extensive review of AMP's remuneration framework and practices in late 2009. Following the review, the board endorsed priorities for change and a three-phased approach to enhancing the effectiveness of AMP's remuneration approach:

Phase 1	Formalise the AMP Limited Board's and the PRC's role in remuneration governance in line with Australian Prudential Regulation Authority requirements	Implemented in 2010
Phase 2	Design and implement a remuneration framework that complies with prudential regulation and supports business objectives	Implemented in 2011
Phase 3	Review the AMP group performance management approach and short-term incentive plan to ensure it continues to be aligned to business strategy	Implementation in 2012

1.4 Key changes to remuneration approach in 2011
Remuneration framework changes
As part of the Phase 2 remuneration framework review, the following changes were implemented in 2011:
– A mechanism was introduced to reduce the AMP group STI pool (potentially to zero) if AMP management acts outside board-approved levels for risk. This was introduced to align employee rewards with AMP's performance against its enterprise risk management framework.
– Employees who can influence AMP's financial soundness, or who are responsible for protecting AMP's financial soundness (including all of the nominated executives), are now required to defer 40 per cent of their STI into equity. STI Deferral is awarded as rights to receive AMP Limited shares (share rights) and vest two years after the STI Cash is paid. Vesting of deferred STI is subject to ongoing employment, compliance with AMP policies and the board's discretion.
– In most parts of the business, participation in the AMP LTI plan is now restricted to senior leaders (such as the nominated executives). High-potential employees at a middle management level are, instead, now eligible to be nominated for a new equity plan, the STI Match plan. This provides an award of share rights to the value of 50 per cent of the individual's STI for the previous year. As the STI Match is based on the STI (refer to section 3.2.2), it rewards the aspects of business outcomes that participants can directly influence. Further, because it is awarded in share rights that are restricted for a further two years after the initial STI performance year, the STI Match enhances shareholder alignment and employee retention.

Other initiatives
– AMP Capital: the Managing Director of AMP Capital (AMP Capital MD) and his management team participated in a new incentive plan in 2011, the AMP Capital Enterprise Profit Share plan (Profit Share), which provides participants with a share of AMP Capital's adjusted pre-tax profit. The AMP Capital MD participates in Profit Share in lieu of participating in the AMP group STI plan, while his direct reports participate in lieu of participating in the STI and LTI plans. Profit Share was introduced to support AMP Capital's objective of strengthening its position as an integrated, sustainable and profitable investment management house. The award is partially delivered in share rights.
– AXA merger: following AMP's merger with the Australian and New Zealand businesses of AXA Asia Pacific Holdings, it was determined that the merged business would continue to adopt the AMP remuneration strategy and policy. Consequently, no changes to AMP's remuneration approach described in this Remuneration Report were made in 2011 as a result of the AMP/AXA integration.

1.5 Anticipated changes to remuneration approach in 2012
Phase 3 of the remuneration framework review was to review AMP's STI plan. As AMP and AXA had different performance management systems in place, the scheduled review of the STI plan was broadened to include a review of the performance management approach for the merged business. Following the review, a decision was made to introduce a new performance management system, called AMP Performance Leadership, which will be used for the 2012 performance assessments. While there will be refinements to the way performance objectives are set and the way the outcomes are used to determine an individual's STI, no significant changes are anticipated to the way the STI pool is determined (section 3.2.2).

It is anticipated that in 2012, the annual LTI award for senior leaders, including the nominated executives, will be made in June with a performance period of 1 March 2012–28 February 2015 rather than the previous September timing. This timing enables performance to be measured based on the return delivered to shareholders between the 2011 full year results announcement and the 2014 full year results announcement. The CEO's LTI will still be subject to shareholder approval at the 2012 Annual General Meeting.

Additionally, membership of the Profit Share plan will be expanded in 2012 to other senior leaders who form part of the AMP Capital Executive Council.

2 Remuneration strategy and governance

2.1 The role of remuneration in supporting business strategy

AMP's remuneration strategy is to align remuneration with the creation of value for shareholders, as illustrated below.

AMP's remuneration strategy

Attract, motivate and retain employees who will contribute to AMP's success

Drive outstanding performance against business objectives

Support AMP's desired culture and risk appetite

Create value for shareholders

AMP has a comprehensive remuneration policy which outlines the responsibilities of the board, PRC and management in maintaining alignment with the remuneration strategy. Of particular note, the policy requires that remuneration arrangements are simple, practical and supported by a governance framework that avoids conflicts of interest, defines clear accountabilities and ensures that proper checks and balances are in place. Where an external perspective is needed, the PRC requests market practice, regulatory and governance input from its external board remuneration advisor, PricewaterhouseCoopers.

2.2 Remuneration value

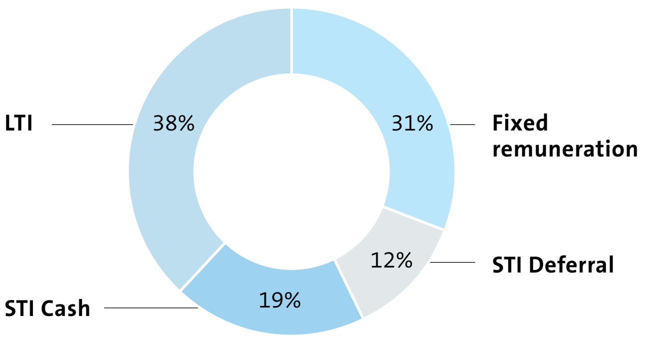
AMP generally positions fixed remuneration at the median (i.e. the 50th percentile) of the market. When determining the relevant 'market' for each role, AMP considers companies from which AMP sources talent and to whom it could potentially lose talent. For the nominated executives, AMP sources data for Australian listed companies of comparable size to AMP, both within the financial services sector and across the general market. Within that market, AMP looks at roles in the same area of expertise, with similar seniority and responsibility to the relevant individual.

Variable remuneration aims to provide the nominated executives with comparable remuneration to their peers in other companies for equivalent performance. Total remuneration above the market median can be realised through the achievement of 'stretch' performance targets.

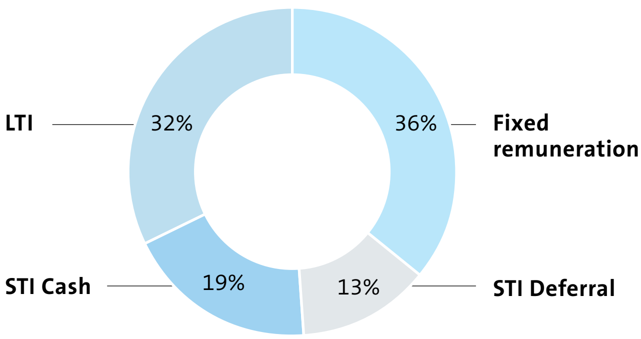
2.3 Remuneration mix

All of the nominated executives have a significant component of their total remuneration linked to performance. As illustrated below, using the STI at midpoint (the STI midpoint is halfway between the minimum outcome of 0 per cent and the maximum outcome, as shown in section 4.2). The STI and LTI are 'at risk' remuneration and will only be paid if specified performance standards are met.

CEO



Other nominated executives*



* As detailed in section 1.4 the AMP Capital MD participates in the Profit Share plan instead of AMP's STI plan. As such his STI opportunity is uncapped.

3 Remuneration structure in 2011

During 2011, remuneration for the nominated executives and other senior leaders comprised four key components:

Variable or 'at risk' remuneration	LTI	Annual grant of rights to AMP Limited shares subject to a three-year relative total shareholder return (TSR) performance hurdle	**Deferred equity**
	STI Deferral	Portion of STI delivered in rights to AMP Limited shares subject to a two-year service condition and possible forfeiture	
	STI Cash	Annual cash award based on individual, business unit and company performance against financial and non-financial measures	**Cash**
Fixed or 'guaranteed' remuneration	Fixed remuneration	Total fixed remuneration package including superannuation, salary sacrificed benefits and fringe benefits tax thereon	

Less senior employees were generally eligible for fixed remuneration and STI Cash only. However, high-potential employees at a middle management level were also eligible to receive an equity award under AMP's STI Match plan.

3.1 Fixed remuneration

Fixed remuneration at AMP is expressed as an annual salary package and is generally targeted at the median of the market (refer to section 2.2 for more detail). From this amount, AMP deducts the required superannuation contributions and any additional superannuation contributions or salary-sacrificed benefits at the employee's election. Any fringe benefits tax incurred by AMP in providing benefits is on-charged to the employee.

Fixed remuneration for the nominated executives is reviewed by the PRC and approved by the AMP Limited Board annually (but not necessarily increased), with consideration to:

- market remuneration ranges for the role
- the individual's capability, performance and criticality to AMP
- the available budget for remuneration increases across the organisation.

3.2 Short-term incentives

AMP's short-term incentive (STI) plans provide the nominated executives and other permanent employees with rewards for annual performance against measures set at the beginning of the performance period. The nominated executives participate in the following plans:

- CEO: CEO STI plan (refer to section 3.2.1)
- direct reports to the CEO (other than the AMP Capital MD): AMP group STI plan (refer to section 3.2.2)
- AMP Capital MD: AMP Capital Profit Share plan (refer to section 3.2.3).

Other permanent employees participate in the AMP group STI plan and/or Targeted Incentive Plans (TIP).[1]

3.2.1 CEO STI plan

The CEO's maximum STI opportunity is 200 per cent of fixed remuneration. To determine the annual STI award, the PRC assesses the performance of the CEO against objectives set and approved by the board at the start of each year. The PRC then recommends an STI payment to the board for approval.

In 2011, the CEO's award was based on the measures and weightings provided below, which were selected to reward the CEO for performance that would drive sustainable growth in shareholder value. For more detail on the AMP group measures, refer to section 3.2.2.

Financial: weighting 60%	Non-financial: weighting 40%
– Underlying profit after tax – Underlying return on equity – Value of cash flows – Investment performance	– AXA integration – Risk management – Stakeholder relationships – Talent – Leadership and culture – Growth

Footnote:
1 Targeted incentive plans provide those employees who have a direct ability to influence financial performance with market competitive rewards linked to individual/team-based financial measures. Only plans that adhere to the AMP remuneration policy (refer to section 2.1) and contain risk-management protocols are approved.

3.2.2 AMP group STI plan

The nominated executives and other permanent employees earn STI awards based on the achievement of AMP's group-wide measures and personal objectives. Information on the STI opportunity for the nominated executives is provided in section 4.2.

STI pool
The size of the AMP group's STI pool which is available for distribution each year is determined by the board. To make this determination, the board assesses AMP's performance against financial and non-financial measures approved by the board at the start of each year. The CEO then distributes the pool among business units and AMP group functions based on their contribution to AMP's performance.

Group-wide measures
The following AMP group-wide measures were used in 2011 to determine the size of the STI pool (the 'STI scorecard'). These measures were chosen because they align with the company's strategy and objectives, as approved by the board, and provide an overall view of performance.

	Financial measures: weighting 60%	**Non-financial measures: weighting 40%**
Measures	– Underlying profit after tax – Underlying return on equity – Growth in funds under management – Revenue – Investment performance	– AXA integration – Growth (e.g. market share, strategic acquisitions, service/product ratings) – People (e.g. leadership and cultural objectives) – Risk management (e.g. regulatory response, capital adequacy and liquidity) – External standing (e.g. stakeholder management)
Link to strategy	– These financial measures are key drivers of shareholder value – Stretch targets for these measures are set to drive upper quartile returns (i.e. to be in the top 25% of the top 50 industrials companies in the S&P/ASX 100 Index)	– These measures are key indicators of the sustainability of financial results

The STI pool is calculated based on performance against the above STI scorecard and is then adjusted downwards if AMP management operates outside board-approved risk appetite levels. The risk adjustment can be anywhere from 0–100 per cent. The board also has the discretion to consider the quality of AMP's financial results, business leadership and the realisation of strategic opportunities in determining the final STI pool.

Individual performance objectives
Individual performance agreements are set at the start of each year and are designed to focus employees on activities that will drive the achievement of AMP's strategic objectives in a manner relevant to their role. Performance agreements for the nominated executives typically include some or all of the AMP group measures (refer to group-wide measures above) and additional business unit/individual measures. Risk management and people measures apply to all of the nominated executives. Additionally, all employees are measured on the extent to which they exhibit the 'AMP behaviours'. These are the behaviours AMP has identified as critical to driving business performance and growth.

Performance objectives for the nominated executives are agreed with the CEO and approved by the board. The board also approves individual performance objectives for individuals with the ability to impact AMP's financial soundness (specified individuals). At the end of the financial year, the CEO recommends STI payments for his direct reports and other specified individuals based on their performance against the agreed measures, for board approval.

For employees below this level, individual performance is assessed by the employee's immediate manager and is calibrated against the performance of their peers to determine the individual's STI payment. Recommendations are signed off by the CEO and General Manager, Human Resources to ensure group-wide consistency and quality control.

STI Deferral plan
The nominated executives and selected other senior leaders who can influence AMP's financial stability participate in the AMP STI Deferral plan. The plan was introduced in 2011 and requires that 40 per cent of participants' STI awards be delivered in rights to AMP shares (share rights). The share rights convert to AMP Limited shares (i.e. vest) after a two-year deferral period. Vesting is subject to ongoing employment, compliance with AMP policies and the board's discretion. The 2011 STI Deferral awards will be granted in April 2012, following the release of AMP's full-year financial results and calculation of 2011 STI outcomes. As the plan is new in 2011, no share rights have been granted under the plan as at the date of this report. The hedging prohibition policy described in section 3.3.1 also applies to STI Deferral awards.

STI Match plan
For each given year, high potential employees at a middle management level are eligible to be nominated 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, to help motivate and retain participants. Employees at this level are no longer eligible to participate in long-term incentive plans, for which participation is now limited to the nominated executives and other senior leaders (refer to section 3.3). As the STI Match is based on the STI, the number of share rights awarded to the participant depends on the individual's contribution to company performance during the financial year.

As with the STI Deferral plan, STI Match share rights convert to AMP Limited shares (i.e. vest) after a two-year deferral period. Vesting is subject to ongoing employment, compliance with AMP policies and the board's discretion. The 2011 STI Match awards will be granted in April 2012, following the release of AMP's full-year financial results and calculation of 2011 STI outcomes. As the plan is new in 2011, no share rights have been granted under the plan as at the date of this report. The hedging prohibition policy described in section 3.3.1 also applies to STI Match awards.

3.2.3 AMP Capital Enterprise Profit Share plan (Profit Share)
In 2011, the Managing Director of AMP Capital (AMP Capital MD) and his management team participated in Profit Share, a new incentive plan. Eligibility for Profit Share replaced eligibility to participate in both the AMP group STI plan and the AMP LTI plan effective from 2011 onwards. However, the AMP Capital MD remains eligible to participate in the LTI plan because of his ability as a nominated executive to influence shareholder outcomes (as detailed in section 3.3, the ultimate value of LTI is based on value delivered to shareholders over a three-year period).

Profit Share provides participants with a share of AMP Capital's adjusted pre-tax profit as defined in the AMP Limited Investor Report. The percentage of profit that is notionally contributed to the profit share pool is agreed at the beginning of each year. At the end of the year, the board has the discretion to adjust this percentage up or downwards to recognise non-financial performance, changes in market conditions and/or broader financial factors such as AMP's capacity to pay. The board also has the discretion to adjust the Profit Share pool downwards if AMP Capital Management operates outside board-approved risk appetite levels (as per the AMP group STI plan). Allocation to individuals is at the discretion of the board, with consideration to the individual's performance against their annual financial and non-financial objectives. The award is delivered partly in cash at the end of the financial year (60 per cent of the award), with the remainder deferred into share rights, which vest two years subsequently (40 per cent of the award). The deferred portion is delivered through the AMP group STI Deferral plan (described in Section 3.2.2).

In 2012, membership of this plan will be expanded to other AMP Capital senior leaders who form part of the AMP Capital Executive Council.

3.3 Long-term incentives
AMP's Long Term Incentive (LTI) plan provides the nominated executives and selected senior leaders with rewards delivered in equity if conditions are met over a three-year period. LTI awards are granted annually, which provides ongoing benefits to participants for increasing shareholder value. The nominated executives and selected other senior leaders receive their LTI in the form of performance rights, which are subject to a relative total shareholder return (TSR) hurdle (refer to section 3.3.2). Other participants may take a portion or all of their LTI in share rights, which are subject to their ongoing service (refer to section 3.3.3).

3.3.1 Terms applying to performance rights and share rights granted in 2011
Determining the value of the award and the number of securities
Participation in the LTI and the value of awards is recommended by the PRC for approval by the board (and by shareholders in the case of the award to the CEO). When recommending the value of awards for each participant, the PRC, on advice from the CEO, considers the recipient's seniority, influence on AMP's long-term performance and contribution to AMP over the past 12 months or more. The number of securities is calculated by dividing the value of the award by the fair value of the LTI instrument, which is based on the 90-day average closing share price prior to the month in which grants are made. Fair values are discounted for the value of foregone dividends and, in the case of performance rights, the risk of performance conditions not being met.

Hedging
AMP policy prohibits employees from entering into any hedging arrangement in relation to any vested or unvested shares, options, share rights or performance rights in any AMP share plan. Breaches of this policy will lead to forfeiture of the relevant award. In accepting equity awards, participants are required to agree that they will not enter into any hedging arrangements in relation to the award.

Treatment of LTI on cessation of 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, outstanding LTI awards typically vest.

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

Source of shares
The shares to satisfy LTI awards are acquired on-market, so that the issue of LTIs does not dilute the value of AMP Limited shares.

3.3.2 Performance rights
A performance right is a right to acquire one fully paid ordinary share in AMP Limited after a three-year performance period for no consideration (i.e. a share option with a zero exercise price), provided a specific performance hurdle is met. The nominated executives are required to take their full LTI in performance rights. Other LTI participants elect to take a portion of their LTI in performance rights, which offer the opportunity for greater reward if the performance hurdles are met. Performance rights are awarded at no cost to the participant.

Performance hurdle
Vesting of performance rights is dependent on AMP's TSR[1] performance relative to a comparator group of Australian listed companies over a three-year performance period. The comparator group for grants made during 2011 (and for all historical grants that were subject to performance testing during 2011) was the top 50 industrials companies in the S&P/ASX 100 Index (based on market capitalisation rank) as defined at the start of the relevant performance period. The performance testing period and TSR comparator group companies for grants subject to performance testing during 2011 are provided in the following table.

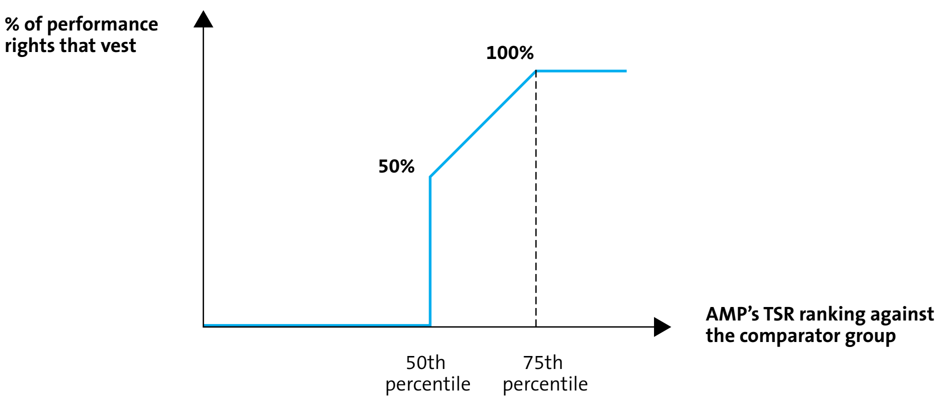
Footnote:
1 Total shareholder return (TSR) measures the benefit delivered to shareholders over the given period, which includes dividend payments, capital returns and movement in the share price.

Plan	2011 executive award	2011 CEO award	2010 annual award	2009 annual award	2008 annual award
Grant date	9 September 2011	9 June 2011	8 September 2010	12 March 2010[1]	19 September 2008
Performance period	1 August 2011–31 July 2014	1 May 2011–30 April 2014	1 August 2010–31 July 2013	1 August 2009–31 July 2012	1 August 2008–31 July 2011
Comparator group	AGL Energy Ltd, Amcor Ltd, AMP Ltd, ANZ Banking Group Ltd, ASX Ltd, Boral Ltd, Brambles Ltd, CFS Retail Property Trust, Coca-Cola Amatil Ltd, Commonwealth Bank of Australia, Computershare Ltd, Crown Ltd, CSL Ltd, Dexus Property Group (previously known as DB Reef Trust), Fairfax Media Ltd, Foster's Group Ltd, GPT Group, Incitec Pivot Ltd, Insurance Australia Group Ltd, Leighton Holdings Ltd, Lend Lease Corporation Ltd, MAP Group (previously known as Macquarie Airports), Macquarie Group Limited (previously known as Macquarie Bank Ltd), Metcash Ltd, Mirvac Group, National Australia Bank Ltd, News Corporation, Orica Ltd, Qantas Airways Ltd, QBE Insurance Group Ltd, Sonic Healthcare Ltd, Stockland, Suncorp-Metway Ltd, Tatts Group Ltd, Telstra Corporation Ltd, Toll Holdings Ltd, Transurban Group, Wesfarmers Ltd, Westfield Group, Westpac Banking Corporation, Woolworths Ltd				
	plus for the 2011 executive award Asciano Group, Bendigo and Adelaide Bank Ltd, APA Group, Cochlear Ltd, Echo Entertainment Group Ltd, Goodman Group, QR National Ltd, Ramsay Healthcare Ltd, Resmed Inc, Westfield Retail Trust	**plus for the 2011 CEO award** Asciano Group, Bendigo and Adelaide Bank Ltd, Cochlear Ltd, Goodman Group, Ramsay Healthcare Ltd, Resmed Inc, Tabcorp Holdings Ltd	**plus for the 2010 annual award** Asciano Group, Bendigo and Adelaide Bank Ltd, Cochlear Ltd, Goodman Group, James Hardie Industries SE, Tabcorp Holdings Ltd, Telecom Corporation of New Zealand Ltd *The following companies are no longer listed, but were originally included:* AXA Asia Pacific Holdings Ltd, Intoll Group (previously Macquarie Infrastructure Group)	**plus for the 2009 annual award** Asciano Group, Cochlear Ltd, CSR Ltd, David Jones Ltd, Tabcorp Holdings Ltd, Telecom Corporation of New Zealand Ltd *The following companies are no longer listed, but were originally included:* AXA Asia Pacific Holdings Ltd, Intoll Group (previously Macquarie Infrastructure Group), Lion Nathan Ltd	**plus for the 2008 annual award** Bendigo and Adelaide Bank Ltd, Boart Longyear Ltd, Goodman Group, Tabcorp Holdings Ltd, Telecom Corporation of New Zealand Ltd *The following companies are no longer listed, but were originally included:* AXA Asia Pacific Holdings Ltd, Intoll Group (previously Macquarie Infrastructure Group), Lion Nathan Ltd, St George Bank Ltd

Footnote:
1 The later than usual grant timing was a result of pending changes to taxation rules. To ensure continuity in long-term performance assessment, the vesting conditions were applied from August 2009.

The performance hurdle was chosen because it requires participants to outperform major ASX listed companies before the awards generate any value. The PRC reviewed the performance hurdle and determined that relative TSR continues to be the most appropriate measure of long-term shareholder value creation.

Vesting schedule
The proportion of performance rights that vest for each of the above grants was/will be determined according to the vesting schedule depicted below.



At the end of the performance period, an independent external consultant provides the PRC with AMP's TSR ranking against the comparator group. The PRC then determines the number of performance rights, if any, that vest, with reference to the vesting schedule shown in the diagram on the previous page. There is no subsequent performance retesting. Consequently, any awards that do not vest at the end of the vesting period are forfeited.

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.

3.3.3 Share rights
AMP also awards share rights under the LTI plan. LTI share rights are used to recognise senior leaders who contribute significantly to AMP's overall business success, but have a reduced ability to influence the creation of shareholder value compared to the nominated executives. LTI share rights are rights to acquire one fully paid ordinary share in AMP Limited after a three-year vesting period subject to ongoing service. Share rights are awarded at no cost to the participant and do not carry dividend entitlements. As this program is a means of recognising and retaining employees, no performance hurdles apply during the vesting period other than continued service.

In prior years, AMP awarded restricted shares instead of share rights. A restricted share is an ordinary AMP share that has a holding lock in place until a three-year vesting period ends. During this time, the holder is eligible to receive dividends, but is unable to sell, transfer or hedge their award.

3.3.4 Legacy plans – AMP Capital Associates Plan
The AMP Capital Associates Plan (CAPs) was formerly offered to selected senior leaders in AMP Capital, including Stephen Dunne, the Managing Director.

Under the plan, participants acquired deferred purchase agreements (known as 'CAP units') with AMP Capital Holdings Limited. Participants used their own money to purchase CAP units and were able to borrow money through AMP Bank, on full commercial terms, in order to fund their investment. CAP units allowed participants to share in AMP Capital's performance through annual cash and bonus distributions and capital appreciation (or depreciation).

As reported in 2010, the last offer under CAPs was made in January 2009. In 2011 it was determined that CAPs be closed completely and that individual participants be offered cash compensation in order to extinguish all outstanding rights under the plan. The amount to be received per CAPs unit was calculated based on an arm's length value. All participants, including Stephen Dunne, accepted the compensation offer and received payments in December 2011.

3.4 Other equity arrangements

3.4.1 Executive minimum shareholding requirement
In 2006, the PRC introduced guidelines outlining the minimum number of AMP shares the nominated executives are expected to hold. The guidelines were introduced to strengthen the alignment between the interests of the nominated executives and shareholders in the long-term performance of AMP. The nominated executives were expected to establish and maintain the following minimum shareholdings by 2011 (or within five years of appointment if appointed after 2006):

– CEO: 300,000 shares
– direct reports to the CEO: 60,000 shares.

Share rights allocated to nominated executives as a result of STI Deferral will be included in balances for the purpose of minimum shareholding requirements. The table below summarises the movements in the holdings of shares in AMP Limited held by the nominated executives and their personally related entities over the reporting period.

Name	Date by which minimum holding must be met	Holding at 1 Jan 2011	Granted as remuneration during the period	Received on exercise of performance rights or options	Other changes[1]	Holding at 31 Dec 2011
Craig Dunn	Jan 2013	558,497	–	–	–	558,497
Craig Meller	Oct 2012	96,207	–	–	–	96,207
Stephen Dunne	Jul 2011	209,396	–	–	–	209,396
Paul Leaming	Jul 2011	208,257	–	–	–	208,257
Brian Salter	Jul 2013	11,220	–	–	10,758	21,978
Lee Barnett	Jul 2011	52,978	200	–	–	53,178
Paul Sainsbury	Dec 2015	19,192	–	–	736	19,928
Matthew Percival	Jul 2011	45,000	–	–	–	45,000
Fiona Wardlaw	Aug 2013	26,259	–	–	35,035	61,294
Jonathan Deane	Jan 2013	93,583	–	–	–	93,583

Footnote:
1 Other changes represent individuals' purchases and sales made during the period or participation in the AMP Dividend Reinvestment Plan.

With the exception of Lee Barnett and Matthew Percival, all nominated executives who have passed the date by which they must acquire their minimum holdings have acquired the necessary number of shares. Whilst the shareholding targets were not reached by Lee Barnett and Matthew Percival, their 2011 short-term incentive deferrals (into AMP Limited share rights) in March will result in both satisfying the requirement. The minimum shareholding requirement will next be tested on 31 December 2012.

3.4.2 Employee Share Acquisition Plan

From time to time, AMP has provided employees (including the nominated 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 STI to acquire shares. Depending on the terms of the particular award, participants may be entitled to receive matching shares for shares acquired under the ESAP (e.g. the most recent awards provided one free share for every 10 shares acquired via salary sacrifice). Additionally, AMP can provide employees with free shares under the ESAP. Where the awards are acquired at no cost to the participant, service-based conditions must be met for the participant to receive their full entitlement. The plan was suspended midway through 2009 in Australia due to the changes to the taxation treatment of employee share plan awards. Accordingly, no awards were made under this plan in 2010 or 2011. The plan continues to operate in New Zealand.

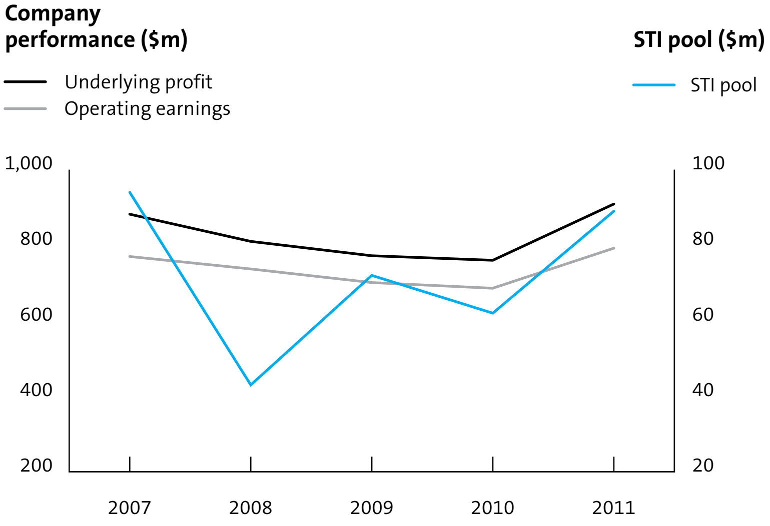
4 The link between company performance and remuneration

4.1 Company performance and short-term incentive expenditure

The following table shows how STI outcomes compared to AMP's financial results over the past five years. The STI pool for 2011 is higher than it was in 2010 because of the increase in AMP's headcount following AMP's merger with the Australian and New Zealand businesses of AXA Asia Pacific Holdings. The STI pool was a similar percentage of underlying profit, because AMP's performance in 2011 was consistent with 2010, relative to the targets agreed with the board. STI outcomes and company results are not expected to be perfectly correlated as AMP's STI performance assessment involves a broader consideration of AMP's progress in generating future value for shareholders (e.g. non-financial performance and financial results relative to the targets set by the board and shareholder expectations). Shareholders should note that AMP's merger with the Australian and New Zealand businesses of AXA Asia Pacific Holdings is reflected in the 2011 results.

	2007	2008	2009	2010	2011
Underlying profit ($m)	882	810	772	760	909
Operating earnings ($m)	770	737	701	686	792
Underlying return on equity	38%	39%	32%	26%	15.1%
STI pool ($m)	94	43	72	62	89
STI pool as % of underlying profit	11%	5%	9%	8%	9.8%
Average STI as % of maximum opportunity for the nominated executives	75%	39%	67%	65%	60%

The chart below illustrates that the impact of company performance on the STI pool was particularly pronounced in 2008, when the STI pool decreased to 5 per cent of underlying profit.



The sharp decrease in 2008 arose because the STI financial targets for that year were set prior to the onset of the global financial crisis and thus the targets were based on AMP achieving profit and earnings growth. The 2008 financial results were lower than in 2007 and significantly lower than the targets agreed with the board, and consequently, the STI pool decreased significantly. In 2009, in light of the difficult market conditions, financial targets were decreased so as to be stretching, but still achievable. When those targets were achieved, the STI pool increased to 9 per cent of profit.

4.2 Company performance and 2011 STI outcomes for the nominated executives

The following table shows STI opportunities for each nominated executive (as a percentage of fixed remuneration) and the proportions of STI opportunity awarded and forfeited during 2011. The proportions awarded are inclusive of the 40 per cent which is deferred (refer to section 3.2.2). On average, the nominated executives were awarded 60 per cent of their maximum opportunity. The 2011 STI outcomes for the nominated executives were typically lower than in 2010 (when the average percentage awarded was 65 per cent), which is consistent with the movements in AMP's performance discussed in section 4.1. The differing percentages 'awarded' reflect each nominated executive's relative contribution to AMP's 2011 financial and non-financial performance (as measured against their respective 2011 performance objectives). As the STI is an 'at risk' component of remuneration, any STI not earned (40 per cent of opportunity on average) was not awarded.

Executive	Position	Maximum STI opportunity	Awarded	Not awarded
Craig Dunn	Chief Executive Officer and Managing Director	200%	64%	36%
Craig Meller	Managing Director, AMP Financial Services	200%	62%	38%
Stephen Dunne	Managing Director, AMP Capital	n/a[1]	67%	33%
Paul Leaming	Chief Financial Officer	175%	52%	48%
Brian Salter	General Counsel and Company Secretary	175%	56%	44%
Lee Barnett	Chief Information Officer	175%	58%	42%
Paul Sainsbury	Integration Director	175%	62%	38%
Matthew Percival	General Manager, Public Affairs	175%	58%	42%
Fiona Wardlaw	General Manager, Human Resources	175%	58%	42%
Jonathan Deane	General Manager, Strategy	175%	60%	40%
Average			**60%**	**40%**

Footnote:
1 The AMP Capital MD has STI opportunity delivered under the AMP Capital Enterprise Profit Share plan (refer to section 3.2.3) and this opportunity is uncapped. For comparative purposes his Profit Share award has been notionally assessed against a 200 per cent opportunity.

4.3 Company performance and long-term incentive vesting

Performance rights awarded to nominated executives are subject to a total shareholder return (TSR) hurdle whereby AMP's TSR must be equal to or greater than the median TSR of the top 50 industrials companies in the S&P/ASX 100 Index (refer to section 3.3.2 for more detail).

The table below illustrates how LTI outcomes for the nominated executives are linked to shareholder returns. For each LTI grant made during the last five years, the table provides the relevant performance period, and for all completed performance periods:

– AMP's TSR for that period (absolute and relative to the specified comparator group for the relevant LTI award), and
– details of whether the award vested.

Year	Award	Performance period for the LTI grant	AMP's TSR for that period[1]	AMP's ranking relative to the LTI comparator group	Vesting status at 31 December 2010
2007	Executive award	1 Aug 2007–31 Jul 2010	–35.51%	42nd	Lapsed
2008	CEO award	1 Jan 2008–31 Dec 2010	–38.06%	33rd	Lapsed
	Executive award	1 Aug 2008–31 Jul 2011	–16.31%	32nd	Lapsed
2009	Annual award	1 Aug 2009–31 Jul 2012	Performance period not complete		
2010	Annual award	1 Aug 2010–31 Jul 2013	Performance period not complete		
2011	CEO award	1 May 2011–30 Apr 2014	Performance period not complete		
	Executive award	1 Aug 2011–31 Jul 2014	Performance period not complete		

Footnote:
1 TSR was calculated as the growth in share price (using the ASX adjusted price series) plus dividend payments and capital returns over the period.

As shown above, performance rights issued under the 2007 and 2008 LTI offers lapsed as the TSR hurdle was not met. As the 2006 award did not vest either, the LTI has not delivered any value to the nominated executives since the 2005 awards vested in 2008. This is consistent with long-term shareholder outcomes during the relevant performance periods.

5 Remuneration for the nominated executives in 2011

5.1 Accounting value of 2011 remuneration

The following table shows the remuneration details for the nominated executives for the year ended 31 December 2011. The Share-based payments shown below are not amounts actually received by nominated executives during the year, but accounting values for unvested share awards, these values are a statutory disclosure requirement.

		Short-term employee benefits			Post-employment benefits		Share-based payments[1]		Other long-term benefits	Termination payments		
Executive		Cash salary $'000	Short-term incentive $'000	Other short-term benefits $'000	Superannuation benefits $'000	Subtotal $'000	Options and performance rights[2] $'000	Matching and restricted shares[3] $'000	Cash distributions on equity plans[4] $'000	Cash-based payments[5] $'000	Share-based payments[6] $'000	Grand total $'000
Craig Dunn Managing Director and CEO	**2011**	**1,648**	**1,344**	**–**	**16**	**3,008**	**2,370**	**–**	**–**	**–**	**–**	**5,378**
	2010	1,385	1,960	–	15	3,360	2,109	–	–	–	–	5,469
Craig Meller Managing Director, AMP Financial Services	**2011**	**1,014**	**798**	**–**	**16**	**1,828**	**971**	**–**	**–**	**–**	**–**	**2,799**
	2010	910	1,320	–	15	2,245	916	–	–	–	–	3,161
Stephen Dunne Managing Director, AMP Capital	**2011**	**1,014**	**863**	**–**	**16**	**1,893**	**971**	**–**	**–4**	**–**	**–**	**2,860**
	2010	910	925	–	15	1,850	912	–	8	–	–	2,770
Paul Leaming Chief Financial Officer	**2011**	**986**	**564**	**–**	**16**	**1,566**	**962**	**–**	**–**	**503**	**1,191**	**4,222**
	2010	915	840	–	15	1,770	933	–	–	–	–	2,703
Brian Salter General Counsel and Company Secretary	**2011**	**730**	**450**	**–**	**23**	**1,203**	**724**	**–**	**–**	**–**	**–**	**1,927**
	2010	685	760	–	22	1,467	576	–	–	–	–	2,043
Lee Barnett Chief Information Officer	**2011**	**731**	**465**	**–**	**16**	**1,212**	**717**	**–**	**–**	**–**	**–**	**1,929**
	2010	678	650	–	15	1,343	690	–	–	–	–	2,033
Paul Sainsbury Integration Director[7]	**2011**	**634**	**426**	**–**	**16**	**1,076**	**407**	**–**	**–**	**–**	**–**	**1,483**
Matthew Percival General Manager, Public Affairs	**2011**	**536**	**345**	**–**	**16**	**897**	**531**	**–**	**–**	**–**	**–**	**1,428**
	2010	498	650	–	15	1,163	518	–	–	–	–	1,681
Fiona Wardlaw General Manager, Human Resources	**2011**	**609**	**390**	**–**	**16**	**1,015**	**600**	**1**	**–**	**–**	**–**	**1,616**
	2010	565	475	–	15	1,055	478	32	–	–	–	1,565
Jonathan Deane General Manager, Strategy	**2011**	**497**	**330**	**–**	**16**	**843**	**492**	**–**	**–**	**–**	**–**	**1,335**
	2010	460	425	–	15	900	423	–	–	–	–	1,323
2011 total	**2011**	**8,399**	**5,975**	**–**	**167**	**14,541**	**8,745**	**1**	**–4**	**503**	**1,191**	**24,977**
2010 total	2010	7,006	8,005	–	142	15,153	7,555	32	8	–	–	22,748

Footnote:
1 All share-based payments are equity-settled as per the relevant Australian Accounting Standard (AASB 2 *Share-based Payment*).
2 The fair value of share rights and performance rights has been calculated as at the grant date by external consultants using Monte Carlo simulation techniques. Fair value has been discounted for the probability of not meeting the performance hurdles. The value of the award made in any year is amortised over the vesting period.
3 The fair value of restricted shares has been determined using the share price of AMP ordinary shares on the grant date. Under the Employee Share Acquisition Plan (ESAP) participating employees may receive matching shares at the end of the specified vesting period. The employee has no right to dividends on these matching shares until after they are granted. Each matching share has been valued by external consultants as the face value of an AMP ordinary share at grant date less the present value of the expected dividends (not received). The value of the award made in any year is amortised over the vesting period.
4 The fair value of the bonus distribution in the AMP Capital Associates Plan has been determined as being 10% of the capital value of each tranche of CAP units as at the most recent valuation date. The value of the bonus distribution is amortised over the vesting period.
5 Cash-based termination payments comprise contractual payments paid to Paul Leaming on his retirement, such as entitlements to accrued leave.
6 Share-based termination payments represent the portion of performance rights granted to Paul Leaming in 2009, 2010 and 2011 that would have been amortised in future years had he not retired. While the performance rights remain subject to the original vesting period and performance conditions (i.e. they did not vest in 2011 and may not vest in future years), accounting regulations require all future liabilities to be expensed at the time of departure.
7 Paul Sainsbury was appointed as Integration Director on 1 January 2011 and was not a KMP in 2010.

5.2 Performance rights holdings

The table below summarises the movements, by number, in the nominated executives' holdings of performance rights granted by AMP Limited, for the year ended 31 December 2011. For details of the fair valuation methodology, refer to Note 26 to the financial statements.

Name	Grant date	Fair value per performance right	Market price on exercise[1]	Holding at 1 Jan 2011	Rights granted in 2011	Rights exercised in 2011[1]	Rights lapsed in 2011	Holding at 31 Dec 2011	Vested[2] and exercisable at 31 Dec 2011
Craig Dunn	6/06/08	$3.56	–	102,914	–	–	102,914	–	–
	19/09/08	$3.81	–	586,593	–	–	586,593	–	–
	12/03/10	$3.53	–	777,778	–	–	–	777,778	–
	8/09/10	$2.50	–	697,675	–	–	–	697,675	–
	9/06/11	$2.39	–	–	729,167	–	–	729,167	–
Total				**2,164,960**	**729,167**	**–**	**689,507**	**2,204,620**	**–**
Craig Meller	19/09/08	$3.81	–	258,380	–	–	258,380	–	–
	12/03/10	$3.53	–	342,593	–	–	–	342,593	–
	8/09/10	$2.50	–	307,309	–	–	–	307,309	–
	9/09/11	$1.92	–	–	400,376	–	–	400,376	–
Total				**908,282**	**400,376**	**–**	**258,380**	**1,050,278**	**–**
Stephen Dunne	19/09/08	$3.81	–	258,380	–	–	258,380	–	–
	12/03/10	$3.53	–	342,593	–	–	–	342,593	–
	8/09/10	$2.50	–	307,309	–	–	–	307,309	–
	9/09/11	$1.92	–	–	400,376	–	–	400,376	–
Total				**908,282**	**400,376**	**–**	**258,380**	**1,050,278**	**–**
Paul Leaming	19/09/08	$3.81	–	259,777	–	–	259,777	–	–
	12/03/10	$3.53	–	344,445	–	–	–	344,445	–
	8/09/10	$2.50	–	308,971	–	–	–	308,971	–
	9/09/11	$1.92	–	–	327,538	–	–	327,538	–
Total				**913,193**	**327,538**	**–**	**259,777**	**980,954**	**–**
Brian Salter	19/09/08	$3.81	–	195,531	–	–	195,531	–	–
	12/03/10	$3.53	–	259,260	–	–	–	259,260	–
	8/09/10	$2.50	–	232,559	–	–	–	232,559	–
	9/09/11	$1.92	–	–	246,053	–	–	246,053	–
Total				**687,350**	**246,053**	**–**	**195,531**	**737,872**	**–**
Lee Barnett	19/09/08	$3.81	–	193,576	–	–	193,576	–	–
	12/03/10	$3.53	–	256,667	–	–	–	256,667	–
	8/09/10	$2.50	–	230,233	–	–	–	230,233	–
	9/09/11	$1.92	–	–	244,455	–	–	244,455	–
Total				**680,476**	**244,455**	**–**	**193,576**	**731,355**	**–**
Paul Sainsbury	19/09/08	$3.81	–	83,799	–	–	83,799	–	–
	12/03/10	$3.53	–	148,149	–	–	–	148,149	–
	8/09/10	$2.50	–	132,891	–	–	–	132,891	–
	9/09/11	$1.92	–	–	207,707	–	–	207,707	–
Total				**364,839**	**207,707**	**–**	**83,799**	**488,747**	**–**
Matthew Percival	19/09/08	$3.81	–	143,297	–	–	143,297	–	–
	12/03/10	$3.53	–	190,000	–	–	–	190,000	–
	8/09/10	$2.50	–	170,432	–	–	–	170,432	–
	9/09/11	$1.92	–	–	180,546	–	–	180,546	–
Total				**503,729**	**180,546**	**–**	**143,297**	**540,978**	**–**
Fiona Wardlaw	19/09/08	$3.81	–	162,012	–	–	162,012	–	–
	12/03/10	$3.53	–	214,815	–	–	–	214,815	–
	8/09/10	$2.50	–	192,692	–	–	–	192,692	–
	9/09/11	$1.92	–	–	204,512	–	–	204,512	–
Total				**569,519**	**204,512**	**–**	**162,012**	**612,019**	**–**
Jonathan Deane	19/09/08	$3.81	–	132,682	–	–	132,682	–	–
	12/03/10	$3.53	–	175,926	–	–	–	175,926	–
	8/09/10	$2.50	–	157,808	–	–	–	157,808	–
	9/09/11	$1.92	–	–	167,764	–	–	167,764	–
Total				**466,416**	**167,764**	**–**	**132,682**	**501,498**	**–**

Footnote:
1 None of the nominated executives exercised performance rights during 2011.
2 No performance rights vested during 2011.

5.3 Analysis of movements in the value of performance rights and option holdings

The following table summarises the movement of options and performance rights, by value, during 2011. No performance rights were exercised during 2011. No options were granted or exercised during 2011.

Name	Value of performance rights granted during 2011 $'000	Value of performance rights exercised during 2011 $'000	Value of performance rights lapsed during 2011[1] $'000
Craig Dunn	1,743	–	3,144
Craig Meller	769	–	1,178
Stephen Dunne	769	–	1,178
Paul Leaming	629	–	1,185
Brian Salter	472	–	892
Lee Barnett	469	–	883
Paul Sainsbury	399	–	382
Matthew Percival	347	–	653
Fiona Wardlaw	393	–	739
Jonathan Deane	322	–	605

Footnote:

1 Lapsed performance rights are valued using the relevant Australian Accounting Standard (AASB 2 *Share-based Payment*). For the performance rights granted this is the fair value on the date of grant. For the performance rights lapsed this is the closing share price on the date the performance rights lapsed.

5.4 Other incentive arrangements that will impact remuneration in future periods

5.4.1 Employee Share Acquisition Plan matching shares

The following table provides details of the matching shares that may be provided to nominated executives in future years, if the individual meets service conditions in the three-year period subsequent to their acquisition of the shares under the ESAP. If the participant resigns prior to the end of the three-year period, the award will be forfeited. No shares were acquired under the ESAP in 2010 or 2011.

Name	Date shares acquired under the ESAP	Number of shares acquired	Matching shares granted in 2011[1]	Maximum number of matching shares in future	Estimated value vesting in future years[2]
Lee Barnett	2008	1,000	100	–	–
Fiona Wardlaw	2009	1,000	–	100	$407
Jonathan Deane	2008	1,000	100	–	–
	2009	530	–	53	$216

Footnote:

1 The nominated executives received 100% of the possible matching share entitlement in respect of shares acquired through the ESAP during 2007 as they met the service requirements for these entitlements.

2 Estimated value is based on AMP's closing share price of $4.07 at 31 December 2011.

6 Contractual arrangements for the nominated executives

The table below provides a summary of the key contractual terms agreed with the nominated executives.

Contract term	CEO contract	Other nominated executives
Length of contract	Open-ended	Open-ended
Notice period	– Employment may be terminated at any time by AMP giving 12 months' notice or by Craig Dunn giving six months' notice. – AMP may terminate Craig Dunn's employment immediately in certain events, including serious misconduct and material breach of contract. – In each case AMP may pay the fixed remuneration for the balance of any notice period in order to bring an earlier end to his employment.	As for CEO, except: – Most of the other nominated executives may terminate immediately if there is a material adverse change in their role. – AMP is required to give some longer-serving nominated executives six months' notice if it wishes to terminate for poor performance.
Employee benefits not forming part of fixed remuneration (refer to section 3.1)	Not applicable	Some longer-serving nominated executives are entitled to up to $7,500 annually in reimbursement for taxation, legal or financial planning advice.
Entitlements on termination	– Accrued fixed salary and statutory entitlements. – Pro-rata STI may be paid for the period since the last 1 January except in case of misconduct or breach of contract. Where provided, the STI is pro-rated for time served and calculated based on performance to the date of termination. – Unvested LTI performance rights may be allowed to continue in the relevant LTI plan in the case of death, disablement, redundancy or notice without cause by AMP. In this case the awards will continue to be subject to the original performance hurdles and performance periods. – In the case of termination by AMP, or termination due to death, disablement or a material change in circumstances, the most recent LTI award at the time of termination will be reduced pro-rata if 12 months have not passed since the award was granted. – Vested performance rights will be retained on cessation of employment except in the case of serious misconduct or breach of contract.	As for CEO, except: – Some longer serving nominated executives are entitled to 50% of their maximum annual STI opportunity for the balance of the notice period on redundancy or termination by AMP without cause. – For contracts agreed after 1 January 2010 the above entitlement was removed, as the payment of such amounts would result in termination payments above the threshold requiring shareholder approval. – The most recent LTI award at the time of termination does not lapse pro-rata for time served (in the case of termination by AMP, termination due to death, disablement or a material change in circumstances).
Post-employment restraint	Craig Dunn is contractually restrained from entering employment with a competitor for six months, and has a 12 months' restraint on solicitation of AMP clients and employees.	– Most of the other nominated executives are not restricted from entering employment with a competitor. – Restraints on solicitation of AMP clients and employees is either for 6 or 12 months.

Effective 2010, employment contracts issued to newly appointed employees (including any new nominated executives) provide that an employee's termination entitlements are limited to amounts not requiring shareholder approval under the Corporations Act (i.e. their termination payments are capped at one year's base salary as defined for the purpose of section 200B of the Corporations Act).

7 Non-executive director remuneration

7.1 Philosophy
Fees paid to non-executive directors of the AMP Limited Board are determined by the Nomination Committee with regard to advice provided by AMP remuneration specialists and the Nomination Committee's appointed external remuneration adviser. Factors taken into consideration include:
- the level of fees paid to board members of other Australian corporations
- the complexity of AMP's operations
- the responsibilities and workload requirements of board members.

In order to maintain their independence, no proportion of non-executive directors' remuneration is linked to performance.

7.2 Structure
During 2011, non-executive director remuneration comprised three components.

Benefits	Superannuation and expense allowance
Fees	Committee and subsidiary board fees
	AMP Limited Board fees

These fees and benefits are subject to the maximum non-executive director fee pool which increased to $3.85m following approval at the Annual General Meeting in May 2011.

7.2.1 AMP Limited Board fees
During 2011, the Nomination Committee instructed its external remuneration adviser to conduct a market review of non-executive director fees, having regard to the factors in section 7.1 above and that fees have not increased since 2008. As a result of that review, the annual base fee for a non-executive director was increased from $160,000 to $170,000.

The base fees provided to each director, effective as at 1 April 2011 are as follows:

	Chairman	Other non-executive directors
Base fee (excluding superannuation) 2011	$585,000	$170,000

The AMP Limited Board Chairman receives an overall fee in relation to regular duties. No additional fees are paid for his membership of board committees or subsidiary boards, or for his attendance at board meetings or meetings of board committees of which he is not a member. An extra fee may be paid for additional board duties. Board fees are not paid to the CEO as responsibilities regarding board membership are considered to be part of the CEO's normal employment conditions.

7.2.2 Committee and subsidiary board fees
Individual non-executive directors are paid additional fees for duties associated with membership of board sub-committees, membership of AMP subsidiary boards and for duties associated with due diligence committees or other special purpose committees. The 2011 fees (excluding superannuation) are presented below, effective as at 1 April 2011:

	Board/committee chairman	Board/committee member
Audit Committee	$42,000	$21,000
Nomination Committee	$15,000	$7,500
People and Remuneration Committee	$36,750	$18,350
AMP Life Board[1]	$158,000	$98,000
AMP Life Audit Committee	$28,750	$17,250
AMP Capital Investors Limited Board[2]	$110,000	$70,000
AMP Capital Investors Audit Committee	$25,000	$15,000
AMP Bank Board	$80,000	$50,000
AMP Bank Audit Committee	$25,000	$15,000

Footnote:
1 The fees shown for AMP Life are the combined fees for AMP Life Limited and the National Mutual Life Association of Australasia Limited and have increased from 2010 to reflect the increased duties of this board. Committee and subsidiary board membership details are provided in the Corporate Governance Statement.
2 The AMP Capital Investors Board was restructured in December 2011. The non-executive directors retired and the remaining board comprises four executive directors.

7.2.3 Benefits
Benefits provided to directors are as follows:
- *Superannuation*: Superannuation contributions totalling 9 per cent of total fees are paid in addition to fees and allowances. Directors may also elect to salary-sacrifice their fees into superannuation.
- *Expense allowance*: An annual expense allowance of $6,000 is paid to each director, except the Chairman, for incidental expenses related to the business of the company.
- *Retirement benefits*: AMP ceased providing retirement benefits to directors in March 2003 and entitlements were frozen at that time. Richard Grellman, who was the only remaining director appointed to the board prior to March 2003, received his frozen retirement allowance in May 2011 on his retirement from the board.

7.3 AMP Non-Executive Directors' Share Plan (NED Share Plan)
A minimum of 26 per cent of non-executive directors' fees must be taken in the form of AMP shares which are held in the Non-Executive Directors' Share Plan (NED Share Plan) for 10 years or until the director resigns from the AMP Limited Board, unless otherwise withdrawn with the approval of the People and Remuneration Committee. There are no performance hurdles attached to this plan, as non-executive directors use part of their fees to acquire these shares.

Non-executive directors do not participate in any other equity plans.

Shareholdings
The following table summarises the movements in AMP Limited shares held by the non-executive directors and their personally related entities during 2011.

Non-executive director	Holding at 1 Jan 2011	Purchased through the NED Share Plan	Other changes[1]	Holding at 31 Dec 2011
Peter Mason	414,811	30,901	28,986	474,698
Patricia Akopiantz[2]	5,116	5,730	–	10,846
Richard Allert[2]	59,120	5,730	2,387	67,237
Catherine Brenner	27,634	8,983	1,688	38,305
Brian Clark	32,482	8,982	2,477	43,941
Paul Fegan	14,505	8,982	–	23,487
John Palmer	49,621	8,983	3,634	62,238
Nora Scheinkestel	96,472	8,983	6,798	112,253
Peter Shergold	22,031	8,983	1,770	32,784
Richard Grellman[3]	58,425	3,541	1,677	63,643

Footnote:
1 Includes the purchase and sale of shares "on market" and participation in the Dividend Reinvestment Plan.
2 The opening holdings for Patricia Akopiantz and Richard Allert are as at 30 March 2011, the date they were appointed to the AMP Limited Board.
3 Richard Grellman retired from the AMP Limited Board on 12 May 2011. The closing holding is at 9 June 2011 following the non-executive director share plan purchase relating to his May fees.

7.4 Accounting value of 2011 non-executive director remuneration

The table below shows the remuneration details for the non-executive directors of AMP Limited for 2011.

		Short-term benefits					Post-employment benefits	
		AMP Limited Board and committee fees[1] $'000	Fees for other group boards[1] $'000	Other short-term benefits $'000	Additional board duties[2] $'000	Non-monetary benefits $'000	Superannuation $'000	Total $'000
Peter Mason Chairman	**2011** 2010	**576** 550	**–** –	**–** –	**100** 30	**–** –	**16** 15	**692** 595
Patricia Akopiantz[3] Non-executive director	**2011** 2010	**141** –	**5** –	**4** –	**–** –	**–** –	**14** –	**164** –
Richard Allert[3] Non-executive director	**2011** 2010	**143** –	**–** –	**4** –	**15** –	**–** –	**13** –	**175** –
Catherine Brenner[4] Non-executive director	**2011** 2010	**172** 87	**153** 102	**6** 3	**55** –	**–** –	**33** 17	**419** 209
Brian Clark Non-executive director	**2011** 2010	**198** 182	**125** 123	**6** 6	**–** –	**–** –	**30** 28	**359** 339
Paul Fegan Non-executive director	**2011** 2010	**209** 177	**50** 38	**6** 6	**55** 20	**–** –	**27** 22	**347** 263
Richard Grellman[5] Non-executive director	**2011** 2010	**69** 205	**62** 164	**2** 6	**40** 20	**–** –	**16** 36	**189** 431
John Palmer Non-executive director	**2011** 2010	**204** 194	**109** 98	**6** 6	**15** –	**–** –	**29** 27	**363** 325
Nora Scheinkestel Non-executive director	**2011** 2010	**193** 190	**150** 143	**6** 6	**–** –	**–** –	**31** 31	**380** 370
Peter Shergold Non-executive director	**2011** 2010	**192** 175	**108** 85	**6** 6	**30** –	**–** –	**28** 24	**364** 290
Total for 2011		**2,097**	**762**	**46**	**310**	**–**	**237**	**3,452**
Total for 2010		1,760	753	39	70	–	200	2,822

Footnote:
1 Details of the non-executive directors' committee memberships and directorships of subsidiary boards are provided in the Corporate Governance Statement.
2 Relates to additional work performed as part of the AXA transaction.
3 Patricia Akopiantz and Richard Allert were appointed to the AMP Limited Board on 30 March 2011.
4 Catherine Brenner was appointed to the AMP Limited Board on 16 June 2010. The remuneration shown above includes fees paid to her as a Director of AMP Life Limited from 1 January 2010.
5 In addition to the amounts shown, Richard Grellman received his frozen retirement allowance of $240,340 upon his retirement from the AMP Limited Board on 12 May 2011.

Signed in accordance with a resolution of the directors.

Peter Mason
Chairman
Sydney, 16 February 2012

Craig Dunn
Chief Executive Officer and Managing Director

Analysis of shareholder profit
for the year ended 31 December 2011

This table shows an analysis of the source of profit after income tax attributable to shareholders of AMP Limited.

All amounts are after income tax	2011 $m	2010 $m
AMP Financial Services	**766**	639
AMP Capital	**83**	87
Business unit operating earnings	**849**	726
Group Office costs	**(57)**	(40)
Total operating earnings	**792**	686
Underlying investment income	**183**	130
Interest expense on corporate debt	**(82)**	(72)
AMP Limited tax loss recognition	**16**	16
Underlying profit	**909**	760
Market adjustment – investment income	**(50)**	(5)
Market adjustment – annuity fair value	**13**	22
Market adjustment – risk products	**53**	(7)
Loan hedge revaluations	**3**	1
Other items	**1**	(2)
Profit after income tax before AXA merger related adjustments and accounting mismatches	**929**	769
Merger and acquisition transaction costs	**(42)**	(16)
AXA integration costs	**(105)**	–
Amortisation of AXA acquired intangibles	**(75)**	–
Accounting mismatches	**(19)**	22
Profit attributable to shareholders of AMP Limited	**688**	775

Approach to corporate governance

AMP has a set of values that recognise the group's responsibilities to all its stakeholders, including shareholders, customers, employees, planners, business partners and the community.

The AMP Limited Board places great importance on the highest standards of governance and periodically reviews its governance practices to address AMP's obligations as a responsible corporate citizen.

In accordance with the *ASX Corporate Governance Principles and Recommendations* (ASX Recommendations), AMP has posted copies of its governance practices (including copies of relevant policies and terms of reference) in the corporate governance section of its website: www.amp.com.au. The AMP Limited Board believes that AMP's governance practices were consistent with all of the ASX Recommendations during 2011.

Role of the AMP Limited Board and management

(ASX Recommendation 1.1)
Lay solid foundations for management and oversight

The AMP Limited Board

The AMP Limited Board is responsible to AMP's shareholders for the overall governance and performance of the AMP group.

The board primarily represents the long-term interests of shareholders by bringing informed and independent judgement in:

– providing strategic direction to AMP through constructive engagement with senior management in the development, execution and modification of AMP's strategy and in approving AMP's strategic plan
– approving major business initiatives within the AMP group
– guiding and monitoring the businesses of the companies within the AMP group
– appointing the Managing Director and Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the Company Secretary
– monitoring the CEO's performance
– providing advice and counsel to senior management of the AMP group
– approving succession plans for the CEO and reviewing the succession planning policy and approach for the direct reports of the CEO and for critical business roles
– approving AMP group's talent management strategy, including seeking to encourage diversity on the boards of AMP and its key operating subsidiaries and in senior management
– approving remuneration policies and practices, including the total remuneration package, performance objectives and performance appraisal for the CEO, the direct reports of the CEO and other persons whose individual activities may, in the People and Remuneration Committee's opinion, affect the AMP group's financial soundness or that of its key operating subsidiaries
– overseeing and approving AMP group's governance model, including monitoring and overseeing the work of the boards of the key operating subsidiaries and monitoring the implementation by those boards of the policies and decisions of the AMP Limited Board
– seeking to ensure the effectiveness of the boards of AMP and its key operating subsidiaries; approving the remuneration (following the recommendation of the Nomination Committee) for AMP and key operating subsidiary non-executive directors
– reviewing and approving policies that seek to ensure the AMP group's businesses are conducted ethically
– reporting to AMP shareholders
– considering AMP shareholders' views on the management and direction of the AMP group
– considering the interests of all stakeholders in the AMP group, including its shareholders, customers and clients, business partners, employees and the wider community
– approving policies that seek to ensure AMP group's compliance with its legal and regulatory obligations
– reviewing and approving AMP group's strategic risk management and seeking to ensure appropriate group-wide compliance and risk frameworks are in place
– approving major decisions concerning the financial capital of the AMP group
– monitoring the AMP group's financial results
– determining dividends
– approving the half and full-year financial results for the AMP group
– approving releases to the Australian Securities Exchange (ASX) on major matters
– approving the delegation of powers to the CEO and senior management.

Management

The CEO is responsible for the overall management and financial performance of the AMP group. The CEO manages the organisation in accordance with the strategy, plans, risk appetite and policies approved by the board.

AMP Limited Board composition and size

(ASX Recommendations 2.1, 2.2, 2.3, 2.4 and 2.5)
Structure the board to add value

The AMP Constitution provides for the minimum and maximum number of directors on the board. The board is made up of a majority of independent non-executive directors and has only one executive director, the CEO. The Chairman of the board is non-executive and independent of the role of the CEO.

AMP's Constitution is available on AMP's website. Biographical details setting out the skills, experience and expertise of, and period of office held by, each of the directors in office at the date of this report are set out in the Directors' Report.

Appointment of directors

Nominations of directors, recommended by the Nomination Committee, are considered by the board.

The Nomination Committee considers a wide base of potential directors, taking into account the range of skills and experience required in relation to the:

– current composition of the board
– need for independence
– desirability of achieving diversity on the AMP board
– strategic direction of the AMP group
– geographic spread and mix of AMP's businesses.

From time to time, the Nomination Committee uses external consultants to assist in its considerations. A copy of the Nomination Committee terms of reference is available on AMP's website.

Director independence

It is important that the board operates independently of executive management. The board has considered the criteria for director independence set out in Box 2.1 of the ASX Recommendations and considers each of the non-executive directors to be independent of management. This means they do not have any business interest or other relationship that could materially interfere with the exercise of their independent judgement and their ability to act in the best interests of the company.

AMP also includes independent directors on the boards of key operating subsidiaries.

Chairman's appointment and responsibilities
The Chairman is appointed by and from the non-executive directors of the board.

The Chairman:
– provides appropriate leadership to the board and the AMP group
– facilitates board discussions
– maintains a regular dialogue and mentor relationship with the CEO
– monitors board performance
– guides and promotes the ongoing effectiveness and development of the board and individual directors.

Conduct of AMP Limited Board business
The board normally holds around 10 formal board meetings each year and will also meet whenever necessary to carry out its responsibilities.

When conducting board business, directors will question, request information, raise any issue which is of concern to them, canvass fully all aspects of any issue confronting AMP and vote on any resolution according to their own judgement. Directors keep confidential all board discussions, deliberations and decisions except where decisions are required to be disclosed publicly.

Access to information
Directors are able to access members of senior management from time to time to request relevant information.

Directors are entitled to seek independent advice on AMP-related matters at AMP's expense. Directors must ensure the costs are reasonable and must advise the Chairman before the advice is sought. Any advice received must be made available to the rest of the board unless otherwise agreed by the Chairman or the board.

Code of Conduct
(ASX Recommendation 3.1)
Promote ethical and responsible decision-making

The AMP Limited Board has adopted a Code of Conduct outlining the standards of personal and corporate behaviour required of all directors, officers and employees of the AMP group. This Code reinforces an already strong ethical culture for the benefit of all stakeholders.

A copy of the Code of Conduct is provided to all directors and employees on joining AMP.

AMP's Code of Conduct is available on AMP's website.

Conflicts of interest
Directors are required to monitor and disclose any potential conflict of interest that may arise. Directors must:
– disclose to the Chairman any actual or potential conflicts of interest that may exist as soon as the situation arises
– take necessary and reasonable steps to resolve any conflict of interest
– comply with the *Corporations Act 2001* requirements about disclosing interests and restrictions on voting.

Any proposed non-AMP Limited Board or executive appointments being considered by directors must be discussed with the Chairman. Directors must advise AMP of such appointments to other companies as soon as possible after the appointment is made.

The same requirement exists for related party transactions, other than those occurring on an arm's length basis. Such a proposed related party transaction should be reported in writing to the Company Secretary and, where appropriate, raised for consideration at the next board meeting. In the meantime, the director concerned should not commit to the transaction.

Trading Policy
AMP's Trading Policy sets out AMP's policy regarding insider trading and the trading in AMP securities by directors and employees.

AMP's Trading Policy aims to:
– protect stakeholders' interests at all times
– ensure directors and employees do not use any information they possess for personal advantage, or to the detriment of AMP
– ensure directors and employees comply with insider trading provisions of the *Corporations Act 2001*.

Trading in AMP securities by directors, executives and certain employees (Designated Persons) is restricted to the following trading windows:
– 30-day period beginning on the second day after the release of AMP's interim and annual results
– 30-day period beginning on the second day after the AMP Annual General Meeting (AGM)
– period commencing on the day after the issue of a prospectus offering AMP securities (or a document containing equivalent information) and ending on the day the offer closes
– any additional period designated by the board from time to time, whether for a particular person or purpose (such as participation in an employee incentive scheme offer) or general purposes (for example, during a period of enhanced disclosure).

However, Designated Persons may acquire AMP securities under any share plan (such as the Employee Share Acquisition Plan or the Non-Executive Directors' Share Plan, or any successor or similar plans), on a monthly or other regular basis, outside the trading windows referred to above. These securities are acquired in accordance with a fixed purchase program under the terms of the share plan.

Trading in AMP securities, during or outside the formal trading windows, is subject to the overriding prohibition on trading while in the possession of inside information.

Breaches of this policy will be treated seriously and may lead to disciplinary action being taken against the employee, including dismissal.

AMP's Trading Policy is available on AMP's website.

AMP Limited Board committees
The board has established committees to consider certain matters. The Chairman of each committee reports on any matter of substance at the next full board meeting.

There are currently three standing committees:
– Nomination Committee
– People and Remuneration Committee
– Audit Committee.

Other committees may be formed from time to time, as required. Each committee has its own terms of reference, approved by the board and reviewed annually.

The Chairman and CEO attend committee meetings where appropriate. Board and committee attendance records, membership and a summary of the high level duties of the board committees are shown in the Directors' Report.

The terms of reference for all committees are available on AMP's website.

Nomination Committee
(ASX Recommendations 2.4 and 2.5)

The Nomination Committee supports and advises the AMP Limited Board on board matters including policies, performance, remuneration, composition, fitness and propriety of directors and the board (as required by APRA) and succession planning.

This includes identifying, evaluating and recommending candidates to the board, having regard to relevant expertise, skills, personal attributes, diversity, current board size, availability and tenure of directors, the requisite business needs and time commitments required. The Nomination Committee also oversees and recommends to the AMP board the appointment of non-executive directors to the boards of key operating subsidiaries and other appointments.

The Nomination Committee is responsible for reviewing the remuneration of non-executive directors on the AMP Limited Board and on boards of key operating subsidiaries.

Board performance assessment
The Chairman of the Nomination Committee will, on an annual basis, facilitate, either directly or through a third party, a discussion and evaluation of the AMP Limited Board's performance. This will include discussions both collectively and individually about:

– the AMP group as a whole
– the board's role, processes and performance
– the skills and experience of directors individually and the board collectively
– board group dynamics
– any other relevant issues.

Each director's performance is reviewed by the Chairman and the board annually and prior to any director standing for re-election at a general meeting of the company. The review is conducted either directly or through a third party. The board (excluding the Chairman), either directly or through a third party, will conduct a formal review of the Chairman's performance every two years. All committees of the AMP Limited Board as well as the boards, the individual directors and committees of key operating subsidiaries regularly review their own performance.

Retirement of directors
Directors may not hold office for more than three years since last elected or re-elected at an AGM. A director appointed by the board to fill a casual vacancy or as an addition to the existing directors will hold office until the next AGM when that director is required to stand for election. This election will be in addition to any rotational retirements.

The CEO, who is also a director on the board, is not subject to retirement by rotation and is not to be taken into account in determining the retirement by rotation of directors.

A director who holds any executive office with AMP (including the CEO) ceases to be a director when they no longer hold their executive office. The tenure of non-executive directors will generally be no longer than nine years. A non-executive director can continue to hold office after a nine-year term provided they are re-elected by shareholders at every subsequent AGM.

Amendments to provisions in the Constitution governing the retirement of directors will be considered by shareholders at the 2012 AGM.

People and Remuneration Committee
(ASX Recommendations 1.2, 8.1, 8.2 and 8.3)
Remunerate fairly and responsibly

The People and Remuneration Committee advises the board on the effectiveness, integrity and legal compliance of AMP's remuneration policy, plans and practices. Each year the committee also reviews and reports on remuneration by gender, considering appropriate strategies to promote diversity. Other key responsibilities include annually reviewing and recommending to the board the AMP group short-term incentive pools, the total remuneration package, performance objectives and performance appraisal for the CEO, direct reports of the CEO and other persons whose individual activities may, in the People and Remuneration Committee's opinion, affect the financial soundness of the AMP group and its key operating subsidiaries.

Committees

AMP Limited Board

Nomination Committee	People and Remuneration Committee	Audit Committee
Chairman: Nora Scheinkestel	**Chairman:** John Palmer	**Chairman:** Paul Fegan
Members: Brian Clark, Peter Mason	**Members:** Patty Akopiantz, Brian Clark, Peter Mason	**Members:** Rick Allert, Peter Shergold
Duties: – policies, performance, remuneration, composition, fitness and propriety of directors and the board (as required by APRA) and succession planning – recommendations to the AMP Board on the appointment of non-executive directors to key operating subsidiaries	**Duties:** – succession planning policy and approach – talent management strategy and approach – changes to the remuneration policy – AMP group short-term incentive pools and performance measures – any significant changes to the terms of existing share incentive plans and new share plans – the total remuneration package, performance objectives and performance appraisals for the CEO, the direct reports of the CEO and other persons whose individual activities may, in the People and Remuneration Committee's opinion, affect the financial soundness of the AMP group	**Duties:** – AMP's business relationship with, and independence of, the external auditor – the reliability and appropriateness of disclosure of the financial statements – oversight of the framework of risk management including compliance, internal controls and the assurance provided by external audit – the adequacy of the AMP group professional risks insurance program

During 2011, performance evaluations for key executives were carried out in accordance with the process disclosed in the 2011 Remuneration Report. The People and Remuneration Committee engages external consultants as and when required to assist it in fulfilling its responsibilities.

The People and Remuneration Committee is comprised of three independent directors and is chaired by a director who is not the chairman of the AMP Limited Board.

Non-executive directors' and executives' remuneration
Comprehensive information on AMP's remuneration policies and practices is contained in the Remuneration Report.

Audit Committee
(ASX Recommendations 4.1, 4.2, 4.3, 7.1, 7.2 and 7.3)
Safeguard integrity in financial reporting
Recognise and manage risk

The primary function of the Audit Committee is to review and provide recommendations to the board in regard to:
– the business relationship with, and the independence of, the external auditor, including all aspects of financial reporting and auditing
– the reliability and appropriateness of disclosure of the financial statements and related external financial communications
– the oversight of the framework of risk management including compliance, internal controls and the assurance provided by internal audit
– the adequacy of the AMP group professional risks insurance program, including directors' and officers' professional indemnity insurance cover.

The Audit Committee is comprised of three independent directors and is chaired by a director who is not the chairman of the AMP Limited Board.

Risk management
The AMP Limited Board has overall responsibility for establishing a system of risk management and internal compliance and control across the business and for monitoring and reviewing its effectiveness. It also has responsibility for approving the risk appetite of the AMP group and the risk management policies to support that appetite, and seeking to ensure these are implemented.

The main risk categories that AMP takes into consideration are:
– strategic risk
– operational risk (including compliance risk)
– financial and market risk (including financial reporting)
– product and insurance risk.

Environmental and sustainability risks, to the extent to which they are relevant, are addressed by AMP's Corporate Responsibility Plan.

While the board is responsible for risk management, specific responsibility for the monitoring and evaluation of the effectiveness of risk management and the internal control environment has been delegated to the Audit Committee. The Audit Committee also oversees AMP's accounting policies, reporting practices and production of financial statements and monitors the application of appropriate management controls. It considers internal and external audit reports and reviews AMP's procedures and internal controls in order to monitor financial risks and major operational risks.

Risk and compliance processes and reporting procedures provide assurance to the board and Audit Committee that the preparation of the financial statements and the control systems underlying them are adequate.

The Audit Committee is supported by the risk management structures which exist throughout the organisation, including the Group Asset and Liability Committee, the Group Risk and Compliance Committee and business unit risk committees. The Audit Committee relies on the work of the audit committees of key operating subsidiaries on risk and compliance matters relating to those subsidiaries. The risk management framework enables the business to identify and assess risks and controls, respond promptly and appropriately and continue to monitor risks and issues as they evolve. Risk and compliance information is reported quarterly to the Audit Committee, or more regularly if required.

AMP's risk management structures and procedures are continually being enhanced or updated. In addition, the internal audit function provides independent and objective assurance to the board that risks are being managed effectively across the group.

The Risk Management Policy is available on AMP's website.

Material business risks
AMP manages risks across all four main risk categories. Management engages in a regular process to review risks and how they are being managed.

The board has received and considered management's report on the material business risks for the year ended 31 December 2011.

Compliance
Compliance is a key element of risk management. The board has overall responsibility for the establishment of processes to manage compliance with the laws, regulations, contracts, industry codes, internal standards and policies applicable to AMP's operations and for monitoring and reviewing their effectiveness.

As required by the *Corporations Act 2001*, Australian financial services' licensed entities have adopted individually-tailored conflict of interest policies.

While the board is responsible for AMP's compliance framework, specific responsibility for the monitoring of compliance has been delegated to the Audit Committee. The Audit Committee oversees the system of compliance that has been implemented across AMP's businesses. The system covers a broad range of legal requirements, duties and responsibilities. Any compliance issues or incidents are reported quarterly to the Audit Committee, or more urgently if required.

CEO and CFO assurance
The board receives regular reports about the financial condition and operational results of AMP and its controlled entities. The board has received and considered the annual certification from the CEO and the CFO in accordance with ASX Recommendation 7.3 and s.295A of the *Corporations Act 2001*, stating that:
– the financial statements present a true and fair view of the AMP group's financial position and performance and are in accordance with the relevant accounting standards
– the risk management and internal control systems are sound, appropriate and operating effectively in all material respects in relation to financial reporting risks.

The enhancement of the risk management and internal control systems is the subject of ongoing attention and effort. Where internal control deficiencies are identified during the year, additional tests of procedures or tests of resulting account balances included in the financial statements are undertaken to confirm there has been no material impact on the financial statements.

Auditor independence
The independence of the external auditor is of particular importance to shareholders and the board. The board has adopted a Charter of Audit Independence, which covers the following key points:
– the rotation of the senior audit partner
– the annual confirmation by the auditor that it has satisfied all professional regulations relating to auditor independence
– the reporting on the levels of audit and non-audit fees
– the specific exclusion of the audit firm from work which may give rise to a conflict.

In accordance with the *Corporations Act 2001* and based on the advice of the Audit Committee, the directors have satisfied themselves that the provision of non-audit services during the year by the auditors, Ernst & Young, is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

Corporate responsibility at AMP
AMP was founded on a promise, "to be a sure friend in uncertain times".

This promise will be kept by delivering on AMP's responsibilities in a balanced way, to all stakeholders – that is, shareholders, customers, employees, planners, business partners and the community in general.

AMP contributes to the long-term sustainability of its business and to the communities that it serves by using its expertise to:
– help its customers build superannuation and investments for tomorrow
– encourage good corporate governance
– limit its environmental impact.

For nearly 20 years, AMP has invested directly in the community through the AMP Foundation.

Helping customers build superannuation and investments for tomorrow
AMP's core business purpose is to help its customers and clients to "own their tomorrows" by delivering the right balance of security and performance. One of the key ways AMP achieves this is by providing its customers with the financial advice, products and services they need to build and protect superannuation and investments for the future, through AMP's online tools, published research and participation in public conversations. AMP also shares experiences and insights with the government and local community to ensure the regulatory approach provides incentives for long-term superannuation and investments within an efficient and competitive financial services market and an informed community.

Encouraging good corporate governance
AMP believes there is a clear link between an organisation's environmental and social impacts, ethical practices, the quality of its corporate governance and its long-term business success.

Through AMP Capital, AMP is a significant investor in the Australian and New Zealand markets on behalf of its customers. This position is used to improve corporate governance standards across the business sector through participation in policy forums and public dialogue, proxy voting and active engagement with the management of companies in which AMP invests.

Minimising AMP's environmental impacts
AMP helps to safeguard its future and that of its communities by actively reducing the group's impact on the environment. This is done by using energy, water and paper resources efficiently and setting performance goals for recycling, energy use and greenhouse gas emissions.

AMP Capital, as a major commercial property manager, is an active participant in industry initiatives designed to better understand and minimise environmental impacts and to set best-practice benchmarks. It continues to work closely with tenants across its portfolio to increase energy efficiency in the buildings it owns and manages. This includes those buildings tenanted by AMP.

Diversity
(ASX Recommendations 3.2, 3.3 and 3.4)
Promote ethical and responsible decision-making

For AMP, diversity is not a program or initiative: AMP wants to create a competitive advantage by identifying and seeking to overcome unconscious bias that will help the group respond to the diverse needs of its employees, customers, shareholders, business partners and communities.

As one of the founding members of the Diversity Council of Australia, AMP understands the importance of diversity in its workplace. AMP was pleased to be recognised as an Employer of Choice for Women by the Equal Opportunity for Women in the Workplace Agency (EOWA) in 2011.

In 2010, AMP established a Diversity Advisory Board Committee to guide its diversity strategy. The Diversity Advisory Committee is chaired by Nora Scheinkestel and consists of three other non-executive directors – Catherine Brenner, Brian Clark and Peter Shergold – and the CEO, Craig Dunn. The Diversity Advisory Committee reviews and reports on the proportion of women and men across all levels of AMP and annually reviews the progress towards the goals set out below, which have been approved by the board.

A copy of AMP's Diversity, Equal Opportunity and Workplace Harassment Policy is available on AMP's website.

AMP is committed to creating a culture where all employees are encouraged to demonstrate diversity of thought and experience and where individual differences are valued and respected. Included below are specific details about AMP's gender diversity.

Currently three of the 10 AMP Limited Board members are female, which is in line with AMP's target of women representing 30 per cent of the board. 54 per cent of AMP employees and two of the 11 members of the CEO's leadership team are female. AMP recognises that although the group has taken some steps to increase gender diversity, this is an area of continuous improvement for our organisation.

AMP's goals are:
– to increase the number of women in senior executive positions to 35 per cent by 2015 (at the end of 2011, women held 17 per cent of senior executive positions)
– to increase the number of women in middle management positions to 43 per cent by 2015 (at the end of 2011, women held 38 per cent of middle management positions).

To facilitate career progression through the organisation AMP:
– offers a range of development and networking programs
– offers a range of mentoring programs (in 2011 more than half the participants were women)
– runs a graduate program (in 2011 49 per cent of the intake were women, this is increasing to 50 per cent in 2012)
– offers leadership development programs on unconscious biases
– is committed to ensuring there is pay parity across the organisation.

As one of the first private sector employers in Australia to offer paid parental leave, AMP has long championed programs to help employees manage their work and home commitments. AMP currently offers:
- 14 weeks' paid parental leave
- a formal program to help parents stay informed and connected to the business while on parental leave
- a sponsored child care centre in Sydney
- onsite carers' rooms to assist parents who have returned to work
- flexible work arrangements
- a leave purchase scheme.

AMP continues to enrich the programs that are offered to all employees, because the group believes it is what it does today that will help its customers, employees, shareholders, business partners and communities "own their tomorrows".

Communication with shareholders

(ASX Recommendations 5.1 and 6.1)
Timely and balanced disclosure
Respect the rights of shareholders

AMP is committed to transparency and quality in its communication to shareholders. The group's approach to communicating with shareholders and financial markets is set out in AMP's Market Disclosure Policy. Information is communicated to shareholders through the distribution of the Annual Report, Shareholder Review and other communications as required. All significant information is posted on AMP's website as soon as it is disclosed to the ASX.

The guiding principle of the policy is that AMP must immediately notify the market via an announcement to the ASX of any information concerning AMP that a reasonable person would expect to have a 'material' effect on the price or value of AMP securities. The policy permits exceptions to immediate notification in accordance with the ASX Listing Rules.

AMP's Market Disclosure Committee ensures that company announcements:
- are made in a timely manner
- are factual
- are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions
- do not omit material information.

Shareholders can elect to receive all communications electronically or not receive some communication materials by contacting AMP's share registry or visiting AMP's website.

AMP's Market Disclosure Policy is available on AMP's website.

Annual General Meeting
All shareholders are encouraged to attend and/or participate in AMP's AGM. The meeting is webcast live or shareholders can attend in person or send a proxy as their representative. Online completion and lodgement of the proxy form is also available for all shareholders prior to the meeting. AMP Directors and senior management attend the meeting, along with a representative from the external auditor.

Full details of the 2012 AGM are included in the 2012 Notice of Meeting and are available on AMP's website.

Comparison of NZX and ASX corporate governance rules

As an overseas listed issuer, AMP is deemed to satisfy and comply with the New Zealand Stock Exchange (NZX) Listing Rules so long as it remains listed on the ASX. The only NZX requirements applicable to AMP are to give the NZX the same information and notices it is required to give to the ASX and to include a statement (referred to below) in its Annual Report.

Some material differences may exist between the corporate governance rules and principles of the ASX and NZX. This may arise because the relevant matters are mandatory under the NZX Corporate Governance Rules but are only best practice recommendations under the ASX Corporate Governance Rules (requiring disclosure of non-compliance in the Annual Report).

Further information about the *ASX Corporate Governance Principles and Recommendations* may be obtained from the ASX website:
www.asx.com.au/about/corporate_governance/index.htm

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Income statement

for the year ended 31 December 2011

	Note	Consolidated 2011 $m	Consolidated 2010 $m	Parent 2011 $m	Parent 2010 $m
Income and expenses of shareholders, policyholders, external unitholders and non-controlling interests[1]					
Life insurance premium and related revenue	5	**1,877**	1,100	**–**	–
Fee revenue	5	**1,962**	1,430	**16**	11
Other revenue	5	**380**	294	**–**	–
Investment gains and (losses)	6	**1,464**	4,840	**283**	376
Life insurance claims and related expenses	7	**(1,790)**	(1,289)	**–**	–
Operating expenses	7	**(3,425)**	(2,270)	**(16)**	(11)
Finance costs	7	**(917)**	(889)	**–**	–
Share of profit or (loss) of associates accounted for using the equity method		**4**	6	**–**	–
Movement in external unitholder liabilities		**225**	(284)	**–**	–
Change in policyholder liabilities					
– life insurance contracts		**25**	202	**–**	–
– investment contracts		**868**	(2,259)	**–**	–
Income tax (expense) credit	8	**3**	(126)	**69**	16
Profit for the year		**676**	755	**352**	392
Profit for the year attributable to shareholders of AMP Limited		**688**	775	**352**	392
Profit (loss) for the year attributable to non-controlling interests		**(12)**	(20)	**–**	–
Profit for the year		**676**	755	**352**	392

Footnote:

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

	Note	Consolidated 2011 cents	Consolidated 2010 cents
Earnings per share for profit attributable to ordinary equity holders of AMP Limited			
Basic	26	**26.3**	37.9
Diluted	26	**26.2**	37.7

Statement of comprehensive income

for the year ended 31 December 2011

	Consolidated		Parent	
	2011 $m	2010 $m	2011 $m	2010 $m
Profit for the year	**676**	755	**352**	392
Other comprehensive income for the year recognised in retained earnings				
Defined benefit plans[1]				
– actuarial gains and (losses)	**(177)**	(15)	**–**	–
– income tax (expense) credit	**53**	4	**–**	–
	(124)	(11)	**–**	–
Other comprehensive income for the year recognised in reserves				
Cash flow hedges[2]				
– gains and (losses) in fair value of cash flow hedges	**(34)**	(12)	**–**	–
– income tax (expense) credit	**11**	4	**–**	–
– transferred to profit for the year	**16**	32	**–**	–
– transferred to profit for the year – income tax (expense) credit	**(5)**	(10)	**–**	–
	(12)	14	**–**	–
Owner-occupied property revaluation				
– gains (losses) in valuation of owner-occupied property	**9**	(1)	**–**	–
– income tax (expense) credit	**(1)**	–	**–**	–
	8	(1)	**–**	–
Exchange difference on translation of foreign operations				
– exchange gains (losses)	**3**	(21)	**–**	–
– transferred to profit for the year	**2**	–	**–**	–
– transferred to profit for the year – income tax (expense) credit	**–**	–	**–**	–
	5	(21)	**–**	–
Revaluation of hedge of net investments				
– gains and (losses) in fair value of hedge of net investments	**3**	3	**–**	–
– income tax (expense) credit	**–**	(1)	**–**	–
– transferred to profit for the year – gross	**–**	(4)	**–**	–
– transferred to profit for the year – income tax (expense) credit	**–**	1	**–**	–
	3	(1)	**–**	–
Total comprehensive income for the year	**556**	735	**352**	392
Total comprehensive income for the year attributable to shareholders of AMP Limited	**568**	755	**352**	392
Total comprehensive income (loss) for the year attributable to non-controlling interests	**(12)**	(20)	**–**	–
Total comprehensive income for the year	**556**	735	**352**	392

Footnote:

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. Refer to Note 1(dd) and Note 27.

2 Cash flow hedge movements are predominantly in respect of interest rate swaps used to manage AMP Bank's interest rate risk on its fixed rate mortgage portfolio which is effectively hedged.

Statement of financial position
as at 31 December 2011

		Consolidated		Parent	
	Note	2011 $m	2010 $m	2011 $m	2010 $m
Assets					
Cash and cash equivalents	25	**4,652**	3,325	**1**	2
Receivables	9	**2,221**	887	**3**	99
Current tax assets		**248**	8	**–**	–
Inventories and other assets	10	**276**	312	**–**	–
Investments in financial assets measured at fair value through profit or loss	11	**76,528**	66,974	**–**	–
Investments in financial assets measured at amortised cost	11	**12,905**	10,935	**767**	836
Investment properties	12	**7,424**	7,122	**–**	–
Investments in associates accounted for using the equity method	30	**115**	89	**–**	–
Property, plant and equipment	13	**479**	452	**–**	–
Deferred tax assets	8	**1,095**	582	**333**	66
Intangibles	14	**4,347**	919	**–**	–
Investments in controlled entities	11	**–**	–	**10,807**	7,072
Total assets of shareholders of AMP Limited, policyholders, external unitholders and non-controlling interests		**110,290**	91,605	**11,911**	8,075
Liabilities					
Payables	15	**1,932**	1,033	**98**	1
Current tax liabilities		**86**	203	**180**	148
Provisions	16	**556**	253	**3**	4
Other financial liabilities	11	**2,604**	3,062	**–**	–
Borrowings	17	**11,410**	10,791	**–**	–
Subordinated debt	18	**949**	345	**–**	–
Deferred tax liabilities	8	**923**	620	**–**	–
External unitholder liabilities		**7,224**	5,892	**–**	–
Life insurance contract liabilities	21	**24,399**	17,762	**–**	–
Investment contract liabilities	22	**52,940**	48,579	**–**	–
Defined benefit plan liabilities	27	**370**	67	**–**	–
Total liabilities of shareholders of AMP Limited, policyholders, external unitholders and non-controlling interests		**103,393**	88,607	**281**	153
Net assets of shareholders of AMP Limited and non-controlling interests		**6,897**	2,998	**11,630**	7,922
Equity[1]					
Contributed equity	20	**9,080**	5,051	**9,297**	5,209
Reserves		**(2,534)**	(2,565)	**10**	6
Retained earnings		**283**	452	**2,323**	2,707
Total equity of shareholders of AMP Limited		**6,829**	2,938	**11,630**	7,922
Non-controlling interests		**68**	60	**–**	–
Total equity of shareholders of AMP Limited and non-controlling interests		**6,897**	2,998	**11,630**	7,922

Footnote:
1 Further information on Equity is provided in the Statement of changes in equity on page 41.

Statement of changes in equity

for the year ended 31 December 2011

Consolidated	Equity attributable to shareholders of AMP Limited											
	Contributed equity $m	Equity contribution reserve[1] $m	Share-based payment reserve[2] $m	Cash flow hedge reserve[3] $m	Owner occupied property revaluation reserve[4] $m	Foreign currency translation reserve[5] $m	Hedge of net investment reserve[6] $m	Demerger loss reserve[7] $m	Retained earnings $m	Total shareholder equity $m	Non-controlling interest $m	Total equity $m
2011												
Balance at the beginning of the year	**5,051**	**1,019**	**8**	**(5)**	**66**	**(69)**	**1**	**(3,585)**	**452**	**2,938**	**60**	**2,998**
Profit (Loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**688**	**688**	**(12)**	**676**
Other comprehensive income	**–**	**–**	**–**	**(12)**	**8**	**5**	**3**	**–**	**(124)**	**(120)**	**–**	**(120)**
Total comprehensive income	**–**	**–**	**–**	**(12)**	**8**	**5**	**3**	**–**	**564**	**568**	**(12)**	**556**
Share-based payment expense	**–**	**–**	**28**	**–**	**–**	**–**	**–**	**–**	**–**	**28**	**–**	**28**
Share purchases	**–**	**–**	**(1)**	**–**	**–**	**–**	**–**	**–**	**–**	**(1)**	**–**	**(1)**
Net sale/(purchase) of 'treasury shares'	**(59)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(8)**	**(67)**	**–**	**(67)**
Dividends paid[8]	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(736)**	**(736)**	**–**	**(736)**
Dividends paid on 'treasury shares'[8]	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**11**	**11**	**–**	**11**
New capital from shares issued[9]	**4,088**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4,088**	**–**	**4,088**
Non-controlling interest recognised on acquisition of controlled entities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**20**	**20**
Balance at the end of the year	**9,080**	**1,019**	**35**	**(17)**	**74**	**(64)**	**4**	**(3,585)**	**283**	**6,829**	**68**	**6,897**
2010												
Balance at the beginning of the year	4,814	1,019	1	(19)	67	(48)	2	(3,585)	320	2,571	63	2,634
Profit (Loss) for the year	–	–	–	–	–	–	–	–	775	775	(20)	755
Other comprehensive income	–	–	–	14	(1)	(21)	(1)	–	(11)	(20)	–	(20)
Total comprehensive income	–	–	–	14	(1)	(21)	(1)	–	764	755	(20)	735
Share-based payment expense	–	–	23	–	–	–	–	–	–	23	–	23
Share purchases	–	–	(16)	–	–	–	–	–	–	(16)	–	(16)
Net sale/(purchase) of 'treasury shares'	(15)	–	–	–	–	–	–	–	–	(15)	–	(15)
Dividends paid[8]	–	–	–	–	–	–	–	–	(639)	(639)	–	(639)
Dividends paid on 'treasury shares'[8]	–	–	–	–	–	–	–	–	7	7	–	7
New capital from shares issued[9]	252	–	–	–	–	–	–	–	–	252	–	252
Non-controlling interest on sales and acquisitions	–	–	–	–	–	–	–	–	–	–	17	17
Balance at the end of the year	5,051	1,019	8	(5)	66	(69)	1	(3,585)	452	2,938	60	2,998

AMP Limited parent	Contributed equity $m	Share-based payment reserve[2] $m	Retained earnings $m	Total shareholder equity $m
2011				
Balance at the beginning of the year	**5,209**	**6**	**2,707**	**7,922**
Profit	**–**	**–**	**352**	**352**
Other comprehensive income	**–**	**–**	**–**	**–**
Total comprehensive income	**–**	**–**	**352**	**352**
Share-based payment expense	**–**	**4**	**–**	**4**
Dividends paid[8]	**–**	**–**	**(736)**	**(736)**
New capital from shares issued[9]	**4,088**	**–**	**–**	**4,088**
Balance at the end of the year	**9,297**	**10**	**2,323**	**11,630**
2010				
Balance at the beginning of the year	4,957	2	2,954	7,913
Profit	–	–	392	392
Other comprehensive income	–	–	–	–
Total comprehensive income	–	–	392	392
Share-based payment expense	–	4	–	4
Dividends paid[8]	–	–	(639)	(639)
New capital from shares issued[9]	252	–	–	252
Balance at the end of the year	5,209	6	2,707	7,922

Footnote:

1 There has been no movement in the Equity contribution reserve established in 2003 to recognise the additional loss on the demerger of AMP's UK operations in December 2003. This loss was the difference between the pro-forma loss on demerger based upon directors' valuation of the UK operations and the estimated net assets to be demerged, and the market-based fair value of the UK operations based upon the share price of the restructured UK operations on listing and the actual net assets of the UK operations on demerger.

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

3 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.

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

5 Exchange differences arising on translation of foreign controlled entities within the AMP 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 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.

8 Dividends paid includes the dividends paid on 'treasury shares'. Dividends paid on 'treasury shares' are required to be excluded from the consolidated financial statements by adjusting retained earnings.

9 Shares issued under dividend reinvestment plan $286m (2010: $252m). Shares issued to minority shareholders of AXA Asia Pacific Holdings Limited on the acquisition of the company $3,802m.

Statement of cash flows

for the year ended 31 December 2011

	Note	Consolidated 2011 $m	Consolidated 2010 $m	Parent 2011 $m	Parent 2010 $m
Cash flows from operating activities	25				
Cash receipts in the course of operations		**16,295**	12,491	**17**	16
Interest and other items of a similar nature received		**2,595**	2,041	**3**	2
Dividends and distributions received		**3,072**	2,193	**280**	374
Cash payments in the course of operations		**(17,225)**	(13,640)	**–**	(8)
Finance costs		**(850)**	(756)	**–**	–
Income tax refunded/(paid)		**(333)**	135	**13**	4
Cash flows from operating activities		**3,554**	2,464	**313**	388
Cash flows from investing activities					
Net proceeds from sale of/(payments to acquire):					
– investment property		**(64)**	74	**–**	–
– investments in financial assets[2]		**(5,290)**	(141)	**–**	–
Loan to controlled entities		**–**	–	**205**	–
Acquisition of AXA Asia Pacific Holdings Limited[3]		**1,673**	–	**–**	–
Payments to acquire other subsidiaries and other businesses net of cash acquired[4]		**–**	(19)	**–**	–
Proceeds from disposal of subsidiaries and other businesses[1]		**–**	297	**–**	–
Payments to option holders in AXA APH Limited		**–**	–	**(69)**	–
Cash flows from (used in) investing activities		**(3,681)**	211	**136**	–
Cash flows from financing activities					
Proceeds from borrowings – non-Banking operations		**931**	1,264	**–**	–
Net movement in deposits from customers		**1,189**	514	**–**	–
Repayment of borrowings – non-Banking operations		**(1,221)**	(1,944)	**–**	–
Net movement in borrowings – Banking operations		**(370)**	(578)	**–**	–
Proceeds from issue of subordinated debt		**600**	–	**–**	–
Dividends paid[5]		**(440)**	(380)	**(450)**	(387)
Cash flows from (used in) financing activities		**689**	(1,124)	**(450)**	(387)
Net increase (decrease) in cash and cash equivalents		**562**	1,551	**(1)**	1
Cash and cash equivalents at the beginning of the year		**8,168**	6,631	**2**	1
Effect of exchange rate changes on cash and cash equivalents		**6**	(14)	**–**	–
Cash and cash equivalents at the end of the year		**8,736**	8,168	**1**	2

Footnote:

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

2 Net proceeds from the sale of/(payments to acquire) investments in financial assets comprise: (i) purchases and sales of financial assets measured at fair value through profit or loss held by the AMP life insurance entities' statutory funds and controlled entities of the AMP life insurance entities' statutory funds largely reflecting policyholder investment decisions during the period; (ii) loans and advances made (net of repayments) and purchases of financial assets (net of maturities) during the period by AMP Bank.

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

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

5 The dividends paid amount is presented net of dividend reinvestment plan and dividends on 'treasury shares'. See Statement of changes in equity for further information.

1. Basis of preparation and summary of significant accounting policies

The consolidated economic entity (the AMP group) comprises AMP Limited (the parent entity), 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.

(a) Basis of preparation

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

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

The AMP 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 AMP group are investment assets held to back investment contract and life insurance contract liabilities. Although the amount of those assets which may be realised and those liabilities which may be settled within 12 months of the reporting date are not always known, estimates of amounts expected to be recovered or settled (a) no more than 12 months after the reporting date, and (b) more than 12 months after the reporting date, have been provided in footnotes to the relevant notes.

Changes in accounting policy

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

The main standards adopted since 1 January 2011 were:

– AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* and AASB 2010-4 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Project*. These standards make a series of minor amendments to various accounting standards. Some changes to the disclosures relating to the credit risk of financial instruments have been made as a result of these amended standards.

– Revised AASB 124 *Related Party Disclosures*. This revised standard includes some minor modifications to the definition of a related party which has resulted in no change to the transactions and balances which are required to be disclosed in the Notes to the financial statements.

Australian Accounting Standards issued but not yet effective

A number of new accounting standards and amendments have been issued but are not yet effective. The AMP 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 AMP group other than the following:

– AASB 9 *Financial Instruments*. This standard makes significant changes to the way financial assets are classified for the purpose of determining their measurement basis and also to the amounts relating to fair value changes which are to be taken directly to equity. AASB 9 is mandatory for adoption by the AMP group in the year ending 31 December 2013. The financial impact to the AMP group of adopting AASB 9 has not yet been quantified.

– AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, revised AASB 127 *Separate Financial Statements*, revised AASB 128 *Investments in Associates and Joint Ventures* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*. These standards change the criteria for determining which entities are to be consolidated and which entities are to be accounted for using the equity method in preparing consolidated accounts and the required disclosures in relation to such entities. Each of these standards is mandatory for adoption by the AMP group in the year ending 31 December 2013. The financial impact on the AMP group of adopting these standards has not yet been quantified.

– AASB 13 *Fair Value Measurement*. This standard centralises the definition and guidance for calculating fair values where required to be applied by various other accounting standards and removes some minor inconsistencies that previously existed between the guidance for determining fair value in these standards. The new standard requires quantitative and qualitative disclosures of all fair value measurements. AASB 13 is mandatory for adoption by the AMP group in the year ending 31 December 2013. The financial impact on the AMP group of adopting AASB 13 has not yet been quantified.

– Revised AASB 119 *Employee Benefits*. Under the current AASB 119, an amount is recognised in profit or loss for the expected earnings on the assets of AMP group's defined benefit funds, with any difference between the expected return and the actual return taken directly to equity. Under the revised AASB 119, the amount recognised in profit or loss will be determined using a risk free rate rather than expected earnings. The revised AASB 119 is mandatory for adoption by the AMP group in the year ending 31 December 2013. The financial impact on the AMP group of adopting the revised AASB 119 has not yet been quantified.

– Revised AASB 101 *Presentation of Financial Statements*. The revised AASB 101 requires items in the Statement of comprehensive income to be segregated between those that will be eventually realised in the Income statement in future periods and those that will not. The revised AASB 101 is mandatory for adoption by the AMP group in the year ending 31 December 2013. The changes to AASB 101 relate to presentation only and are not expected to have a financial impact on the AMP group.

Change in presentation of the Income statement

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

Change in presentation of the Statement of financial position

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

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

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

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

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

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

(b) Principles of consolidation

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

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

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

Controlled entities acquired are accounted for using the acquisition method of accounting. Information from the financial statements of controlled entities is included from the date the parent entity obtains control until such time as control ceases. Where the AMP 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.

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

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

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

Consolidation impact of investments of the AMP life insurance entities

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

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

Securitisation vehicles

The banking operation of the AMP group sells mortgage loans to securitisation vehicles (also referred to as special purpose entities) through its loan securitisation program. These securitisation vehicles are controlled by the AMP group and are therefore consolidated.

(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 AMP 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.

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

For fixed retirement income policies, the resulting liability is linked to the fair value of the fixed retirement income payments and associated management services.

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

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

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

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

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

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

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

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

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

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

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

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

- The fair value of equity securities in an active market and listed managed investment schemes reflects the quoted bid price at the reporting date. In the case of equity securities and listed managed investment schemes where there is no active market, a fair value is established using valuation techniques including the use of recent arm's length transactions, references to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.
- The fair value of listed debt securities reflects the bid price at the reporting date. Listed debt securities that are not frequently traded are valued by discounting estimated recoverable amounts. The fair value of unlisted debt securities is estimated using interest rate yields obtainable on comparable listed investments. The fair value of loans is determined by discounting the estimated recoverable amount using prevailing interest rates.
- The fair value of investments in unlisted managed investment schemes is determined on the basis of published redemption prices of those managed investment schemes at the reporting date.
- The fair value of derivative financial assets is determined in accordance with the policy set out in Note 1(q).

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

Investments in financial assets measured at amortised cost
Investments in financial assets measured at amortised cost are mainly assets of AMP Bank. Loans, advances and other receivables which arise when AMP Bank provides money directly to a customer with no intention of trading the financial assets and loans and advances to advisers are measured at amortised cost. All other debt securities held by AMP Bank are classified as held to maturity investments. Held to maturity investments are non-derivative assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity.

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.

(h) Investments in associates accounted for using the equity method
Associated entities are defined as those entities over which the AMP group has significant influence but there is no capacity

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

to control. Investments in associates, other than those backing investment contract and life insurance contract liabilities, are initially measured at cost plus any excess of the fair value of AMP's share of identifiable assets and liabilities above cost at acquisition date subsequently adjusted for AMP group's share of post-acquisition profit or loss and movements in reserves net of any impairment. AMP group's share of profit or loss of associates is included in the consolidated Income statement. Any dividend or distribution received from associates is accounted for as a reduction in carrying value of the associate.

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

(i) Investment property

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

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

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

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

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

(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 AMP group is held for use by the AMP group in the production or supply of goods or services, or for administrative purposes, that property is classified for accounting purposes as owner-occupied property within Property, plant and equipment in the Statement of financial position.

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

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

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

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

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

(k) Intangible assets

Goodwill

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

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

Capitalised costs

Costs are capitalised and carried forward only where the costs relate to the creation of an asset with expected future economic benefits which are capable of reliable measurement. Otherwise, all costs are recognised as expenses in the period in which they are incurred. Capitalised costs are amortised over the estimated useful life of the asset, commencing at the time the asset is first put into use or held ready for use (whichever is the earlier). The useful lives of such assets generally do not exceed five years, however a useful life of up to seven years has been applied to some capitalised costs relating to IT systems development projects where AMP group expects benefits to flow over a longer period.

Management rights

Rights to receive fees for asset management services acquired either directly or as part of a business combination are recognised as an intangible asset when they can be separately identified and reliably measured and it is probable that the expected benefits will flow to the AMP group.

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

Management rights are initially measured at cost. Management rights have been assessed to have an indefinite useful life where the contractual rights to manage the assets have no fixed term. These management rights are not amortised but are tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Where management rights are subject to contractual terms, the useful life is determined to be the contractual term and the asset is amortised over that period. These assets are also reviewed at each reporting period for indicators of impairment.

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

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

Other intangible assets
Other intangible assets comprise:

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

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

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

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

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

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

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

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

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

Assets and liabilities which arise as a result of balances transferred from entities within the tax-consolidated group to the head entity are recognised as 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 and life insurance contracts business
The income tax expense recognised in the Income statement of AMP group which arises in respect of AMP life insurance entities reflects tax imposed on shareholders as well as policyholders.

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

Investment contracts and life insurance contracts liabilities are established in Australia net, and in New Zealand gross, of the policyholders' share of any current tax payable and deferred tax balances of the AMP 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 AMP group operates across a number of tax jurisdictions and offers products and services that may be subject to various forms of goods and services tax (GST) imposed by local tax authorities.

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

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

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

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

(o) Provisions
Provisions are recognised when:

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

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

Employee entitlements
Liabilities arising in respect of salaries and wages, annual leave and any other employee entitlements expected to be settled within 12 months of the reporting date are measured at their nominal amounts. All other employee entitlements are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, discount rates used are based on the interest rates attaching to government securities which have terms to maturity approximating the terms of the related liability.

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 AMP group. A provision is recognised when the AMP 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 AMP group.

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

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

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

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

(q) Derivative financial assets, derivative financial liabilities and hedging

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

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

The method of recognising the movement in fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The AMP 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).

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

Accounting for hedges

(i) Fair value hedges:
- changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income statement together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk
- if a hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item, for which the effective interest method is used, is amortised to the Income statement over the period to maturity.

(ii) Cash flow hedges:
- the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the cash flow hedge reserve. The balance of the cash flow hedge reserve in relation to each particular hedge is transferred to the Income statement in the period when the hedged item affects profit or loss
- the gain or loss relating to any ineffective portion of a hedge is recognised immediately in the Income statement
- hedge accounting is discontinued when a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting. The cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income statement
- when a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Income statement.

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

Derivatives that do not qualify for hedge accounting

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

Fair value estimation

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

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

(r) Recognition and derecognition of financial assets and liabilities

Financial assets and financial liabilities are recognised at the date the AMP group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire, or are transferred. A transfer occurs when substantially all the risks and rewards of ownership of the financial asset are passed to an unrelated third party. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

(s) Life insurance contract liabilities

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

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

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

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

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

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

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

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

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

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

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

(ii) Other MoS profits arising from discretionary participating business (excluding the additional tax attributable to shareholders in respect of Australian superannuation business) are allocated 80 per cent to policyholders and 20 per cent to shareholders, with the following exceptions:

- the profit arising from New Zealand corporate superannuation business is apportioned such that shareholders are allocated 15 per cent of the profit allocated to policyholders
- the profit arising in respect of Preservation Superannuation Account business is allocated 92.5 per cent to policyholders and 7.5 per cent to shareholders.

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

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

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

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

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

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

(t) Investment contract liabilities

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

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

(u) Contributed equity

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

Treasury shares
The Australian Securities and Investments Commission (ASIC) has granted relief from restrictions in the *Corporations Act 2001* to allow AMP's life insurance entities to hold and trade shares in AMP Limited as part of the policyholder funds' investment activities. These shares (defined by Australian Accounting Standards as treasury shares) are held on behalf of policyholders and, as a result, the life entities' statutory funds also recognise a corresponding liability to policyholders.

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

Under Australian Accounting Standards, the AMP group cannot recognise 'treasury shares' in the consolidated Statement of financial position. These assets, plus any corresponding Income statement fair value movement on the assets and dividend income, are eliminated when the life entities' statutory funds are consolidated into the AMP group. The cost of the investment in the shares is deducted to arrive at the amount of contributed equity.

However, the corresponding investment contract and life insurance contract liabilities, and related Income statement change in the liabilities, remain on consolidation. At the AMP group consolidated level, this mismatch results in policyholder asset movements impacting the profit attributable to shareholders of AMP Limited.

(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 AMP 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, and
- all resulting exchange differences are recognised as a separate component of equity in the foreign currency translation reserve.

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

(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), and
- 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 AMP 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 AMP group obtains control of the right to receive the revenue.

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

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

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

(z) Insurance claims and related expense

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

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

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

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

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

Expenses of controlled entities of the life entities' statutory funds represent the business costs of those entities and are consolidated into the results of the AMP 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
  – 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 AMP 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 AMP group reviews its estimates of the number of instruments that are expected to vest. Any changes to the original estimates are recognised in the Income statement and the share-based payment reserve, over the remaining vesting period.

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

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

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

(dd) Superannuation funds
The AMP 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 27 for further information on the funds.

The contributions paid and payable by AMP 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 AMP group, the AMP 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 based on the interest rates of government securities which have terms to maturity approximating the terms of the obligations. The defined-benefit obligation is calculated annually, with half-yearly reviews, by independent actuaries.

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

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

(ee) Earnings per share
Basic earnings per share is calculated by dividing the consolidated profit attributable to shareholders of AMP Limited, by the weighted average number of ordinary shares outstanding during the period. The weighted average number of 'treasury shares' held during the period is deducted in calculating the weighted average number of ordinary shares outstanding.

Diluted earnings per share is calculated by dividing the profit used in the determination of basic earnings per share by the weighted average number of shares outstanding during the period adjusted for potential ordinary shares considered to be dilutive. Potential ordinary shares are contracts such as options and performance rights that may entitle the holder to ordinary shares. These potential ordinary shares are considered dilutive when their conversion into ordinary shares would be likely to cause a reduction in earnings per share. The weighted average number of 'treasury shares' held during the period is deducted in calculating the weighted average number of ordinary shares outstanding for diluted earnings per share.

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

(b) Fair value of investments in financial assets

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

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

The AMP 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 AMP group engages independent registered valuers to value each of its investment properties on a rolling annual basis. Further detail on the determination of fair values of investment properties is set out in Note 12.

(d) Acquired intangible assets

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

(e) Goodwill

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

(f) Tax

The AMP 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 AMP group requires the exercise of judgement by management. The tax treatments adopted by management in preparing the financial statements may be impacted by changes in legislation and interpretations or be subject to challenge by tax authorities.

Judgement is also applied by management in determining the extent to which the recovery of carried forward tax losses is probable for the purpose of meeting the criteria for recognition as deferred tax assets. Note 8 sets out information on carried forward tax losses for which a deferred tax asset has not been recognised.

(g) Provisions

A provision is recognised for items where AMP 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 applies judgement in assessing whether a particular item satisfies the above criteria and in determining the best estimate. Note 16 sets out further information on provisions and Note 32 provides information on contingent liabilities.

(h) Insurance contract liabilities

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

(i) Investment contract liabilities

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

(j) Defined benefit plan liabilities

The defined benefit plan liabilities of AMP group is measured as the difference, for each fund, of the fair value of the fund's assets and the actuarially determined present value of the obligation to fund members. The determination of the fair value of the fund's assets is subject to the judgements, estimates and assumptions discussed at (b) above. The calculation of the obligation to fund members requires judgement to be applied in the setting of actuarial assumptions. Further detail on the determination of defined benefit plan liabilities is set out in Note 27.

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

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

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

Details of the purchase consideration are set out below:

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

Footnote:
1 Amounts presented in the table above differ to those published in the 30 June 2011 half-year financial report as the disclosure at that time was provisional.
2 695,262,564 AMP Limited shares at $5.47 per share, being the last traded price on the ASX on 30 March 2011.

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

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

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

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

Footnote:
1 Amounts presented in the table above differ to those published in the 30 June 2011 half-year financial report as the disclosure at that time was provisional.
2 The carrying amount of receivables approximates the gross contractual amount. There are no contractual amounts at acquisition date which are not expected to be fully recovered.
3 Disposal groups consist of AXA Asia Pacific Holdings Limited's Asian businesses and its ownership interests in joint ventures with AllianceBernstein LP. These disposal groups were sold through a series of transactions on 31 March 2011 and 1 April 2011.

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

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

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

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

- value of in-force business – 10 to 20 years
- distribution networks – 10 years
- software – 2 to 4 years.

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

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

If the merger had occurred on 1 January 2011, AMP group revenue would have been $7,427m for the year and net profit would have been $838m. This pro-forma financial information uses AXA Asia Pacific Holdings Limited data for the period ended 31 December 2011 and represents the historical statutory profit of AXA Asia Pacific Holdings Limited. It includes the results of the Asian businesses for the period 1 January 2011 to the dates of their disposal on 31 March 2011 and 1 April 2011 in accordance with the contractual arrangements for the merger.

4. Segment information

(a) Segments – background
Operating segments have been identified based on separate financial information that is regularly reviewed by the Chief operating decision maker (CODM). The term CODM refers to the function performed by the Chief Executive Officer and his immediate team, as a team, in assessing performance and determining the allocation of resources. The operating segments are identified according to the nature of profit generated and services provided. Segment information in this Note is reported separately for each operating segment. AMP group evaluates the performance of segments on a post-tax operating earnings basis.

Segment information is not reported for activities of AMP group office companies as it is not the function of these departments to earn revenue and any revenues earned are only incidental to the activities of the AMP group.

Asset segment information has not been disclosed because the balances are not provided to the CODM for the purposes of evaluating segment performance and deciding the allocation of resources to segments.

(b) Description of segments
AMP Financial Services
AMP Financial Services provides a range of products and services to customers in Australia and New Zealand. These products and services are primarily distributed through self-employed financial planners and advisers aligned with AMP Financial Services. AMP Financial Services is reported as four separate divisions:

- *Contemporary Wealth Management (CWM)* – Financial planning services (including owned advice businesses), platform administration, unit-linked superannuation, retirement income and managed investment products business. Superannuation products include personal and employer sponsored plans. CWM includes the North product and platform and AMP Bank, which is a direct Australian bank offering residential mortgages, deposits, transactional banking and white-labelled credit cards.
- *Contemporary Wealth Protection (CWP)* – Includes personal and group term, disability and income protection insurance products. Products can be bundled with a superannuation product or held independently of a superannuation contract.
- *Mature* – A business comprising products which are mainly in run-off. Closed products include whole of life, endowment, investment linked, investment account, RSA, annuities and personal superannuation. The only open products in Mature are the AXA branded Guaranteed Savings Account (GSA) and AMP branded Eligible Rollover Fund (ERF).
- *AMP Financial Services New Zealand (AFS NZ)* – A risk insurance business and mature book (traditional participating business), with a growing KiwiSaver, unit-linked superannuation and managed investment business.

AMP Capital
AMP Capital is AMP's wholly-owned diversified investment manager. It manages investments across all the major asset classes including equities, fixed interest, infrastructure, property, diversified funds and multi-manager funds. AMP Capital also provides commercial, industrial and retail property management services. It provides investment management services through in-house investment professionals and a carefully selected global network of investment partners.

In addition to its well established reputation in Australia and New Zealand, AMP Capital has a strong and growing international presence with offices in Beijing, London, Delhi, Singapore, Tokyo, New York, Hong Kong, Luxembourg and Bahrain, allowing it to source competitive offshore opportunities. Following the merger with AXA in March 2011, AMP Capital includes the retail and wholesale unit trust business through National Mutual Funds Management and ipac investment services. AMP Capital also includes funds managed by AXA Global Investors, a New Zealand based asset manager.

In December 2011, AMP Capital announced a strategic business alliance with Mitsubishi UFJ Trust and Banking Corporation (MUTB). MUTB will acquire a 15 per cent minority interest in AMP Capital and AMP Capital will no longer be wholly-owned by AMP.

4. Segment information continued

	CWM $m	CWP[2] $m	Australian Mature[2] $m	AFS NZ[2] $m	AMP Capital[3] $m	Total operating segments $m
(c) Segment profit						
2011						
Segment profit after income tax[1]	**322**	**215**	**153**	**76**	**83**	**849**
Other segment information[4]						
External customer revenue	**1,383**	**215**	**153**	**76**	**220**	**2,047**
Intersegment revenue[5]	**90**	**–**	**–**	**–**	**206**	**296**
Income tax expense	**138**	**92**	**66**	**30**	**26**	**352**
Depreciation and amortisation	**60**	**8**	**–**	**4**	**8**	**80**
2010						
Segment profit after income tax[1]	303	138	140	58	87	726
Other segment information[4]						
External customer revenue	1,067	138	140	58	226	1,629
Intersegment revenue[5]	85	–	–	–	172	257
Income tax expense	130	59	60	25	29	303
Depreciation and amortisation	30	6	–	–	6	42

Footnote:

1 Segment profit after income tax differs from Profit attributable to shareholders of AMP Limited due to the exclusion of the following items:
   i) Group office costs.
   ii) Investment return on shareholder assets invested in income producing investment assets.
   iii) Interest expense on AMP corporate debt.
   iv) The effects of non-recurring items such as: merger and acquisition transaction costs, AXA integration costs, recognition of prior year tax deductions and other one-off and non-recurring costs. These items do not reflect the underlying operating performance of the operating segments.
   v) Accounting mismatches, market adjustments – annuity fair value and risk products and amortisation of AXA acquired intangible assets.

2 Statutory reporting revenue for Australian Contemporary Wealth Protection, Australian Mature and AMP Financial Services New Zealand includes premium and investment gains and losses. However, for segment reporting, external customer revenue is operating earnings which represents gross revenue less claims, expenses, movement in insurance contract liabilities and tax relating to those segments.

3 AMP Capital segment revenue is reported net of external investment manager fees paid in respect of certain assets under management.

4 Other segment information excludes revenue, expenses and tax relating to assets backing policyholder liabilities.

5 Intersegment revenue represents operating revenue between segments priced on an arm's length basis.

4. Segment information continued

	2011 $m	2010 $m
(d) Reconciliation of segment profit after tax		
Australian Contemporary Wealth Management	**322**	303
Australian Contemporary Wealth Protection	**215**	138
Australian Mature	**153**	140
New Zealand	**76**	58
AMP Financial Services	**766**	639
AMP Capital	**83**	87
BU operating earnings	**849**	726
Group Office costs	**(57)**	(40)
Total operating earnings	**792**	686
Underlying investment income[1]	**183**	130
Interest expense on corporate debt	**(82)**	(72)
AMP Limited tax loss recognition	**16**	16
Underlying profit	**909**	760
Market adjustment – investment income[1]	**(50)**	(5)
Market adjustment – annuity fair value[2]	**13**	22
Market adjustment – risk products[3]	**53**	(7)
Loan hedge revaluations	**3**	1
Other items[4]	**1**	(2)
Profit after income tax before AXA merger related adjustments and accounting mismatches	**929**	769
M&A transaction costs	**(42)**	(16)
AXA integration costs	**(105)**	–
Amortisation of AXA acquired intangible assets	**(75)**	–
Accounting mismatches[5]	**(19)**	22
Net profit attributable to shareholders of AMP Limited	**688**	775
(e) Reconciliation of segment revenue		
Total segment revenue	**2,343**	1,886
Add revenue excluded from segment revenue		
– Investment gains and (losses) – shareholders and policyholders (excluding AMP Bank interest revenue)	**612**	4,000
– Revenue of investment entities controlled by the life entities' statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group	**270**	277
– Other revenue	**110**	17
Add back expenses netted against segment revenue		
– Claims, expenses, movement in insurance contract liabilities and tax relating to Australian Contemporary Wealth Protection, Australian Mature and AFS NZ businesses	**1,433**	764
– Interest expense related to AMP Bank	**685**	705
– External investment manager and advisor fees paid in respect of certain assets under management	**526**	272
Remove intersegment revenue	**(296)**	(257)
Total revenue[6]	**5,683**	7,664

Footnote:

1 Underlying investment income consists of investment income on shareholder assets invested in income producing investment assets (as opposed to income producing operating assets) normalised in order to bring greater clarity to the results by eliminating the impact of short-term market volatility on underlying performance. Underlying performance is based on long-term expected returns for each asset class. Market adjustment – investment income is the excess (shortfall) between the underlying investment income and the actual return on shareholder assets invested in income producing investment assets.

2 Market adjustment – annuity fair value relates to the net impact of investment markets on AMP's annuity portfolio.

3 Market adjustment – risk products relates to the net impact of changes in market economic assumptions (bond yields and CPI) on the valuation of risk insurance liabilities. For AXA, this also includes the impact of changes in the market value of equities up until June 2011. Equities were removed from backing the asset allocation in June 2011 following the merger.

4 Other items include one-off and non-recurring revenues and costs. FY 11 other items includes the profit on sale of AMP's general insurance distribution business and one-off tax benefits, offset by one-off and non-recurring costs. Non-recurring costs include restructuring and redundancy costs that are not related to the AXA merger and tax adjustments associated with proposed changes to tax deductions on rights to future income.

5 Under Australian Accounting Standards, some assets held on behalf of the policyholders (and related tax balances) are recognised in the Financial Report at different values to the values used in the calculation of the liability to policyholders in respect of the same assets. Therefore, movements in these policyholder assets result in accounting mismatches which impact profit attributable to shareholders. These differences have no impact on the operating earnings of the AMP group.

6 Revenue as per the Income statement of $5,683m (2010: $7,664m) comprises Premiums and related revenue $1,877m (2010: $1,100m), Fee revenue $1,962m (2010: $1,430m), Other revenue $380m (2010: $294m) and Investment gains and (losses) gains of $1,464m (2010: gains of $4,840m).

5. Income

	Consolidated 2011 $m	Consolidated 2010 $m	Parent 2011 $m	Parent 2010 $m
(a) Life insurance premium and related revenue				
Life insurance contract premium revenue	**1,786**	1,051	**–**	–
Reinsurance recoveries	**91**	49	**–**	–
Total life insurance premium and related revenue	**1,877**	1,100	**–**	–
(b) Fee revenue				
Investment management and origination fees	**1,517**	1,252	**–**	–
Financial advisory fees	**433**	165	**–**	–
Banking business fees	**12**	13	**–**	–
Service fees – subsidiaries	**–**	–	**16**	11
Total fee revenue[1]	**1,962**	1,430	**16**	11
(c) Other revenue				
Defined benefit plan income	**2**	1	**–**	–
Other revenue[2]	**378**	293	**–**	–
Total other revenue	**380**	294	**–**	–

Footnote:
1 Total consolidated fee revenue includes fee income from trust and fiduciary activities that result in the holding or investing of assets on behalf of individuals, trusts, retirement benefit plans, and other institutions, with the exception of $12m (2010: $13m) fees from banking operations, which are fees from financial assets that are not measured at fair value through profit or loss.
2 Other revenue includes trading revenue of investment entities controlled by the life entities' statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group.

6. Investment gains and (losses)

	Consolidated 2011 $m	Consolidated 2010 $m	Parent 2011 $m	Parent 2010 $m
Investment gains and (losses)				
Interest[1]	**2,586**	2,074	**3**	2
Dividends and distributions				
– subsidiaries	**–**	–	**280**	374
– associated entities not equity accounted	**261**	47	**–**	–
– other entities	**3,192**	2,354	**–**	–
Rental income	**676**	744	**–**	–
Net realised and unrealised gains and (losses)[2]	**(5,294)**	(379)	**–**	–
Other investment income	**43**	–	**–**	–
Total investment gains and (losses)	**1,464**	4,840	**283**	376

Footnote:
1 Interest includes interest income from financial assets designated at fair value through profit or loss upon initial recognition, with the exception of $820m (2010: $702m) interest income from held to maturity investments and loans and advances in banking operations, which are measured at amortised cost.
2 Net realised and unrealised gains and losses include net gains and losses on financial assets and financial liabilities designated at fair value through profit or loss upon initial recognition.

7. Expenses

	Consolidated		Parent	
	2011 $m	2010 $m	2011 $m	2010 $m
(a) Life insurance claims and related expenses				
Life insurance contract claims and related expenses	**(1,714)**	(1,241)	**–**	–
Outwards reinsurance expense	**(76)**	(48)	**–**	–
Total life insurance claims and related expenses	**(1,790)**	(1,289)	**–**	–
(b) Operating expenses				
Commission and advisory fee-for-service expense	**(911)**	(524)	**–**	–
Investment management expenses	**(247)**	(202)	**–**	–
Fee expense on banking business	**(10)**	(10)	**–**	–
Fee and commission expenses[1]	**(1,168)**	(736)	**–**	–
Wages and salaries	**(869)**	(568)	**(6)**	(5)
Contributions to defined contribution plans	**(62)**	(52)	**–**	–
Defined benefit fund expense	**(9)**	–	**–**	–
Share-based payments expense	**(26)**	(23)	**(4)**	(4)
Other staff costs	**(139)**	(43)	**(1)**	(1)
Staff and related expenses	**(1,105)**	(686)	**(11)**	(10)
Occupancy and other property related expenses	**(103)**	(76)	**–**	–
Direct property expenses[2]	**(179)**	(186)	**–**	–
Information technology and communication	**(209)**	(122)	**–**	–
Professional fees	**(150)**	(80)	**–**	–
Advertising and marketing	**(50)**	(38)	**–**	–
Travel and entertainment	**(38)**	(24)	**–**	–
Impairment of intangibles	**(29)**	(19)	**–**	–
Amortisation of intangibles	**(163)**	(61)	**–**	–
Depreciation of property, plant and equipment	**(37)**	(41)	**–**	–
Other expenses[3]	**(194)**	(201)	**(5)**	(1)
Other operating expenses	**(1,152)**	(848)	**(5)**	(1)
Total operating expenses	**(3,425)**	(2,270)	**(16)**	(11)
(c) Finance costs				
Interest expense on borrowings and subordinated debt	**(807)**	(789)	**–**	–
Other finance costs	**(110)**	(100)	**–**	–
Total finance costs	**(917)**	(889)	**–**	–

Footnote:

1 Fee and commission expenses include (a) Fee expenses from trust and other fiduciary activities that result in the holding or investing of assets on behalf of individuals, trusts, retirement benefit plans, and other institutions (b) $10m (2010: $10m) fee expense on banking business, which are fees from financial liabilities that are not measured at fair value through profit or loss.

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

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

8. Income tax

	Consolidated 2011 $m	Consolidated 2010 $m	Parent 2011 $m	Parent 2010 $m
(a) Analysis of income tax (expense) credit				
Current tax (expense) credit	**(405)**	(207)	**4**	2
Increase (decrease) in deferred tax assets	**300**	(4)	**43**	17
(Increase) decrease in deferred tax liabilities	**139**	32	**–**	–
Over (under) provided in previous years including amounts attributable to policyholders	**(31)**	48	**22**	(3)
Effect of change in overseas tax rate	**–**	5	**–**	–
Income tax (expense) credit	**3**	(126)	**69**	16

(b) Relationship between income tax expense and accounting profit

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

In respect of income tax expense attributable to shareholders, the tax rate which applies in Australia is 30 per cent (2010: 30 per cent).

From 1 January 2011 the company tax rate for New Zealand changed from 30 per cent to 28 per cent. There are certain differences between the amounts of income and expenses recognised in the financial statements and the amounts recognised for income tax purposes.

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

	Consolidated 2011 $m	Consolidated 2010 $m	Parent 2011 $m	Parent 2010 $m
Profit before income tax	**673**	881	**283**	376
Policyholder tax (expense) credit recognised as part of the change in policyholder liabilities in determining profit before tax	**265**	62	**–**	–
Profit before income tax excluding tax charged to policyholders	**938**	943	**283**	376
Prima facie tax at the rate of 30%	**(281)**	(283)	**(85)**	(113)
Tax effect of differences between amounts of income and expenses recognised for accounting and the amounts deductible/taxable in calculating taxable income:				
– Shareholder impact of par-business tax treatment	**24**	21	**–**	–
– Non-deductible expenses	**(39)**	(19)	**(1)**	(1)
– Non-taxable income	**16**	20	**–**	–
– Tax offsets and credits	**17**	9	**–**	–
– Dividend income from controlled entities	**–**	–	**84**	112
– Other items	**(11)**	(3)	**3**	3
Over (under) provided in previous years after excluding amounts attributable to policyholders[1]	**(33)**	43	**22**	(2)
Benefit arising from previously unrecognised tax losses	**41**	19	**46**	17
Differences in overseas tax rates	**4**	(1)	**–**	–
Effect of change in overseas tax rates	**–**	6	**–**	–
Income tax (expense) credit attributable to shareholders	**(262)**	(188)	**69**	16
Income tax (expense) credit attributable to policyholders	**265**	62	**–**	–
Income tax (expense) credit per Income statement	**3**	(126)	**69**	16

Footnote:

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

8. Income tax continued

	Consolidated 2011 $m	Consolidated 2010 $m	Parent 2011 $m	Parent 2010 $m
(c) Analysis of deferred tax assets				
Expenses deductible and income recognisable in future years	**350**	106	**1**	1
Unrealised movements on borrowings and derivatives	**55**	44	**–**	–
Unrealised investment losses	**273**	65	**–**	–
Losses available for offset against future taxable income	**356**	331	**329**	62
Other	**61**	36	**3**	3
Total deferred tax assets	**1,095**	582	**333**	66
(d) Analysis of deferred tax liabilities				
Unrealised investment gains	**274**	414	**–**	–
Unrealised movements on borrowings and derivatives	**62**	46	**–**	–
Other	**587**	160	**–**	–
Total deferred tax liabilities	**923**	620	**–**	–
(e) Amounts recognised directly in equity				
Deferred income tax (expense) related to items taken directly to equity during the current period	**58**	(2)	**–**	–
(f) Unused tax losses and deductible temporary differences not recognised				
Revenue losses	**116**	129	**104**	115
Capital losses	**560**	358	**477**	358

9. Receivables

	Consolidated 2011 $m	Consolidated 2010 $m	Parent 2011 $m	Parent 2010 $m
Investment income receivable	**193**	107	**–**	–
Investment sales and margin accounts receivable	**689**	104	**–**	–
Life insurance contract premiums receivable	**355**	271	**–**	–
Reinsurance and other recoveries receivable	**11**	8	**–**	–
Reinsurers' share of life insurance contract liabilities	**477**	65	**–**	–
Trade debtors	**309**	193	**1**	4
Other receivables				
– subsidiaries – tax related amounts	**–**	–	**–**	95
– other entities	**187**	139	**2**	–
Total receivables[1]	**2,221**	887	**3**	99

Footnote:
1 $455m (2010: $85m) of total consolidated receivables is expected to be recovered more than 12 months from reporting date.

10. Inventories and other assets

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

Footnote:
1 Inventories include inventories and development properties of investment entities controlled by the life entities' statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group and financial planning registers held for resale in the ordinary course of business.
2 Other assets are assets of investment entities controlled by the life entities' statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group.
3 $12m (2010: $140m) of inventories and other assets is expected to be recovered more than 12 months from the reporting date.

11. Investments in financial assets and other financial liabilities

	Consolidated 2011 $m	Consolidated 2010 $m	Parent 2011 $m	Parent 2010 $m
Investments in financial assets measured at fair value through profit or loss[1]				
Equity securities and listed managed investment schemes	**32,223**	32,130	**–**	–
Debt securities[2]	**29,082**	22,808	**–**	–
Investments in unlisted managed investment schemes	**12,793**	9,921	**–**	–
Derivative financial assets	**2,251**	1,873	**–**	–
Other financial assets[3]	**179**	242	**–**	–
Total investments in financial assets measured at fair value through profit or loss	**76,528**	66,974	**–**	–
Investments in financial assets measured at amortised cost				
Loans and advances – to subsidiaries	**–**	–	**767**	836
Loans and advances[4]	**11,254**	10,202	**–**	–
Debt securities – held to maturity	**1,651**	733	**–**	–
Total investments in financial assets measured at amortised cost	**12,905**	10,935	**767**	836
Investments in controlled entities[5]	**–**	–	**10,807**	7,072
Other financial liabilities				
Derivative financial liabilities	**1,155**	718	**–**	–
Collateral deposits held[6]	**1,449**	2,344	**–**	–
Total other financial liabilities	**2,604**	3,062	**–**	–

Footnote:
1 Investments measured at fair value through profit or loss are mainly assets of the life entities' statutory funds and controlled entities of the life entities' statutory funds.
2 Included within debt securities are assets held to back the liability for collateral deposits held in respect of debt security repurchase arrangements entered into by the life entities' statutory funds and the controlled entities of the life entities' statutory funds.
3 Other financial assets include investments of the life entities' statutory funds and controlled entities of the life entities' statutory funds.
4 Loans and advances include securitised assets of $4,900m (2010: $4,953m) after allowing for amortisation of the initial assets securitised. During the year, loans of $1,402m (2010: $402m) were transferred into securitisation vehicles.
5 During the year the parent entity subscribed to additional capital in AMP Group Holdings Limited of $3,700m in connection with the acquisition of AXA Asia Pacific Holdings Limited and additional capital in AMP Bank Limited of $35m.
6 Collateral deposits held represents the obligation to repay collateral held in respect of debt security repurchase arrangements entered into by the life entities' statutory funds and the controlled entities of the life entities' statutory funds.

12. Investment property

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

Footnote:
1 Additions (disposals) through business combinations relate to the assets included on acquisition of AXA APH (2010: mainly to transactions of investment entities in which the life entities' statutory funds hold a controlling equity interest).
2 Investment property of $1,362m (2010: $1,418m) held by controlled entities of the statutory funds of AMP Life has been provided as security against borrowings of these controlled entities of the life entities' statutory funds.

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

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

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

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

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

13. Property, plant and equipment

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

Footnote:
1 Owner-occupied property is measured at fair value; had the asset been measured at historic cost the amortised carrying value would have been $200m (2010: $199m).
2 Plant and equipment includes operating assets of investment entities controlled by the life entities' statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group.

14. Intangibles

Consolidated	Goodwill[1] $m	Capitalised costs $m	Management rights $m	Value of in-force business $m	Distribution networks $m	Other intangibles $m	Total $m
2011							
Intangibles							
Gross carrying amount	**2,919**	**571**	**16**	**1,191**	**138**	**161**	**4,996**
Less: accumulated amortisation and/or impairment losses	**(104)**	**(400)**	**(1)**	**(77)**	**(10)**	**(57)**	**(649)**
Intangibles at written down value	**2,815**	**171**	**15**	**1,114**	**128**	**104**	**4,347**
Movements in intangibles							
Balance at the beginning of the year	**702**	**162**	**20**	**–**	**–**	**35**	**919**
Additions (reductions) through acquisitions (disposal) of controlled entities[2]	**2,140**	**–**	**–**	**1,191**	**95**	**94**	**3,520**
Additions through separate acquisition	**2**	**–**	**–**	**–**	**43**	**1**	**46**
Additions through internal development	**–**	**61**	**–**	**–**	**–**	**–**	**61**
Disposals	**–**	**–**	**(5)**	**–**	**–**	**–**	**(5)**
Amortisation expense for the year[3]	**–**	**(50)**	**–**	**(77)**	**(10)**	**(26)**	**(163)**
Impairment losses[4]	**(29)**	**–**	**–**	**–**	**–**	**–**	**(29)**
Foreign currency exchange differences	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Other movements	**–**	**(2)**	**–**	**–**	**–**	**–**	**(2)**
Balance at the end of the year	**2,815**	**171**	**15**	**1,114**	**128**	**104**	**4,347**
2010							
Intangibles							
Gross carrying amount	777	512	22	–	–	66	1,377
Less: accumulated amortisation and/or impairment losses	(75)	(350)	(2)	–	–	(31)	(458)
Intangibles at written down value	702	162	20	–	–	35	919
Movements in intangibles							
Balance at the beginning of the year	730	159	20	–	–	37	946
Additions (reductions) through acquisitions (disposal) of controlled entities and other businesses[2]	(9)	–	–	–	–	–	(9)
Additions through separate acquisition	–	–	–	–	–	3	3
Additions through internal development	–	64	–	–	–	–	64
Amortisation expense for the year[3]	–	(51)	–	–	–	(10)	(61)
Impairment losses[4]	(19)	–	–	–	–	–	(19)
Foreign currency exchange differences	–	–	(1)	–	–	–	(1)
Other movements	–	(10)	1	–	–	5	(4)
Balance at the end of the year	702	162	20	–	–	35	919

Footnote:
1 Total goodwill comprises amounts attributable to shareholders of $2,659m (2010: $517m) and attributable to policyholders of $156m (2010: $185m).
2 Additions arose from the purchase of AXA Asia Pacific Holdings Limited (refer to Note 3). Disposal of goodwill during 2010 relates to the sale of an operating business of controlled entities of the life entities' statutory funds.
3 Amortisation expense for the year is included in Operating expenses in the Income statement.
4 Impairment of goodwill relates to goodwill of controlled entities of the life entities' statutory funds, which carry out business operations unrelated to the core wealth management operations of the AMP group.

14. Intangibles continued

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

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

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

For the purposes of impairment testing, the amount is allocated to the cash-generating units as follows:
– Australian CWM – goodwill attributable: $1,390m (2010: $387m);
– Australian CWP – goodwill attributable: $668m (2010: $65m);
– Australian Mature – goodwill attributable: $350m (2010: $65m);
– AMP Financial Services New Zealand – goodwill attributable $172m (2010: nil); and
– AMP Capital – goodwill attributable $79m (2010: nil).

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

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

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

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

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

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

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

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

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

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

15. Payables

	Consolidated		Parent	
	2011 $m	2010 $m	2011 $m	2010 $m
Investment purchases and margin accounts payable	**551**	66	**–**	–
Life insurance and investment contracts in process of settlement	**349**	181	**–**	–
Accrued expenses	**112**	91	**–**	–
Interest payable	**34**	41	**–**	–
Trade creditors	**237**	80	**–**	–
Other payables				
– subsidiaries	**–**	–	**97**	–
– other entities	**649**	574	**1**	1
Total payables[1,2]	**1,932**	1,033	**98**	1

Footnote:
1 Total payables include payables of investment entities controlled by the life entities' statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group.
2 $45m (2010: $26m) of Total payables of the AMP group is expected to be settled more than 12 months from the reporting date and nil (2010: nil) of Total payables of the parent is expected to be settled more than 12 months from reporting date.

16. Provisions

	Consolidated		Parent	
	2011 $m	2010 $m	2011 $m	2010 $m
(a) Provisions				
Employee entitlements	**267**	172	**3**	4
Restructuring	**50**	2	**–**	–
Other	**239**	79	**–**	–
Total provisions	**556**	253	**3**	4

	Employee entitlements[1] $m	Restructuring provisions[2] $m	Other[3] $m	Total $m
(b) Movements in provisions – consolidated				
Balance at the beginning of the year	**172**	**2**	**79**	**253**
Additions (reductions) through acquisitions (disposal) of controlled entities	**63**	**55**	**188**	**306**
Additional provisions made during the year	**253**	**56**	**125**	**434**
Unused amounts reversed during the year	**(2)**	**(3)**	**(61)**	**(66)**
Provisions used during the year	**(219)**	**(60)**	**(92)**	**(371)**
Balance at the end of the year	**267**	**50**	**239**	**556**
(c) Movements in provisions – parent				
Balance at the beginning of the year	**4**	**–**	**–**	**4**
Additional provisions made during the year	**2**	**–**	**–**	**2**
Unused amounts reversed during the year	**1**	**–**	**–**	**1**
Provisions used during the year	**(4)**	**–**	**–**	**(4)**
Balance at the end of the year	**3**	**–**	**–**	**3**

Footnote:
1 Provisions for employee entitlements are in respect of amounts accumulated as a result of employees rendering services up to the reporting date. These entitlements include salaries, wages, bonuses, annual leave and long service leave, but exclude share-based payments. $15m (2010: $6m) of the consolidated balance is expected to be settled more than 12 months from the reporting date. $2m (2010: $1m) of the parent balance is expected to be settled more than 12 months from the reporting date.
2 Restructuring provisions are recognised in respect of programs that materially change the scope of the business or the manner in which the business is conducted. $4m (2010: nil) is expected to be settled more than 12 months from the reporting date.
3 Other provisions are in respect of probable outgoings on data quality and integrity projects, settlements, and various other operational provisions. $26m (2010: $5m) is expected to be settled more than 12 months from the reporting date.

17. Borrowings

	Consolidated 2011 $m	Consolidated 2010 $m	Parent 2011 $m	Parent 2010 $m
Bank overdrafts	**4**	–	**–**	–
Bank loans	**850**	962	**–**	–
Bonds and notes	**6,228**	6,687	**–**	–
Deposits[1]	**4,271**	3,082	**–**	–
Other borrowings	**57**	60	**–**	–
Total borrowings[2]	**11,410**	10,791	**–**	–

Footnote:
1 Deposits mainly comprise at call retail cash on deposit and retail term deposits at variable interest rates within the AMP Bank.
2 Total borrowings comprise amounts to fund:
i) Corporate and other shareholder activities of AMP group $594m (2010: $764m). Of this balance, $204m (2010: $353m) is expected to be settled more than 12 months from the reporting date.
ii) AMP Bank and securitisation trusts borrowings $9,277m (2010: $8,369m). Of this balance $4,204m (2010: $3,852m) is expected to be settled more than 12 months from the reporting date.
iii) Statutory fund borrowings and borrowings within controlled entities of AMP Life are $1,539m (2010: $1,658m). Of this balance $1,182m (2010: $1,045m) is expected to be settled more than 12 months from the reporting date.

18. Subordinated debt

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

Footnote:
1 During the year, new subordinated debt of $600m was issued. The balance is after deduction of capitalised borrowing costs.
2 In the event that AMP does not call the subordinated debt at the first call date the note holders have the right to exchange the notes for AMP shares at a small discount to volume weighted average price at that time.
3 In the event that AMP does not call the subordinated debt at the first call date the note holders have the right to an interest margin 150% higher than that at issue.
4 Subordinated debt amounts are to fund corporate activities of AMP group. All of this balance (2010: all) is expected to be settled more than 12 months from the reporting date.

19. Dividends

	Consolidated 2011 $m	Consolidated 2010 $m	Parent 2011 $m	Parent 2010 $m
Final dividends paid				
2010 final dividend paid in 2011: 15 cents per ordinary share franked to 60% (2009 final dividend paid in 2010: 16 cents per ordinary share franked to 50%)	**314**	328	**314**	328
Interim dividends paid				
2011: 15 cents per ordinary share franked to 30% (2010: 15 cents per ordinary share franked to 60%)	**422**	311	**422**	311
Total dividends paid[1,2]	**736**	639	**736**	639
Final dividends proposed but not recognised[2]				
2011: 14 cents per ordinary share franked to 50%	**400**	n/a	**400**	n/a

	Consolidated 2011 $m	Consolidated 2010 $m	Parent 2011 $m	Parent 2010 $m
Dividend franking account[3,4]				
Franking credits available to shareholders of AMP Limited (at 30%)	**165**	123	**165**	123

Footnote:

1 Total dividends paid includes dividends paid on 'treasury shares'. See Statement of changes in equity for further information regarding the impact of 'treasury shares' on dividends paid and retained earnings.

2 All dividends are franked at a tax rate of 30 per cent.

3 The franking credits available to shareholders are based on the balance of the dividend franking account at the reporting date adjusted for:
   a) franking credits that will arise from the payment of the current tax liability
   b) franking debits that will arise from the payment of dividends recognised as a liability at the year end
   c) franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the year end
   d) franking credits that the entity may be prevented from distributing in subsequent years.

4 The company's ability to utilise the franking account credits depends on meeting Corporations Act requirements to declare dividends. The impact of the proposed dividend will be to reduce the balance of the franking credit account by $85m.

20. Contributed equity

	Consolidated 2011 $m	Consolidated 2010 $m	Parent 2011 $m	Parent 2010 $m
Movements in issued capital				
Balance at the beginning of the year	**5,209**	4,957	**5,209**	4,957
695,262,564 shares issued for acquisition of AXA Asia Pacific Holdings Limited[1]	**3,802**	–	**3,802**	–
64,986,020 (2010: 45,779,038) shares issued under dividend reinvestment plan[2]	**286**	252	**286**	252
Balance at the end of the year	**9,297**	5,209	**9,297**	5,209
Total issued capital				
2,854,672,784 (2010: 2,094,424,200) ordinary shares fully paid	**9,297**	5,209	**9,297**	5,209
Movements in 'treasury shares'				
Balance at the beginning of the year	**(158)**	(143)	**–**	–
1,907,975 (increase) arising from acquisition of AXA Asia Pacific Holdings Limited	**(10)**	–	**–**	–
38,745,543 (increase) decrease due to purchases less sales during the year	**(49)**	(15)	**–**	–
Balance at the end of the year	**(217)**	(158)	**–**	–
Total treasury shares				
40,653,518 (2010: 26,375,450) treasury shares	**(217)**	(158)	**–**	–
Total contributed equity				
2,814,019,266 (2010: 2,068,048,750) ordinary shares fully paid[3,4]	**9,080**	5,051	**9,297**	5,209

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.

Footnote:

1 Shares issued to minority shareholders of AXA Asia Pacific Holdings Limited for the acquisition of its business recognised at fair value of $3,803m less deduction for costs of issue $1m – refer to Note 3 for further details.

2 Under the terms of the Dividend Reinvestment Plan (DRP), shareholders may elect to have all or part of their dividend entitlements satisfied by the issue of new shares rather than being paid cash. Shares were issued under the DRP for the 2010 final dividend (paid in April 2011) at $5.34 per share, 2011 interim dividend (paid in October 2011) at $3.91 per share.

3 Of the ordinary shares on issue by AMP Limited, AMP's life insurance entities hold 38,901,250 (2010: 26,375,450) shares on behalf of policyholders. ASIC has granted relief from restrictions in the *Corporations Act 2001* to allow AMP's life insurance entities to hold and trade shares in AMP Limited as part of the policyholder funds' investment activities. The cost of the investment in these 'treasury shares' is reflected as a deduction from total contributed equity.

4 Of the ordinary shares 1,752,268 are held by a controlled entity of AXA Asia Pacific Holdings Limited.

21. Life insurance contracts

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

(a) Assumptions and methodology applied in the valuation of life insurance contract liabilities

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

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

Business type	Method	Profit carriers (for business valued using projection method)
AMP Life		
Conventional	Projection	Bonuses
Investment account	Modified accumulation	n/a
Risk (lump sum)	Projection/accumulation	Expected premiums
Risk (income benefits)	Projection/accumulation	Expected claims
Participating allocated annuities	Accumulation/modified accumulation	n/a
Life annuities	Projection	Annuity payments
NMLA		
Traditional participating	Projection	Bonuses
Traditional non-participating	Projection	Claim payments
Investment account (excl. large group plans)	Projection	Account balance
Investment account (large group plans)	Accumulation	n/a
Individual lump sum insurance	Projection	Premium income
Individual disability income	Projection	Claim payments
Group lump sum insurance	Accumulation	n/a
Group disability income	Accumulation	n/a
Life annuities	Projection	Annuity payments

21. Life insurance contracts continued

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[1].

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

Footnote:

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

21. Life insurance contracts continued

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

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

		10-year government bonds	Local equities	International equities	Property	Fixed interest	Cash
Australia							
31 December 2011	AMP Life	**3.7%**	**4.5%**	**3.5%**	**2.5%**	**0.8%**	**(0.5%)**
	NMLA	**3.7%**	**4.5%**	**3.5%**	**2.5%**	**0.8%**	**(0.5%)**
31 December 2010	AMP Life	5.6%	4.1%	2.5%	2.0%	0.5%	(0.5%)
New Zealand							
31 December 2011	AMP Life	**3.8%**	**4.5%**	**3.5%**	**2.5%**	**0.8%**	**(0.5%)**
	NMLA	**3.8%**	**4.5%**	**3.5%**	**2.5%**	**0.8%**	**(0.5%)**
31 December 2010	AMP Life	6.0%	4.5%	2.5%	2.0%	0.5%	(0.5%)

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

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

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

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

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

Actual bonus declarations are determined to reflect, over time, the investment returns of the particular fund and other factors in the emerging experience and management of the business. These factors include:
- allowance for an appropriate degree of benefit smoothing
- reasonable expectations of policyholders
- equity between generations of policyholders applied across different classes and types of business
- ongoing solvency and capital adequacy.

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

21. Life insurance contracts continued

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

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

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

Crediting rates (investment account)	
Australia	**1.5%–9.8%** (3.10%–10.3%)
New Zealand	**2.4%–5.5%** (3.3%–5.5%)

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

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

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

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

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

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

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

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

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

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

21. Life insurance contracts continued

(viii) Surrender values

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

(ix) Mortality and morbidity

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

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

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

Typical mortality assumptions, in aggregate, are as follows:

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

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

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

Typical morbidity assumptions, in aggregate, are as follows:

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

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

The Actuarial tables used were as follows:

IA95-97	A mortality table developed by the Institute of Actuaries of Australia based on Australian insured lives experience from 1995–1997.
IA90-92	A mortality table developed by the Institute of Actuaries of Australia based on Australian insured lives experience from 1990–1992.
IML00*/IFL00*	IML00 and IFL00 are mortality tables developed by the Institute of Actuaries and the Faculty of Actuaries based on United Kingdom annuitant lives experience from 1999–2002. The tables refer to male and female lives respectively and incorporate factors that allow for mortality improvements since the date of the investigation. IML00* and IFL00* are these published tables amended for some specific AMP experience.
PNML/PNFL	The UK 00 series tables represent the latest annuitant/pensioner experience and therefore replace the 80 series tables, which are based on experience from 1979 to 1982. Pensioner tables are used given that the NZ annuitants did not voluntarily obtain annuities as they received one automatically from their pension plan.
IAD89-93	A disability table developed by the Institute of Actuaries of Australia based on the Australian disability income experience for the period 1989–1993.

21. Life insurance contracts continued

(x) Impact of changes in assumptions

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

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

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

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

Footnote:
1 The change in future profit margins for AMP Life reflects the impact of moving the risk discount rate from the 10-year government bond rate to zero coupon government bond curve as per Note 21(i).
2 Other assumptions changes for AMP Life include the impact of actual and planned premium rate changes.

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

(b) Insurance risk sensitivity analysis – life insurance contracts

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

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

		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	(1)	(1)	1	1
Annuitant mortality	50% increase in the rate of mortality improvement	1	1	(1)	(1)
Morbidity – lump sum disablement	20% increase in lump sum disablement rates	–	–	–	–
Morbidity – disability income	10% increase in incidence rates	–	–	–	–
Morbidity – disability income	10% decrease in recovery rates	–	–	–	–
Discontinuance rates	10% increase in discontinuance rates	–	–	–	–
Maintenance expenses	10% increase in maintenance expenses	–	–	–	–
NMLA					
Mortality[1]	10% increase in mortality rates	–	–	–	–
Annuitant mortality[1]	50% increase in the rate of mortality improvement	–	–	–	–
Morbidity – lump sum disablement[1]	20% increase in lump sum disablement rates	–	–	–	–
Morbidity – disability income[1]	10% increase in incidence rates	112	110	(78)	(77)
Morbidity – disability income[1]	10% decrease in recovery rates	215	202	(151)	(141)
Discontinuance rates[1]	10% increase in discontinuance rates	22	21	(15)	(15)
Maintenance expenses[1]	10% increase in maintenance expenses	25	25	(18)	(18)

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

21. Life insurance contracts continued

	Consolidated 2011 $m	Consolidated 2010 $m	Parent 2011 $m	Parent 2010 $m
(c) Analysis of life insurance contract premium and related revenue				
Total life insurance contract premiums received and receivable	**2,900**	1,802	**–**	–
Less: component recognised as a change in life insurance contract liabilities	**(1,114)**	(751)	**–**	–
Life insurance contract premium revenue[1]	**1,786**	1,051	**–**	–
Reinsurance recoveries	**91**	49	**–**	–
Total life insurance contract premium and related revenue	**1,877**	1,100	**–**	–
(d) Analysis of life insurance contract claims and related expenses				
Total life insurance contract claims paid and payable	**(3,099)**	(2,344)	**–**	–
Less: component recognised as a change in life insurance contract liabilities	**1,385**	1,103	**–**	–
Life insurance contract claims expense	**(1,714)**	(1,241)	**–**	–
Outwards reinsurance expense	**(76)**	(48)	**–**	–
Total life insurance contract claims and related expenses	**(1,790)**	(1,289)	**–**	–
(e) Analysis of life insurance contract operating expenses				
Life insurance contract acquisition expenses			**–**	–
– Commission	**(102)**	(56)	**–**	–
– Other expenses	**(132)**	(88)	**–**	–
Life insurance contract maintenance expenses			**–**	–
– Commission	**(164)**	(91)	**–**	–
– Other expenses	**(369)**	(284)	**–**	–
Investment management expenses	**(50)**	(39)	**–**	–
(f) Life insurance contract liabilities				
Life insurance contract liabilities determined using projection method				
Best estimate liability				
– Value of future life insurance contract benefits	**19,310**	10,765	**–**	–
– Value of future expenses	**4,959**	2,697	**–**	–
– Value of future premiums	**(19,156)**	(9,595)	**–**	–
Value of future profits			**–**	–
– Life insurance contract holder bonuses	**2,054**	2,021	**–**	–
– Shareholders' profit margins	**3,389**	2,439	**–**	–
Total life insurance contract liabilities determined using the projection method[2]	**10,556**	8,327	**–**	–
Life insurance contract liabilities determined using accumulation method				
Best estimate liability				
– Value of future life insurance contract benefits	**11,386**	7,664	**–**	–
– Value of future acquisition expenses	**(7)**	(9)	**–**	–
Total life insurance contract liabilities determined using accumulation method	**11,379**	7,655	**–**	–
Value of declared bonus	**359**	338	**–**	–
Unvested life insurance contract holder benefits[2]	**1,628**	1,377	**–**	–
Total life insurance contract liabilities before reinsurance	**23,922**	17,697	**–**	–
Add: Reinsurers' share of life insurance contract liabilities	**477**	65	**–**	–
Total life insurance contract liabilities	**24,399**	17,762	**–**	–

Footnote:
1 Life insurance contract premium revenue consists entirely of direct insurance premiums; there is no inward reinsurance component.
2 For participating business in the statutory funds, part of the assets in excess of the life insurance contract and other liabilities calculated under MoS are attributed to policyholders. Under the *Life Act*, this is referred to as policyholder retained profits. For the purpose of reporting under accounting standards, this amount is referred to as unvested life insurance contract holder benefits and is included within life insurance contract liabilities even though it is yet to be vested as specific policyholder entitlements.

21. Life insurance contracts continued

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

(h) Life insurance risk

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

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

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

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

AMP Life and NMLA reinsure (cede) to specialist reinsurance companies a proportion of its portfolio or certain types of insurance risk, including catastrophe. This serves primarily to:
- reduce the net liability on large individual risks
- obtain greater diversification of insurance risks
- provide protection against large losses.

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

21. Life insurance contracts continued

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

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

(i) Liquidity risk and future net cash outflows

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

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

22. Other life insurance and investment contract disclosures

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

(b) AMP life insurance entities statutory funds

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

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

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

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

22. Other life insurance and investment contract disclosures continued

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

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

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

Impact of the life statutory funds amounts on the AMP 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 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 the life statutory funds. Most of the controlled entities are unit trusts and the share of the consolidated profit and net assets of those trusts attributable to unitholders other than the AMP Life statutory funds is recognised in the consolidated income statement as Movement in external unitholder liabilities and in the consolidated Statement of financial position as External unitholder liabilities.

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

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

22. Other life insurance and investment contract disclosures continued

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

(d) Solvency and capital adequacy

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

Under the *Life Act*, there are two requirements for each life statutory fund in each life company:
– the solvency requirement; and
– the capital adequacy requirement.

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

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

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

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

(e) Actuarial information

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

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

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

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

23. Risk management and financial instruments information

Financial Risk Management

The principal objective of the AMP Group Financial Risk Management Framework (FRM Framework) is to ensure the existence of a robust structure for identifying, assessing, measuring, managing and escalating risks. The FRM Framework operates under the AMP group risk appetite statement that includes consideration of risk to capital and risk to earnings.

FRM in the AMP group is managed in accordance with policies set by the AMP Limited Board (the Board). These policies are set out in the FRM Framework and this provides a structure for managing financial risks including delegations, escalations and reporting. The FRM Framework also outlines AMP group's FRM objectives and identifies organisational responsibilities for the implementation of the FRM Framework. In addition, the FRM Framework provides an overview of each of the key financial risks including the nature of the risks, objectives in seeking to manage the risks, the key policy variables for the management of the risks and the business unit responsibility for managing and reporting the risks.

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

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

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

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

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

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

Information about the capital management activities within the AMP group, including the relationship with regulatory requirements on the regulated entities, is provided in Note 24.

(a) Risks and mitigation

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

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

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

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

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

23. Risk management and financial instruments information continued

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

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

There is no market risk relating to any financial instruments of the parent. All comments and analysis in the remainder of this Note relate to the AMP group.

(i) Interest rate risk
Interest rate risk is the risk of an impact on AMP 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 AMP group. Management of those risks is decentralised according to the activity. Details are as follows:

– *AMP group's long-term borrowings and subordinated debt* – Interest rate risk arises in relation to long-term borrowings and subordinated debt raised through a combination of Australian dollar, New Zealand dollar, pound sterling and euro denominated fixed-rate and floating-rate facilities. The foreign denominated debt is converted to floating-rate Australian dollars through cross-currency swaps. Interest rate risk is managed by entering floating-to-fixed interest rate swaps, which have the effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the AMP 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.

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

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

– *AMP Life and NMLA* – As discussed in Note 1(b), AMP Life and NMLA 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 solvency requirements, including holding statutory reserves to cater for interest rate risk to the extent that assets are not matched against liabilities.

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

– *AMP Bank* – Interest rate risk arises in AMP Bank from mismatches of repricing terms (for example, a three-year fixed rate loan funded with a 90-day term deposit – term risk) and variable rate short-term repricing bases (basis risk). AMP Bank uses natural offsets, interest rate swaps and basis swaps to hedge the mismatches within exposure limits. Group Treasury manages the interest rate exposure in AMP Bank by maintaining a position, which is generally neutral, within the limits delegated and approved by the AMP Bank Board.

23. Risk management and financial instruments information continued

Interest rate risk sensitivity analysis
This analysis demonstrates the impact of a 100 basis point change in Australian and International interest rates, with all other variables held constant, on profit after tax and equity. It is assumed that all underlying exposures and related hedges are included in the sensitivity analysis, that the 100 basis point change occurs as at the reporting date and that there are concurrent movements in interest rates and parallel shifts in the yield curves. The impact on equity includes both the impact on profit after tax as well as the impact of amounts that would be taken directly to equity in respect of the portion of changes in the fair value of derivatives that qualify as cash flow hedges for hedge accounting. A sensitivity level of 100 basis points is determined considering the range of interest rates applicable to interest bearing financial assets and financial liabilities in the AMP group.

	2011		2010	
Change in variables	Impact on profit after tax Increase (decrease) $m	Impact on equity Increase (decrease) $m	Impact on profit after tax Increase (decrease) $m	Impact on equity Increase (decrease) $m
+100 basis points	**(9)**	**2**	(10)	4
–100 basis points	**30**	**20**	11	(3)

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

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

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

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

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

23. Risk management and financial instruments information continued

(iii) Equity price risk
Equity price risk is the risk of an impact on AMP group's profit after tax and equity from movements in equity prices. The AMP 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 AMP 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 AMP group and the range of movements in equity markets for the periods.

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

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

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

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

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

23. Risk management and financial instruments information continued

The following table summarises the maturity profiles of AMP 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

	Up to 1 year or no term $m	1 to 5 years $m	Over 5 years $m	Other[2] $m	Total $m
2011					
Non-derivative financial liabilities[1]					
Payables	**(1,900)**	**(32)**	**–**	**–**	**(1,932)**
Borrowings	**(6,020)**	**(4,350)**	**(1,791)**	**–**	**(12,161)**
Subordinated debt	**(76)**	**(1,094)**	**(115)**	**–**	**(1,285)**
Investment contract liabilities	**(1,251)**	**(1,126)**	**(1,825)**	**(49,364)**	**(53,566)**
External unitholder liabilities	**–**	**–**	**–**	**(7,224)**	**(7,224)**
Derivative financial instruments					
Cross currency swaps					
– Outflows	**(423)**	**(421)**	**(209)**	**–**	**(1,053)**
– Inflows	**340**	**324**	**745**	**–**	**1,409**
Interest rate swaps	**(9)**	**9**	**13**	**–**	**13**
Off balance sheet items					
Loan commitments[4]	**(1,649)**	**–**	**–**	**–**	**(1,649)**
Total undiscounted financial liabilities and off balance sheet items[3]	**(10,988)**	**(6,690)**	**(3,182)**	**(56,588)**	**(77,448)**
2010					
Non-derivative financial liabilities[1]					
Payables	(1,007)	(26)	–	–	(1,033)
Borrowings	(5,978)	(6,503)	–	–	(12,481)
Subordinated debt	(36)	(385)	(94)	–	(515)
Investment contract liabilities	(749)	(946)	(1,463)	(46,017)	(49,175)
External unitholder liabilities	–	–	–	(5,892)	(5,892)
Derivative financial instruments					
Cross currency swaps					
– Outflows	(63)	(1,076)	(123)	–	(1,262)
– Inflows	23	843	62	–	928
Interest rate swaps	(19)	(7)	16	–	(10)
Off balance sheet items					
Loan commitments	(1,425)	–	–	–	(1,425)
Total undiscounted financial liabilities and off balance sheet items[3]	(9,254)	(8,100)	(1,602)	(51,909)	(70,865)

Footnote:

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

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

4 Loan commitments relate to commitments to provide credit to customers of AMP Bank.

23. Risk management and financial instruments information continued

(d) Credit risk

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

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

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

– *AMP Life and NMLA* – Credit risk on the invested fixed income portfolios in the AMP Life and NMLA statutory funds is managed by the AMP Capital Investors Risk and Compliance Committee (AMP Capital Investors R&C) and reported to the fund managers, within specified credit criteria in the mandate approved by the AMP Life and NMLA Boards. The shareholder portion of credit risk in AMP Life and NMLA is reported to Group ALCO by Group Treasury.
– *AMP Capital Investors* – Credit risk on fixed income portfolios managed by AMP Capital Investors (consistent with interest rate and foreign currency risk) is managed by the AMP Capital Investors R&C Committee and reported to the fixed income desk. This credit risk arises as part of a broader portfolio of investments under investment mandates with AMP Capital and, when relating directly to shareholder funds, is included in the aggregation by Group Treasury and reported to Group ALCO.
– *AMP Bank* – Credit risk arising in AMP Bank as part of lending activities and management of liquidity is managed as prescribed by AMP Bank's Risk Management Systems Description (RMSD) and reported to AMP Bank ALCO monthly. Exposures relating directly to shareholder funds are included in the aggregation by Group Treasury and reported to Group ALCO.

(i) Management of credit risk concentration

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

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

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

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

(ii) Exposure to credit risk

AMP group's maximum exposure to credit risk on recognised financial assets, without taking account of any collateral or other credit enhancements as at the reporting date was $36,164m (2010: $32,591m). This amount includes (i) secured loans held by banking operations, (ii) financial assets of investment linked business in AMP Life and NMLA where the liability to policyholders is linked to the performance and value of the assets that back those liabilities and consequently there is no exposure to shareholders, and (iii) other items arising in the course of operations which are managed by the respective business units. AMP Bank also has loan commitments at reporting date of $1,629m (2010: $1,425m).

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

	2011 $m	2010 $m
AAA	**4,770**	4,582
AA– to AA+	**10,423**	5,384
A– to A+	**4,101**	2,558
BBB– to BBB+	**1,556**	1,732
BB+ and below	**185**	220
Total financial assets with credit risk exposure monitored by AMP Treasury	**21,035**	14,476

23. Risk management and financial instruments information continued

(iii) Credit risk of the loan portfolio in AMP Bank

AMP Bank is predominantly a lender for residential properties – both owner occupied and for investment. In every case AMP Bank completes a credit assessment, which includes a cost of living allowance and requires valuation of the proposed security property by a qualified independent valuer. About 44 per cent of AMP Bank's residential loan portfolio is securitised and all loans in securitisation vehicles are mortgage insured thereby further mitigating the risk. AMP Bank's Credit Committee and Board oversee trends in lending exposures and compliance with concentration limits as a further basis of limiting lending risk. AMP Bank secures its loan portfolio with mortgages over relevant properties and as a result manages credit risk on its loan portfolio by loan to value ratio (LVR). The LVR is calculated by dividing the total loan amount by the lower of AMP Bank's approved valuation amount or the purchase price. Loans with LVR greater than 80 per cent are fully mortgage insured. The potential credit exposure to the loan mortgage insurers has been assessed to be minimal due to a stable historical relationship with AMP Bank and minimal level of historic claims rejections and reductions. The minimum credit rating for the loans and lender mortgage insurers is AA– or above under Standard & Poor's rating. The average LVR of AMP Bank's loan portfolio for existing and new business is set out in the following table:

LVR	Existing business 2011	New business 2011	Existing business 2010	New business 2010
0–50	**26%**	**10%**	28%	10%
51–60	**11%**	**8%**	13%	7%
61–70	**15%**	**12%**	15%	11%
71–80	**34%**	**51%**	33%	56%
81–90	**11%**	**16%**	9%	13%
91–95	**2%**	**2%**	1%	3%
> 95	**1%**	**1%**	1%	–

(iv) Past due but not impaired financial assets

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

	Past due but not impaired				
	Less than 31 days $m	31 to 60 days $m	61 to 90 days $m	More than 91 days $m	Total $m
2011					
Receivables					
– Trade debtors	**10**	**3**	**3**	**6**	**22**
– Other receivables	**2**	**–**	**–**	**5**	**7**
Debt securities					
– Loans and advances	**343**	**28**	**4**	**16**	**391**
Total[1]	**355**	**31**	**7**	**27**	**420**
2010					
Receivables					
– Reinsurance and other recoveries receivable	1	–	–	–	1
– Trade debtors	6	1	1	6	14
– Other receivables	1	–	1	2	4
Debt securities					
– Loans and advances	338	20	14	30	402
Total[1]	346	21	16	38	421

Footnote:

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

23. Risk management and financial instruments information 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:

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

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

(vi) Impaired financial assets and impairment assessment
AMP Bank has impaired loans of $4m (2010: $4m) at the reporting date. AMP Bank provides specific provision and collective impairment loan loss provisions against these impaired loans.

The AMP Bank Credit Committee reviews the portfolio for provisioning at least quarterly. The review considers:
- current provisioning amount
- portfolio growth and performance – for both on and off balance sheet exposures
- current arrears position and specific loan provisions
- current and forecast state of economy, interest rate movements etc.

It also makes recommendations to the AMP Bank Board and Audit Committee.

(vii) Collective impairment loan loss provision
The collective impairment loan loss provision methodology is a statistically based model that removes subjectivity from the provisioning process and makes the provision reflective of historical loss performance.

The model utilises historical losses incurred by AMP Bank and researches external data sources to develop a series of probability of default and loss, given default factors that can be applied to loans and advances in arrears. The model also includes the ability to apply a management overlay if it is deemed that the economic environment is not representative of historical loss performance.

The model is reviewed quarterly and specific factors are formally validated every six months and reported to the AMP Bank Audit Committee.

(viii) Specific provision
The specific provision is created when there is clear evidence that AMP Bank will suffer a loss with little chance of recovery and the amount of the loss is measurable. This provision is reviewed quarterly and recommendations are made to the AMP Bank Audit Committee.

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

AMP Bank uses residential property as collateral against its loans to customers. AMP Bank may take control of the collateral in the event the customer defaults.

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

Hedging techniques are used to protect the AMP group against changes in the expected guarantee claim payments from market movements. AMP 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.

23. Risk management and financial instruments information 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 Bank 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 AMP 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 counterparties 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 AMP group. The credit risk of derivatives is also managed in the context of the AMP group's overall credit risk policies.

(f) Accounting for hedges
The accounting treatment of hedge transactions varies according to the nature of the instrument hedged and whether the hedge qualifies for hedge accounting.

Derivative transactions may qualify either as fair value hedges or cash flow hedges or hedges of net investments in foreign operations. The AMP 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 AMP group also enters into derivative transactions that provide economic hedges but do not meet the requirements for hedge accounting treatment.

(i) Derivative instruments accounted for as fair value hedges
Fair value hedges are used to protect against changes in the fair value of financial assets and financial liabilities due to movements in exchange rates and interest rates.

During 2011, the AMP group recognised a net gain of $1m (2010: $97m net loss) on hedging instruments. The net loss on hedged items attributable to the hedged risks amounted to $2m (2010: $102m net gain).

(ii) Derivative instruments accounted for as cash flow hedges
The AMP group is exposed to variability in future interest cash flows on non-trading assets and liabilities which bear interest at fixed and variable rates. The AMP group uses interest rate swaps and cash flow hedges to manage interest rate risks.

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

	0–1 year $m	1–2 years $m	2–3 years $m	3–4 years $m	4–5 years $m
2011					
Cash inflows	**98**	**52**	**24**	**7**	**2**
Cash outflows	**(114)**	**(62)**	**(23)**	**(6)**	**(2)**
Net cash inflow/(outflow)	**(16)**	**(10)**	**1**	**1**	**–**
2010					
Cash inflows	105	50	32	7	–
Cash outflows	(115)	(54)	(30)	(6)	–
Net cash inflow/(outflow)	(10)	(4)	2	1	–

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

23. Risk management and financial instruments information continued

(iii) Hedges of net investments in foreign operations
AMP 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.

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

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

	Carrying amount 2011 $m	Aggregate fair value 2011 $m	Carrying amount 2010 $m	Aggregate fair value 2010 $m
Financial assets				
Debt securities – Held to maturity	**1,651**	**1,504**	733	843
Loans and advances	**11,254**	**11,174**	10,202	9,851
Total financial assets	**12,905**	**12,678**	10,935	10,694
Financial liabilities				
Bank loans	**850**	**850**	962	1,694
Bonds and notes	**6,228**	**6,462**	6,687	7,702
Deposits	**4,271**	**4,271**	3,082	2,525
Subordinated Floating Rate Note	**949**	**1,061**	345	380
Other borrowings	**57**	**57**	60	173
Total financial liabilities	**12,355**	**12,701**	11,136	12,474

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

(i) Debt securities
The estimated fair value of loans and interest bearing securities represents the discounted amount of estimated future cash flows expected to be received, based on the maturity profile of the loans and interest bearing securities. As the loans are unlisted, the discount rates applied are based on the yield curve appropriate to the remaining term of the loans.

The loans may be measured at an amount in excess of fair value due to fluctuations on fixed rate loans. As the fluctuations in fair value do not represent a permanent diminution and the carrying amounts of the loans are recorded at recoverable amounts after assessing impairment, it is not appropriate to restate their carrying amount.

(ii) Borrowings
Borrowings comprise domestic commercial paper, drawn liquidity facilities and various floating-rate and medium-term notes. The fair values of borrowings are predominantly hedged by derivative instruments – mainly cross-currency and interest rate swaps. The estimated fair value of borrowings is determined with reference to quoted market prices. For borrowings where quoted market prices are not available, a discounted cash flow model is used, based on a current yield curve appropriate for the remaining term to maturity.

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

23. Risk management and financial instruments information continued

(h) Fair value measures

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

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

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

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

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

	Level 1 $m	Level 2 $m	Level 3 $m	Total fair value $m
2011				
Assets				
Equity securities and listed managed investment schemes	**31,474**	**12**	**737**	**32,223**
Debt securities	**1,130**	**27,641**	**311**	**29,082**
Investments in unlisted managed investment schemes	**–**	**12,001**	**792**	**12,793**
Derivative financial assets	**283**	**1,968**	**–**	**2,251**
Other financial assets	**–**	**179**	**–**	**179**
Total financial assets	**32,887**	**41,801**	**1,840**	**76,528**
Liabilities				
Derivative financial liabilities	**54**	**1,101**	**–**	**1,155**
Collateral deposits held	**1,449**	**–**	**–**	**1,449**
Investment contract liabilities	**–**	**3,065**	**49,875**	**52,940**
Total financial liabilities	**1,503**	**4,166**	**49,875**	**55,544**
2010				
Assets				
Equity securities and listed managed investment schemes	31,255	216	659	32,130
Debt securities	–	20,403	228	20,631
Investments in unlisted managed investment schemes	–	9,580	341	9,921
Derivative financial assets	232	1,641	–	1,873
Other financial assets	72	170	–	242
Total financial assets	31,559	32,010	1,228	64,797
Liabilities				
Derivative financial liabilities	50	668	–	718
Collateral deposits held	2,344	–	–	2,344
Investment contract liabilities	–	1,995	46,584	48,579
Total financial liabilities	2,394	2,663	46,584	51,641

23. Risk management and financial instruments information continued

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

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

23. Risk management and financial instruments information continued

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

	Carrying amount $m	Effect of reasonably possible alternative assumptions[1] (+) $m	(–) $m
2011			
Assets			
Equity securities and listed managed investment schemes	**737**	**41**	**(17)**
Debt securities	**311**	**–**	**–**
Investments in unlisted managed investment schemes	**792**	**–**	**–**
	1,840	**41**	**(17)**
Liabilities			
Investment contract liabilities	**49,875**	**9**	**(9)**
	49,875	**9**	**(9)**
2010			
Assets			
Equity securities and listed managed investment schemes	659	20	(20)
Debt securities	228	–	–
Investments in unlisted managed investment schemes	341	–	–
	1,228	20	(20)
Liabilities			
Investment contract liabilities	48,646	(10)	10
	48,646	(10)	10

Footnote:

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

24. Capital management

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's capital resources include ordinary equity and interest-bearing liabilities. The AMP group excludes interest-bearing liabilities of its banking subsidiary, AMP Bank Limited, and controlled investment subsidiaries and trusts from the AMP group capital resources. Included within interest-bearing liabilities are subordinated debt and other instruments that would qualify as regulatory capital under Australian Prudential Regulation Authority (APRA) standards.

The AMP group makes adjustments to the statutory shareholder equity. Under Australian Accounting Standards, some assets held on behalf of the policyholders (and related tax balances) are recognised in the Financial Report at different values to the values used in the calculation of the liability to policyholders in respect of the same assets. Therefore, movements in these policyholder assets result in accounting mismatches which impact profit attributable to shareholders. Mismatch items include:

- treasury shares (AMP Limited shares held by the statutory funds on behalf of policyholders)
- AMP life insurance statutory funds' investments in controlled entities
- other – owner-occupied properties and AMP Life statutory funds' superannuation products invested in AMP Bank assets.

Adjustments are also made relating to cash flow hedge reserves.

The table below shows the AMP group's current capital resources at reporting date:

	2011 $m	2010 $m
AMP statutory equity attributable to shareholders of AMP Limited	**6,829**	2,938
Accounting mismatch items and cash flow hedge reserves	**185**	108
AMP shareholder equity	**7,014**	3,046
Subordinated debt[1]	**879**	279
Senior debt[1]	**657**	607
Total AMP capital resources	**8,550**	3,932

Footnote:
1 Amounts shown for subordinated debt and senior debt are the amounts to be repaid on maturity. Amounts recognised in the Statement of financial position in respect of these debts are measured at amortised cost using the effective interest rate method.

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

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

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

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

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

24. Capital management continued

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.

AMP holds a level of capital above its MRR. At reporting date the regulatory capital resources above MRR were $1,543m (2010: $1,482m), or 1.3 times Shareholder MRR (2010: 1.5 times). The Shareholder MRR coverage ratio will vary throughout the year due to investment market movements, dividend payments and the retention of profits.

AMP's regulated businesses each target a level of capital equal to MRR plus a target surplus. The AMP Life Statutory Funds and The National Mutual Life Association Statutory Funds target surplus is set by reference to a probability of breaching regulatory capital requirements. This is a two tiered test where the target surplus is set as the greater of the amount required for a:
– 1 per cent probability of breaching solvency over one year
– 10 per cent probability of breaching capital adequacy over one year.

AMP Bank's target surplus reflects an additional 0.75 per cent of risk-weighted assets above the APRA minimum requirements.

AMP Capital's target surplus is set to cover the Seed pool investment risk and operational risks.

Other components of AMP's target surplus include amounts relating to the North guarantee, Group Office investment risks, defined benefit fund mismatch risks, and operational risks.

The APRA life and general insurance prudential review aims to align the capital framework of APRA-regulated life and general insurance companies. APRA expects to issue final standards in May 2012, which are likely to take effect from 1 January 2013. AMP has commenced an assessment of the impact of these draft prudential standards on its regulatory capital position. While the assessment is still ongoing, it is expected that there will be an increase in minimum regulatory capital requirements. With ongoing disciplined capital management, supplemented by the capital benefit of the MUTB business alliance ($380m), which is scheduled to complete in March 2012 (subject to regulatory approval), AMP expects to continue to maintain a strong surplus to minimum regulatory capital requirements.

ASIC has completed its review of minimum capital requirements imposed on responsible entities of registered managed investment schemes under the AFSL regime. These changes will be effective from 1 November 2012.

The Reserve Bank of New Zealand has finalised new New Zealand Solvency Standards for New Zealand life insurance companies. AMP is likely to be exempt from most aspects of these proposals on the basis of its compliance with APRA solvency standards.

Other regulatory capital reviews underway include:
– APRA development of a supervision framework for conglomerate groups. A further update on these proposals is expected in 2012.
– Basel Committee on Banking Supervision review of global banking supervision (Basel III) and APRA revisions to Australian banking standards.
– Introduction of APRA prudential standards for Superannuation Funds. The prudential standards are expected to be completed during 2012 and commence in 2013.

AMP continues to maintain a prudent approach to capital.

25. Notes to Statement of cash flows

	Consolidated		Parent	
	2011 $m	2010 $m	2011 $m	2010 $m
(a) Reconciliation of the net profit after income tax to cash flows from operating activities				
Net profit after income tax	**676**	755	**352**	391
Depreciation of operating assets	**37**	41	**–**	–
Amortisation and impairment of intangibles	**192**	80	**–**	–
Investment gains and losses and movements in external unitholder liabilities	**3,211**	1,072	**–**	–
Dividend and distribution income reinvested	**(252)**	(239)	**–**	–
Share-based payments	**27**	23	**–**	–
Decrease (increase) in receivables, intangibles and other assets	**18**	(153)	**95**	(89)
(Decrease) increase in net policy liabilities	**(1,973)**	722	**–**	–
(Decrease) increase in income tax balances	**(567)**	250	**(235)**	247
(Decrease) increase in other payables and provisions	**2,185**	(87)	**101**	(161)
Cash flows from (used in) operating activities	**3,554**	2,464	**313**	388
(b) Reconciliation of cash				
Comprises:				
Cash on hand	**3,797**	1,724	**1**	2
Cash on deposit	**855**	1,601	**–**	–
Bank overdrafts (included in Borrowings)	**(4)**	–	**–**	–
Short-term bills and notes (included in Debt securities)	**4,088**	4,843	**–**	–
Balance at the end of the period	**8,736**	8,168	**1**	2
(c) Financing arrangements				
(i) Overdraft facilities				
Bank overdraft facility available	**379**	381	**–**	–
(ii) Loan facilities				
In addition to facilities arranged through bond and note issues (refer Notes 17 and 18), financing facilities are provided through bank loans under normal commercial terms and conditions.				
Available	**2,939**	2,407	**–**	–
Used	**(941)**	(1,035)	**–**	–
Unused	**1,998**	1,372	**–**	–
(iii) Bond and note funding programs				
Available	**14,272**	13,470	**–**	–
Used	**(7,358)**	(7,612)	**–**	–
Unused	**6,914**	5,858	**–**	–

25. Notes to Statement of cash flows continued

(d) Disposal of controlled entities

Operating entities

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

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

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

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

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

Controlled entities of AMP life insurance entities' statutory funds

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

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

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

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

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

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

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

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

26. Earnings per share

(a) Classification of equity securities

Ordinary shares have been included in the calculation of basic earnings per share.

In accordance with AASB 133 *Earnings per Share*, options over unissued ordinary shares and performance rights have been classified as potential ordinary shares and have been considered in the calculation of diluted earnings per share. As all options were out of the money for 2011 and 2010, they have been determined not to be dilutive for those periods. Performance rights have been determined to be dilutive in 2011 and 2010. Although performance rights have been determined to be dilutive in accordance with AASB 133 *Earnings per Share*, if these instruments vest and are exercised, it is AMP's policy to buy AMP shares 'on-market' so there will be no dilutive effect on the value of AMP shares.

Since the end of the year and up to the date of the report, no performance rights have been issued, no performance rights have been exercised, and 36,112 performance rights have lapsed. During the same period no share rights have been issued, no share rights have been exercised, and 7,143 share rights have lapsed. There have been no movements in the number of shares on issue.

Of the ordinary shares on issue, AMP's life insurance entities (wholly-owned controlled entities) hold 38,901,250 (2010: 26,375,450) shares in AMP Limited on behalf of policyholders. ASIC has granted relief from restrictions in the *Corporations Act 2001* to allow AMP's life insurance entities to hold and trade shares in AMP Limited as part of the policyholder funds' investment activities. In determining the weighted average number of ordinary shares used in the calculation of earnings per share, a reduction is made for the average number of shares held by AMP's life insurance entities in AMP Limited during the period.

Of the ordinary shares 1,752,268 are held by a controlled entity of AXA Asia Pacific Holdings Limited.

	Consolidated	
	2011 million shares	2010 million shares
(b) Weighted average number of ordinary shares used		
Weighted average number of ordinary shares used in calculation of basic earnings per share	**2,613**	2,046
Add: potential ordinary shares considered dilutive	**16**	12
Weighted average number of ordinary shares used in calculation of diluted earnings per share	**2,629**	2,058

	$m	$m
(c) Level of earnings used		
Basic	**688**	775
Diluted	**688**	775

	cents	cents
(d) Earnings per share		
Basic	**26.3**	37.9
Diluted	**26.2**	37.7

27. 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 the positions of the funds as measured under AAS25 *Financial Reporting by Superannuation Plans* (Australia) and Professional Standard Number 2 *Actuarial Reporting for Superannuation Schemes* (New Zealand) both of which determine the funds' liabilities according to different measurement rules than those in AASB 119, largely due to the use of different discount rates in valuing benefits. Refer to Note 27(g) for impacts on funding the AMP defined benefits funds.

27. Superannuation funds continued

	Consolidated 2011 $m	Consolidated 2010 $m
(a) Defined benefit plan income (expense)		
Current service cost	**(11)**	(1)
Interest cost	**(35)**	(18)
Expected return on plan assets[1,2]	**39**	20
Total defined benefit plan income (expense)	**(7)**	1
(b) Movements in defined benefit obligation		
Balance at the beginning of the period	**(341)**	(345)
Balance on acquisition of controlled entity	**(524)**	–
Current service cost	**(11)**	(1)
Interest cost	**(35)**	(18)
Contributions by plan participants	**(1)**	–
Actuarial gains and losses[3]	**(113)**	(4)
Foreign currency exchange rate changes	**(5)**	8
Benefits paid	**42**	19
Balance at the end of the period	**(988)**	(341)
(c) Movement in fair value of plan assets		
Balance at the beginning of the period	**274**	289
Balance on acquisition of controlled entity	**375**	–
Expected return on plan assets	**39**	20
Actuarial gains and losses	**(64)**	(11)
Foreign currency exchange rate changes	**4**	(8)
Employer contributions	**31**	3
Contributions by plan participants	**1**	–
Benefits paid	**(42)**	(19)
Balance at the end of the period	**618**	274
(d) Defined benefit (liability) asset		
Present value of wholly funded defined benefit obligations	**(988)**	(341)
Less: Fair value of plan assets	**618**	274
Defined benefit (liability) asset recognised on the Statement of financial position[4]	**(370)**	(67)
Movement in defined benefit (liability) asset		
(Deficit) surplus at the beginning of the period	**(67)**	(56)
Plus: Balance on acquisition of controlled entity	**(149)**	–
Plus: Total income (expenses) recognised in income	**(7)**	1
Plus: Employer contributions	**31**	3
Plus: Foreign currency exchange rate changes	**(1)**	–
Plus: Actuarial gains (losses) recognised in Other comprehensive income[5]	**(177)**	(15)
Defined benefit (liability) asset recognised at the end of the period	**(370)**	(67)

Footnote:

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

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

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

4 The defined benefit liability is measured in accordance with the requirements of AASB 119 *Employee Benefits* and does not represent a current obligation to provide additional funding to the plans. For the purposes of recommending contributions to the defined benefit funds, fund actuaries consider the positions of the funds as measured under AAS25 *Financial Reporting by Superannuation Plans* (Australia) and Professional Standard Number 2 *Actuarial Reporting for Superannuation Schemes* (New Zealand) both of which determine the funds' liabilities according to different measurement rules than those in AASB 119, largely due to the use of different discount rates in valuing benefits. Refer to Note 27(g) for impacts on funding the AMP defined benefits funds.

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

27. Superannuation funds continued

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

(f) Principal actuarial assumptions

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

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

27. Superannuation funds continued

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

Funding methods and current recommendations – AMP Australia

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

The economic assumptions used to determine the current contribution recommendations are the same as the actuarial assumptions in Note 27(f), except for the discount rate which is assumed to be 8.5 per cent (before tax) for the purposes of determining accrued benefits.

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

Funding methods and current recommendations – AXA Australia

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

The economic assumptions used to determine the current contribution recommendations are the same as the actuarial assumptions in Note 27(f), except for the discount rate which is assumed to be 7.4 per cent (before tax) for the purposes of determining accrued benefits.

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

Funding methods and current recommendations – AMP New Zealand

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

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

Funding methods and current recommendations – AXA New Zealand

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

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

(h) Allocation of assets

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

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

Footnote:

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 within the plans and are not significant in relation to total plan assets. The plans do not hold any other assets which are occupied or used by AMP group.

28. Share-based payments

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

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

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

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

	Consolidated	
	2011 $'000	2010 $'000
Plans currently offered		
Performance rights	**14,500**	14,266
Share rights	**1,331**	–
Restricted shares	**9,271**	8,589
Employee share acquisition plan – matching shares	**115**	103
Total share-based payments expense	**25,217**	22,958

(b) Performance rights

Plan description

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

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

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

The performance hurdle

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

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

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

Exercising performance rights

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

Treatment of performance rights on ceasing employment and change of control

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

28. Share-based payments continued

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

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

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

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

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

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

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

Grant date	Exercise period	Exercise price	Balance at 1 Jan 2011	Exercised during the year	Granted during the year	Lapsed during the year	Balance at 31 Dec 2011[1]
06/06/2008	01/01/2011–31/12/2012	Nil	102,914	–	–	102,914	–
19/09/2008	01/08/2011–31/07/2013	Nil	4,227,729	–	–	4,227,729	–
20/03/2009	01/08/2011–31/07/2013	Nil	18,116	–	–	18,116	–
12/03/2010	01/08/2012–31/07/2014	Nil	4,951,880	–	–	72,594	4,879,286
08/09/2010	01/08/2013–31/07/2015	Nil	4,148,304	–	–	33,972	4,114,332
09/06/2011	01/08/2013–31/07/2015	Nil	–	–	88,040	–	88,040
09/06/2011	01/05/2014–30/04/2016	Nil	–	–	729,167	–	729,167
09/09/2011	n/a[2]	Nil	–	–	5,759,283	4,762	5,754,521
Total			**13,448,943**	**–**	**6,576,490**	**4,460,087**	**15,565,346**

Footnote:
1 The weighted average remaining contractual life of performance rights outstanding at the end of the period is 1.7 years.
2 The share rights granted on 9 September 2011 have no exercise period as they are automatically exercised upon vesting.

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

(c) Share rights

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

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

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

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

28. Share-based payments continued

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

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

Plan valuation
The fair value of share rights has been calculated as at the grant date, by external consultants using a 'discounted cash flow' methodology. Fair value has been discounted for the present value of dividends expected to be paid during the vesting period to which the participant is not entitled.

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

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

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

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

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

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

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

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

28. 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 2011 and the comparative period (2010), and the fair value per instrument of restricted shares as at the grant date.

Grant date	Number granted	Weighted average fair value
09/09/2011	221,725	$4.15
09/06/2011	39,416	$4.88
08/09/2010	1,235,923	$5.02
28/05/2010	160,264	$5.60
12/03/2010	1,611,289	$6.14

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

(e) Employee Share Acquisition Plan

Plan description

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

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

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

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

Plan valuation

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

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

28. Share-based payments continued

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

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

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

(f) Employee and Executive Option Plan

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

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

Grant date	Exercise period	Exercise price[1]	Balance at 1 Jan 2011	Exercised during the year	Granted during the year	Lapsed during the year	Balance at 31 Dec 2011[2]
Employee Option Plan							
21/07/2001	21/07/2004–20/07/2011	$14.75	431,455	–	–	431,455	–
15/12/2001	15/12/2004–14/12/2011	$12.89	1,294	–	–	1,294	–
Total			**432,749**	**–**	**–**	**432,749**	**–**

Footnote:
1 The exercise prices shown in this column became effective on 17 May 2007. To compensate for the impact of the 2007 capital return of 40 cents per share the exercise prices of outstanding options were reduced by 40 cents per share in accordance with ASX listing rules.
2 The weighted average remaining contractual life of options outstanding at the end of the period is 1.3 years.

Since the end of the financial year and up to 15 February, no employee options have been granted. Thus there are nil options on issue at 15 February 2012.

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

29. Group controlled entity holdings

Name of entity	Country of incorporation	Share type	Footnote	% Holdings 2011	2010
140 St Georges Terrace Pty Limited	Australia	Ord		**100**	100
255 George Street Investment A Pty Ltd	Australia	Ord		**100**	100
255 George Street Investment B Pty Ltd	Australia	Ord		**100**	100
35 Ocean Keys Pty Limited	Australia	Ord		**100**	100
Abbey Capital Real Estate Pty Limited	Australia	Ord		**100**	100
Accountants Resourcing (Australia) Pty Ltd	Australia	Ord	1	**100**	–
ACIT Finance Pty Limited	Australia	Ord	1	**100**	–
ACN 100 509 993 Pty Ltd	Australia	Ord	1	**100**	–
ACPP Industrial Pty Ltd	Australia	Ord		**100**	100
ACPP Office Pty Ltd	Australia	Ord		**100**	100
ACPP Retail Pty Ltd	Australia	Ord		**100**	100
AdviceFirst Limited	New Zealand	Ord	1	**67**	–
Adviser Resourcing Pty Ltd	Australia	Ord	1	**100**	–
Aged Care Investment Services No. 1 Pty Limited	Australia	Ord		**100**	100
Aged Care Investment Services No. 2 Pty Limited	Australia	Ord		**100**	100
Allmarg Corporation Limited	New Zealand	Ord, Pref		**100**	100
AMP (UK) Finance Services Plc	United Kingdom	Ord		**100**	100
AMP ASAL Pty Ltd	Australia	Ord		**100**	100
AMP Australian Financial Services Holdings Limited	Australia	Ord	2	**–**	100
AMP Bank Limited	Australia	Ord		**100**	100
AMP Capital (International Finance No. 1) SA	Luxembourg	Ord, MRPS	2	**–**	100
AMP Capital (International Finance No. 2) SA	Luxembourg	Ord, MRPS	2	**–**	100
AMP Capital AB Holdings Pty Limited	Australia	Ord		**100**	100
AMP Capital Advisors India Private Limited	India	Ord		**100**	100
AMP Capital Bayfair Pty Limited	Australia	Ord		**100**	100
AMP Capital Core Infrastructure Pty Limited	Australia	Ord	1	**100**	–
AMP Capital Finance Limited	Australia	Ord		**100**	100
AMP Capital Global Property Securities Pty Limited	Australia	Ord	2	**–**	100
AMP Capital Holdings Limited	Australia	Ord		**100**	100
AMP Capital Investments No. 2 Limited	New Zealand	Ord A & B, Pref		**100**	100
AMP Capital Investments No. 8 Limited	New Zealand	Ord A & B, Pref		**100**	100
AMP Capital Investments No 11 Limited	New Zealand	Ord A & B		**100**	100
AMP Capital Investments No. 14 Limited	New Zealand	Ord A & B, Pref		**100**	100
AMP Capital Investors (Hong Kong) Limited	Hong Kong	Ord		**100**	100
AMP Capital Investors (Jersey No. 2) Limited	Jersey	Ord	1	**100**	–
AMP Capital Investors (Luxembourg No. 3) S.à r.l.	Luxembourg	Ord		**100**	100
AMP Capital Investors (Luxembourg No. 4) S.à r.l.	Luxembourg	Ord		**100**	100
AMP Capital Investors (Luxembourg No. 5) S.à r.l.	Luxembourg	Ord		**100**	100
AMP Capital Investors (Luxembourg No. 6) S.à r.l.	Luxembourg	Ord		**100**	100
AMP Capital Investors (Luxembourg) S.a.r.l.	Luxembourg	Ord		**100**	100
AMP Capital Investors (New Zealand) Limited	New Zealand	Ord		**100**	100
AMP Capital Investors (Property Funds Management Jersey) Limited	Jersey	Ord		**100**	100
AMP Capital Investors (Singapore) Private Property Trust Limited [formerly AMP Capital Investors (Singapore) REIT Management Limited]	Singapore	Ord		**100**	100
AMP Capital Investors (Singapore) Pte Ltd	Singapore	Ord		**100**	100
AMP Capital Investors (UK) Limited	United Kingdom	Ord		**100**	100
AMP Capital Investors (US) Limited	USA	Ord		**100**	100
AMP Capital Investors Advisory (Beijing) Limited	China	Ord		**100**	100
AMP Capital Investors International Holdings Limited	Australia	Ord		**100**	100
AMP Capital Investors Japan	Japan	Ord		**100**	100
AMP Capital Investors KK	Japan	Ord		**100**	100
AMP Capital Investors Limited	Australia	Ord		**100**	100
AMP Capital Investors Property Japan KK	Japan	Ord		**100**	100
AMP Capital Investors Real Estate Pty Limited	Australia	Ord		**100**	100
AMP Capital Lifestyle Limited	Australia	Ord		**100**	100
AMP Capital Office & Industrial (Singapore) Pte Limited	Singapore	Ord		**100**	100
AMP Capital Office and Industrial Pty Limited	Australia	Ord		**100**	100
AMP Capital Palms Pty Limited	Australia	Ord		**100**	100
AMP Capital Property Nominees Ltd	Australia	Ord		**100**	100
AMP Capital Shopping Centres Pty Limited	Australia	Ord		**100**	100
AMP CMBS No. 1 Pty Limited	Australia	Ord		**100**	100
AMP CMBS No. 2 Pty Limited	Australia	Ord		**100**	100
AMP Crossroads Pty Limited	Australia	Ord		**100**	100
AMP Custodian Services (NZ) Limited	New Zealand	Ord		**100**	100

29. Group controlled entity holdings continued

Name of entity	Country of incorporation	Share type	Footnote	% Holdings 2011	% Holdings 2010
AMP Davidson Road Pty Limited	Australia	Ord		**100**	100
AMP Finance Limited	Australia	Ord		**100**	100
AMP Finance Services Limited	Australia	Ord		**100**	100
AMP Financial Investment Group Holdings Limited	Australia	Ord		**100**	100
AMP Financial Planning Pty Limited	Australia	Ord		**100**	100
AMP Financial Services Holdings Limited	Australia	Ord		**100**	100
AMP GBS Limited	Australia	Fixed		**100**	100
AMP GDPF Pty Limited	Australia	Ord		**100**	100
AMP GI Distribution Pty Limited	Australia	Ord	2	**–**	100
AMP Global Property Investments Pty Ltd	Australia	Ord		**100**	100
AMP Group Finance Services Limited	Australia	Ord		**100**	100
AMP Group Holdings Limited	Australia	Ord		**100**	100
AMP Group Services Limited	Australia	Ord		**100**	100
AMP Holdings Limited	Australia	Ord A, Ord B, Red Pref B Class		**100**	100
AMP Insurance Investment Holdings Pty Limited	Australia	Ord		**100**	100
AMP Investment Management (NZ) Limited	New Zealand	Ord		**100**	100
AMP Investment Services No. 2 Pty Limited	Australia	Ord		**100**	100
AMP Investment Services Pty Limited	Australia	Ord		**100**	100
AMP Investments Chile Limitada	Chile	Ord	2	**–**	100
AMP Lending Services Limited	Australia	Ord		**100**	100
AMP Life (NZ) Investments Holdings Limited	New Zealand	Ord		**100**	100
AMP Life (NZ) Investments Limited	New Zealand	Ord		**100**	100
AMP Life Limited	Australia	Ord		**100**	100
AMP Macquarie Holding Pty Limited	Australia	Ord		**100**	100
AMP Macquarie Pty Limited	Australia	Ord		**100**	100
AMP NZ Carpark Limited	New Zealand	Ord		**100**	100
AMP Pacific Fair Pty Limited	Australia	Ord		**100**	100
AMP Personal Investment Services Limited	Australia	Ord		**100**	100
AMP Planner Register Company Pty Limited	Australia	Ord		**100**	100
AMP Private Capital Funds Holdings Limited	New Zealand	Ord, Pref		**100**	100
AMP Private Capital New Zealand Limited	New Zealand	Ord		**100**	100
AMP Private Capital No. 2 Pty Limited	Australia	Ord		**100**	100
AMP Private Capital Pty Limited	Australia	Ord		**100**	100
AMP Private Investments Pty Limited	Australia	Ord		**100**	100
AMP Private Wealth Management Pty Limited	Australia	Ord		**100**	100
AMP Property Investments (Qld) Pty. Ltd.	Australia	Ord		**100**	100
AMP Remuneration Reward Plans Nominees Pty. Limited	Australia	Ord		**100**	100
AMP Riverside Plaza Pty Limited	Australia	Ord		**100**	100
AMP Royal Randwick Pty Limited	Australia	Ord		**100**	100
AMP Services (NZ) Limited	New Zealand	Ord		**100**	100
AMP Services Holdings Limited	Australia	Ord		**100**	100
AMP Services Limited	Australia	Ord		**100**	100
AMP SMSF Holding Co Limited	Australia	Ord		**100**	100
AMP SMSF Investments Pty Limited	Australia	Ord	1	**100**	–
AMP Superannuation (NZ) Limited	New Zealand	Ord		**100**	100
AMP Superannuation Limited	Australia	Ord		**100**	100
AMP Warringah Mall Pty Ltd	Australia	Ord		**100**	100
AMP/ERGO Mortgage and Savings Limited	New Zealand	Ord		**100**	100
Arrive Wealth Management Limited	Australia	Ord		**100**	100
Arrow Systems Pty Limited	Australia	Ord		**100**	100
Arthur Ellis & Co. Limited	New Zealand	Ord	2	**–**	100
Associated Planners Financial Services Pty Ltd	Australia	Ord	1	**95**	–
Associated Planners Strategic Finance Pty Ltd	Australia	Ord	1	**95**	–
Assure Funds Management Limited	New Zealand	Ord	1,2	**–**	–
Assure New Zealand Limited	New Zealand	Ord	1,2	**–**	–
Assure Nominees Limited	New Zealand	Ord	1	**100**	–
Auburn Mega Mall Pty Limited	Australia	Ord		**100**	100
Australian Mutual Provident Society Pty Limited	Australia	Ord		**100**	100
Australian Securities Administration Limited	Australia	Ord		**100**	100
AWOF New Zealand Office Pty Limited	Australia	Ord		**100**	100
AXA (Guangzhou) Software Development and Services Company Limited	China	Ord	1,2	**–**	–
AXA (Hong Kong) Life Insurance Company Limited	Hong Kong	Ord	1,2	**–**	–
AXA APH Executive Plan (Australia) Pty Ltd	Australia	Ord	1	**100**	–

29. Group controlled entity holdings continued

Name of entity	Country of incorporation	Share type	Footnote	% Holdings 2011	% Holdings 2010
AXA APH GESP Deferred (Australia) Pty Ltd	Australia	Ord	1	**100**	–
AXA APH GESP Exempt (Australia) Pty Ltd	Australia	Ord	1	**100**	–
AXA Asia Pacific Finance Limited	Australia	Ord	1	**100**	–
AXA Asia Pacific Holdings Limited	Australia	Ord	1	**100**	–
AXA Australia Staff Superannuation Pty Ltd	Australia	Ord	1	**100**	–
AXA China Region (Bermuda) Limited	Bermuda	Ord	1,2	**–**	–
AXA China Region Insurance Company (Bermuda) Limited	Bermuda	Ord	1,2	**–**	–
AXA China Region Insurance Company Limited	Hong Kong	Ord	1,2	**–**	–
AXA China Region Investment Services Limited	Hong Kong	Ord	1,2	**–**	–
AXA China Region Limited	Bermuda	Ord	1,2	**–**	–
AXA China Region Trustee Limited	Hong Kong	Ord	1,2	**–**	–
AXA Financial Planning Limited	Australia	Ord	1	**100**	–
AXA Financial Services (Singapore) Pte Ltd	Singapore	Ord	1,2	**–**	–
AXA Financial Services Holdings Limited	Bermuda	Ord	1,2	**–**	–
AXA Financial Services Trustee Limited	Hong Kong	Ord	1,2	**–**	–
AXA Funds Management Pty Ltd	Australia	Ord	1	**100**	–
AXA Hong Kong Finance Limited	Hong Kong	Ord	1	**100**	–
AXA India Holdings Limited	Mauritius	Ord	1,2	**–**	–
AXA Life Insurance Singapore Pte Ltd	Singapore	Ord	1,2	**–**	–
AXA New Zealand Finance Pty Ltd	Australia	Ord	1	**100**	–
AXA New Zealand HJV Limited	New Zealand	Ord	1	**100**	–
AXA New Zealand Limited	New Zealand	Ord	1	**100**	–
AXA New Zealand Nominees Limited	New Zealand	Ord	1	**100**	–
AXA Partners Limited	Hong Kong	Ord	1,2	**–**	–
AXA Wealth Management (HK) Limited	Hong Kong	Ord	1,2	**–**	–
AXA Wealth Management Limited	New Zealand	Ord	1	**100**	–
AXA Wealth Management Singapore Pte Ltd	Singapore	Ord	1,2	**–**	–
BMRI Financial Services Pty Ltd	Australia	Ord	1	**100**	–
Carter Bax Pty Ltd	Australia	Ord	1	**100**	–
CBD Financial Planning Pty Limited	Australia	Ord		**100**	100
Charter Financial Planning Limited	Australia	Ord	1	**100**	–
Client Portfolio Administration Limited	New Zealand	Ord	1,2	**–**	–
Client Reserve Limited	New Zealand	Ord	1	**100**	–
Clientcare Financial Planning Pty Ltd	Australia	Ord	1	**100**	–
Collins Place No. 2 Pty Ltd	Australia	Ord		**100**	100
Collins Place Pty Limited	Australia	Ord		**100**	100
Datrix Limited	United Kingdom	Ord	1,2	**–**	–
Detura Limited	British Virgin Islands	Ord	1,2	**–**	–
Didus Pty Limited	Australia	Ord	1	**100**	–
Donaghys Australia Pty Limited	New Zealand	Ord, Redem Pref		**58**	50
Donaghys Industries Limited	New Zealand	Ord		**58**	50
Donaghys International Limited	New Zealand	Ord, Pref		**58**	50
Donaghys Limited	New Zealand	Ord A & B		**58**	50
Donaghys Pty Limited	New Zealand	Ord A, B & E		**58**	50
Enemelay Investments Pty Ltd	Australia	Ord	1	**100**	–
Financial Composure Pty Ltd	Australia	Ord	1	**95**	–
Financially Yours Holdings Pty Ltd	Australia	Ord	1	**80**	–
Financially Yours Pty Ltd	Australia	Ord	1	**80**	–
First Quest Capital Pty Ltd	Australia	Ord	1	**95**	–
Focus Property Services Pty Limited	Australia	Ord		**56**	98
Foundation Wealth Advisers Pty Ltd	Australia	Ord	1	**57**	–
Garrisons (Rosny) Pty Ltd	Australia	Ord	1	**100**	–
Genesys Group Holdings Pty Ltd	Australia	Ord	1	**100**	–
Genesys Group Pty Ltd	Australia	Ord	1	**95**	–
Genesys Holdings Limited	Australia	Ord	1	**95**	–
Genesys Kew Pty Ltd	Australia	Ord	1	**100**	–
Genesys Wealth Advisers (WA) Pty Ltd	Australia	Ord	1	**100**	–
Genesys Wealth Advisers Ltd	Australia	Ord	1	**95**	–
Glendenning Pty Limited	Australia	Ord		**100**	100
GWM Spicers Limited	New Zealand	Ord	1	**100**	–
Hillross Alliances Limited	Australia	Ord		**100**	100
Hillross Financial Services Limited	Australia	Ord		**100**	100
Hillross Innisfail Pty Limited	Australia	Ord		**100**	100
Hillross Wealth Management Centre Canberra Pty Limited	Australia	Ord	2	**–**	50
Hillross Wealth Management Centre Melbourne Pty Limited	Australia	Ord		**100**	100
Hindmarsh Square Financial Services Pty Ltd	Australia	Ord	1	**100**	–

29. Group controlled entity holdings continued

Name of entity	Country of incorporation	Share type	Footnote	% Holdings 2011	% Holdings 2010
Hindmarsh Square Wealth Advisers Pty Ltd	Australia	Ord	1	**72**	–
Honeysuckle 231 Pty Limited	Australia	Ord		**60**	60
Hospital Car Parking Holdings Limited	New Zealand	Ord		**100**	100
Hospital Car Parking Limited	New Zealand	Ord		**100**	100
INSSA Pty Limited	Australia	Ord		**100**	100
Integrity Financial Advice Network Company Limited	Hong Kong	Ord	1,2	**–**	–
Integrity Financial Advice Network Holdings Limited	Cayman Islands	Ord	1,2	**–**	–
Integrity Independent Risk & Financial Solutions Company Limited	China	Ord	1,2	**–**	–
Integrity Independent Risk & Financial Solutions Holdings Limited	New Zealand	Ord	1,2	**–**	–
Integrity Partnership Limited	Cayman Islands	Ord	1,2	**–**	–
Inversiones Mineras Los Andes Limitada	Chile	Ord	2	**–**	100
ipac Asset Management Limited	Australia	Ord	1	**100**	–
ipac Financial Care Pty Ltd	Australia	Ord	1	**67**	–
ipac Financial Planning Hong Kong Limited	China	Ord	1,2	**–**	–
ipac Financial Planning Taiwan Ltd	Taiwan	Ord	1,2	**–**	–
ipac Group Services Pty Limited	Australia	Ord	1	**100**	–
ipac Portfolio Management (Dublin) Ltd	Ireland	Ord	1,2	**–**	–
ipac Portfolio Management Limited	Australia	Ord	1	**100**	–
ipac Securities Limited	Australia	Ord	1	**100**	–
ipac Taxation Services Pty Ltd	Australia	Ord	1	**75**	–
Jeminex Pty Limited	Australia	Ord		**51**	51
John Coombes & Company Pty Ltd	Australia	Ord	1	**55**	–
Kent Street Pty Limited	Australia	Ord		**100**	100
Kiwi Kat Limited	New Zealand	Ord		**70**	70
KiwiPlus Limited	New Zealand	Ord	1	**100**	–
Knox City Shopping Centre Investments (No. 2) Pty Limited	Australia	Ord		**100**	100
Kramar Holdings Pty Limited	Australia	Ord		**78**	78
Lidomain Pty Ltd	Australia	Ord	1	**100**	–
LifeFX Pty Ltd	Australia	Ord	1	**100**	–
Lindwall Group Pty Ltd	Australia	Ord	1	**100**	–
Marrickville Metro Shopping Centre Pty Limited	Australia	Ord		**100**	100
Monitor Money Corporation Pty Ltd	Australia	Ord	1	**100**	–
Mortgage Backed Bonds Limited	New Zealand	Ord	1	**100**	–
Mowla Pty. Ltd.	Australia	Ord		**100**	100
Multiport Pty Ltd	Australia	Ord	1	**100**	–
Multiport Resources Pty Ltd	Australia	Ord	1	**100**	–
National Mutual Assets Management (New Zealand) Limited	New Zealand	Ord	1,2	**–**	–
National Mutual Corporate Superannuation Services Limited	New Zealand	Ord	1,2	**–**	–
National Mutual CPS Management Limited	New Zealand	Ord	1	**100**	–
National Mutual Funds Management (Global) Limited	Australia	Ord	1	**100**	–
National Mutual Funds Management Limited	Australia	Ord	1	**100**	–
National Mutual Funds Management NZ Limited	New Zealand	Ord	1,2	**–**	–
National Mutual International Pty Limited	Australia	Ord	1,2	**–**	–
National Mutual Leasing NZ Limited	New Zealand	Ord	1	**100**	–
National Mutual Life Nominees Limited	Australia	Ord	1	**100**	–
National Mutual Superannuation Master Trustee Limited	New Zealand	Ord	1	**100**	–
Network Financial Services Limited	Hong Kong	Ord	1,2	**–**	–
NM Computer Services Pty Ltd	Australia	Ord	1	**100**	–
NM Rural Enterprises Pty Ltd	Australia	Ord	1	**100**	–
NM Superannuation Pty Ltd	Australia	Ord	1	**100**	–
NMMT Limited	Australia	Ord	1	**100**	–
Northstar Lending Pty Ltd	Australia	Ord	1	**100**	–
Omega (Australia) Pty Limited	Australia	Ord		**100**	100
Pajoda Investments Pty Ltd	Australia	Ord	1	**55**	–
Parkside Investorplus Solutions Pty Ltd	Australia	Ord	1	**100**	–
PHFT Finance Pty Limited	Australia	Ord		**100**	100
PPS Lifestyle Solutions Pty Ltd	Australia	Ord	1	**100**	–
PremierOne Mortgage Advice Pty Limited	Australia	Ord		**100**	100
Principal Healthcare Finance No. 2 Pty Limited	Australia	Ord		**100**	100
Principal Healthcare Finance Pty Limited	Australia	Ord		**100**	100
Principal Healthcare Holdings Pty Limited	Australia	Ord		**100**	100
Priority One Agency Services Pty Ltd	Australia	Ord		**100**	100
Priority One Financial Services Limited	Australia	Ord		**100**	100
Private Wealth Managers Pty Ltd	Australia	Ord	1	**100**	–

29. Group controlled entity holdings continued

Name of entity	Country of incorporation	Share type	Footnote	% Holdings 2011	% Holdings 2010
PT.AXA Asset Management Indonesia	Indonesia	Ord	1,2	**–**	–
PT.AXA Financial Indonesia	Indonesia	Ord	1,2	**–**	–
PT.AXA Life Indonesia	Indonesia	Ord	1,2	**–**	–
PT.AXA Services Indonesia	Indonesia	Ord	1,2	**–**	–
PT.Indonesia Emas Parkasa	Indonesia	Ord	1,2	**–**	–
PT.Kotak Biru Investama	Indonesia	Ord	1,2	**–**	–
PT.Kotak Biru Konsultama	Indonesia	Ord	1,2	**–**	–
Quadrant Securities Pty Ltd	Australia	Ord	1	**95**	–
Quantum Financial Solutions Limited	New Zealand	Ord	1	**100**	–
Quay Mining (No. 2) Limited	Bermuda	Ord, Red Pref		**100**	100
Quay Mining Pty Limited	Australia	Ord		**100**	100
Resourcing Services SDN BHD	Malaysia	Ord	1	**80**	–
Roost 2007 Limited	New Zealand	Ord		**100**	100
Scrabster Bay Pty Limited	Australia	Ord		**100**	100
SG (Aust) Holdings Pty Ltd	Australia	Ord	1	**100**	–
SG Holdings Limited	New Zealand	Ord	1	**100**	–
Silverton Securities Pty Ltd	Australia	Ord	1	**100**	–
SMSF Advice Pty Ltd	Australia	Ord	1	**100**	–
Solar Risk Pty Ltd	Australia	Ord	1	**100**	–
Spicers Portfolio Management Limited	New Zealand	Ord	1	**100**	–
SPP No. 1 (Alexandra Canal) Pty Limited	Australia	Ord		**86**	86
SPP No. 1 (Cowes) Pty Limited	Australia	Ord		**86**	86
SPP No. 1 (H) Pty Limited	Australia	Ord		**86**	86
SPP No. 1 (Hawthorn) Pty Limited	Australia	Ord		**86**	86
SPP No. 1 (Mona Vale) Pty Limited	Australia	Ord		**86**	86
SPP No. 1 (Mornington) Pty Limited	Australia	Ord		**86**	86
SPP No. 1 (Mt. Waverley Financing) Pty Limited	Australia	Ord		**86**	86
SPP No. 1 (Mt. Waverley) Pty Limited	Australia	Ord		**86**	86
SPP No. 1 (Newcastle) Pty Limited	Australia	Ord		**86**	86
SPP No. 1 (North Melbourne) Pty Limited	Australia	Ord		**86**	86
SPP No. 1 (Pakenham) Pty Limited	Australia	Ord		**86**	86
SPP No. 1 (Point Cook) Pty Limited	Australia	Ord		**86**	86
SPP No. 1 (Port Melbourne) Pty Limited	Australia	Ord		**86**	86
SPP No. 1 (Q Stores) Pty Limited	Australia	Ord		**86**	86
SPP No. 1 (Rosebery) Pty Limited	Australia	Ord		**86**	86
SPP No. 1 Holdings Pty Limited	Australia	Ord		**86**	86
SPP No. 3A Investments Pty Limited	Australia	Ord		**100**	100
Stephenson & Watt Pty Ltd	Australia	Ord	1	**100**	–
Sterling Portfolio Management Limited	New Zealand	Ord	1	**100**	–
Sterrey Financial Planning Pty Ltd	Australia	Ord	1	**98**	–
Strategic Planning Partners Pty Ltd	Australia	Ord	1	**100**	–
Strategic Wealth Solutions Pty Ltd	Australia	Ord	1	**100**	–
Sugarland Shopping Centre Pty Limited	Australia	Ord		**100**	100
Sunshine West Development Pty Limited	Australia	Ord		**75**	75
Sunshine West Income Pty Limited	Australia	Ord		**100**	100
Suwarraow Pty Ltd	Australia	Ord	1	**100**	–
Swiss Privilege Limited	Hong Kong	Ord	1,2	**–**	–
Synergy Capital Management Pty Ltd	Australia	Ord	1	**95**	–
TFS Financial Planning Pty Ltd	Australia	Ord	1	**100**	–
The India Infrastructure Fund LLC	Mauritius	Red Pref		**100**	100
The National Mutual Life Association of Australasia Limited	Australia	Ord	1	**100**	–
TM Fallback Options Pty Ltd	Australia	Ord	1	**100**	–
TM Securities Pty Ltd	Australia	Ord	1	**100**	–
TOA Pty Ltd	Australia	Ord		**100**	100
Tynan Mackenzie Holdings Pty Ltd	Australia	Ord	1	**73**	–
Tynan Mackenzie Pty Ltd	Australia	Ord	1	**98**	–
United Equipment Holdings Pty Limited	Australia	Ord		**60**	53
Walker Lawrence & Associates Pty Ltd	Australia	Ord	1	**100**	–
Waterfront Place (No. 2) Pty. Ltd.	Australia	Ord		**100**	100
Waterfront Place (No. 3) Pty. Ltd.	Australia	Ord		**100**	100
Wealth Management Maritius Holdings Limited	Mauritius	Ord	1,2	**–**	–
Wilsanik Pty Ltd	Australia	Ord	1	**100**	–

Footnote:
1 Controlling interest acquired in 2011.
2 Controlling interest lost in 2011.

29. Group controlled entity holdings continued

Trusts and other entities Name of entity	Country of registration	Footnote	% Holdings 2011	 2010
140 St Georges Terrace Trust	Australia		**100**	100
ACPP Holding Trust	Australia		**100**	100
ACPP Industrial Trust	Australia		**100**	100
ACPP Office Trust	Australia		**100**	100
ACPP Retail Trust	Australia		**100**	100
Active Quant Share Fund	Australia		**76**	73
AFS Australian Property Securities Fund No. 1	Australia	1	**100**	–
AFS Extended Alpha Fund (formerly AMP Capital Sustainable Extended Alpha Fund)	Australia		**100**	100
AFS Global Property Securities Fund No. 1	Australia	1	**100**	–
AFS International Share Fund 1	Australia	1	**100**	–
Aggressive Enhanced Index Fund	Australia		**100**	100
AHGI Martineau Fund	Australia		**100**	100
AHGI Martineau Galleries Fund	Australia		**100**	100
AMP Capital Asia ex-Japan Fund	Australia		**100**	92
AMP Capital Asian Equity Growth Fund	Australia		**73**	94
AMP Capital Business Space REIT	Singapore		**100**	100
AMP Capital Corporate Bond Fund	Australia		**86**	93
AMP Capital Credit Strategies Fund	Australia		**93**	90
AMP Capital Global Equities Sector Rotation Fund	Australia	1	**100**	–
AMP Capital Global Infrastructure Securities Fund (Hedged)	Australia		**84**	100
AMP Capital Global Infrastructure Securities Fund (Unhedged)	Australia	1	**84**	–
AMP Capital Global Tactical Asset Allocation Fund	Australia		**100**	98
AMP Capital Investors Australian Equity Long Short Fund	Australia		**100**	100
AMP Capital Investors China Strategic Growth Fund	Australia		**100**	100
AMP Capital Investors Infrastructure Fund 1	Australia		**100**	100
AMP Capital Lifestyle Trust	Australia	2	**–**	100
AMP Capital Macro Strategies Fund	Australia		**84**	78
AMP Capital Mature Life Fund A	Australia	2	**–**	100
AMP Capital Mature Life Fund B	Australia	2	**–**	100
AMP Capital Multi Asset Fund (formerly New Balanced Fund)	Australia		**99**	100
AMP Capital Pacific Fair and Macquarie Shopping Centre Fund	Australia		**90**	90
AMP Capital Sustainable Share Fund	Australia	1	**66**	–
AMP Life Cash Management Trust	Australia	1	**100**	–
AMP Macquarie Holdings Trust	Australia		**90**	90
AMP Macquarie Trust	Australia		**90**	90
AMP Pacific Fair Trust	Australia		**90**	90
AMP Private Capital Trust No.4	Australia	2	**–**	100
AMP Private Capital Trust No.9	Australia		**100**	100
AMP Smaller Companies Fund	Australia	1	**51**	–
AMP UK Shopping Centre Fund	Australia		**100**	100
AMP Wholesale Office Fund	Australia	3	**37**	46
AMPCI FD Infrastructure Trust (formerly FD Infrastructure Trust)	Australia		**97**	100
Assure Australasian Equities	New Zealand	1	**100**	–
Australian Government Fixed Interest Fund	Australia	1	**100**	–
Australian Pacific Airports Fund	Australia		**66**	66
AWOF New Zealand Office Trust	New Zealand	3	**36**	46
AXA Australian Equities Franked Value Fund	Australia	1	**100**	–
AXA Wholesale Global Property Securities Fund	Australia	1,2	**–**	–
AXA Wholesale Global Property Securities Fund (Hedged)	Australia	1,2	**–**	–
Balanced Enhanced Index Fund	Australia		**100**	99
Bourke Place Unit Trust	Australia		**57**	57
Cautious Enhanced Index Fund	Australia		**100**	100
Commercial Loan Pool No. 1	Australia	1	**100**	–
Conservative Enhanced Index Fund	Australia		**98**	96
Core Plus Fund	Australia	1	**100**	–
Crossroads Trust	Australia		**100**	100
Davidson Road Trust	Australia		**100**	100
Diversified Strategies – Diversified Strategy No. 2	Australia	1,2	**–**	–
Diversified Strategies – Diversified Strategy No. 6	Australia	1	**59**	–
EFM Australian Share Fund 1	Australia		**97**	97
EFM Australian Share Fund 2	Australia		**99**	99
EFM Australian Share Fund 3	Australia		**98**	98
EFM Australian Share Fund 4	Australia		**94**	95
EFM Australian Share Fund 6	Australia		**99**	99
EFM Australian Share Fund 7	Australia		**98**	98

29. Group controlled entity holdings continued

Trusts and other entities Name of entity	Country of registration	Footnote	% Holdings 2011	2010
EFM Fixed Interest Fund 2	Australia		**97**	97
EFM Fixed Interest Fund 3	Australia		**96**	97
EFM Fixed Interest Fund 4	Australia		**94**	94
EFM Infrastructure Fund 1	Australia		**96**	97
EFM International Share Fund 3	Australia		**97**	97
EFM International Share Fund 5	Australia		**97**	97
EFM International Share Fund 7	Australia		**92**	92
EFM Listed Property Fund 1	Australia		**96**	96
Emerging Market Fund	Australia	1	**98**	–
Enhanced Index International Share Fund	Australia		**82**	82
Enhanced Index Share Fund	Australia		**90**	84
FD Australian Share Fund 1	Australia		**97**	97
FD Australian Share Fund 3	Australia		**93**	93
FD Global Property Securities Fund 1	Australia		**94**	94
FD International Bond Fund 3	Australia		**89**	96
FD International Share Fund 1	Australia		**95**	95
FD International Share Fund 3	Australia		**99**	99
FD International Share Fund 4	Australia		**97**	96
Floating Rate Income Fund	Australia		**97**	98
Future Directions Australian Bond Fund	Australia		**96**	98
Future Directions Asia ex Japan Fund	Australia		**74**	82
Future Directions Australian Share Fund	Australia		**94**	94
Future Directions Australian Small Companies Fund	Australia		**89**	94
Future Directions Balanced Fund	Australia		**98**	98
Future Directions Conservative Fund	Australia		**94**	94
Future Directions Core International Share Fund 2	Australia		**58**	72
Future Directions Credit Opportunities Fund	Australia		**97**	100
Future Directions Enhanced Index Australian Share Fund	Australia		**97**	100
Future Directions Enhanced Index Global Property Securities Fund	Australia		**96**	100
Future Directions Enhanced Index International Bond Fund	Australia		**81**	82
Future Directions Enhanced Index International Share Fund	Australia	2	**–**	96
Future Directions Geared Australian Share Fund	Australia		**92**	91
Future Directions Growth Fund	Australia		**96**	95
Future Directions Hedged Core International Share Fund	Australia		**63**	76
Future Directions High Growth Fund	Australia		**95**	94
Future Directions Inflation Linked Bond Fund	Australia		**97**	100
Future Directions Infrastructure Fund	Australia		**97**	100
Future Directions International Bond Fund	Australia		**93**	96
Future Directions International Share Fund	Australia		**57**	92
Future Directions Moderately Conservative Fund	Australia		**95**	93
Future Directions Opportunistic Fund	Australia		**97**	100
Future Directions Private Equity Fund 1A	Australia		**97**	100
Future Directions Private Equity Fund 1B	Australia		**100**	100
Future Directions Private Equity Fund 2A	Australia		**97**	100
Future Directions Private Equity Fund 2B	Australia		**100**	100
Future Directions Private Equity Fund 3A	Australia		**100**	100
Future Directions Private Equity Fund 3B	Australia		**100**	100
Future Directions Property (Feeder) Fund	Australia		**96**	98
Future Directions Total Return Fund	Australia		**97**	99
Future Directions Emerging Markets Share Fund	Australia	1	**51**	–
Global Credit Fund	Australia	1	**100**	–
Global Credit Strategies Fund	Australia		**87**	87
Global Government Fixed Interest Fund	Australia	1	**100**	–
Global Growth Opportunities Fund	Australia		**96**	96
Global Listed Infrastructure Fund	Australia		**100**	100
Goldman Sachs Commodity Index Light Energy – E92 Portfolio	Australia		**96**	95
International Bond Fund	Australia		**91**	93
Kent Street Investment Trust	Australia		**100**	100
Kent Street Unit Trust	Australia		**100**	100
Loftus Street Trust	Australia	3	**36**	46
Macquarie Balanced Growth Fund	Australia		**78**	68
Managed Treasury Fund	Australia		**76**	77
Moderately Aggressive Enhanced Index Fund	Australia		**100**	100
Moderately Conservative Enhanced Index Fund	Australia		**100**	100
Monash House Trust	Australia		**100**	100
Multi-Manager Portfolio – Australian Property	Australia	1	**100**	–

29. Group controlled entity holdings continued

Trusts and other entities Name of entity	Country of registration	Footnote	% Holdings 2011	2010
Multi-Manager Portfolio – Australian Shares	Australia	1	**100**	–
Multi-Manager Portfolio – Balanced	Australia	1	**100**	–
Multi-Manager Portfolio – Growth	Australia	1	**100**	–
Multi-Manager Portfolio – High Growth	Australia	1	**100**	–
Multi-Manager Portfolio – International Shares	Australia	1	**100**	–
Multi-Manager Portfolio – International Shares Hedged	Australia	1	**100**	–
Multi-Manager Portfolio – Secure	Australia	1	**100**	–
Multi-Manager Portfolio – Secure Growth	Australia	1	**100**	–
NMFM Managed Stable Fund	Australia	1,2	**–**	–
NMFM Superannuation Fund	Australia	1,2	**–**	–
Principal Healthcare Holdings Trust	Australia		**100**	100
Private Equity Fund IIIA	Australia		**94**	94
Private Equity Fund IIIB	Australia		**94**	94
Progress 2004–2 Trust	Australia	2	**–**	100
Progress 2005–1 Trust	Australia		**100**	100
Progress 2005–2 Trust	Australia		**100**	100
Progress 2006–1 Trust	Australia		**100**	100
Progress 2007–1G Trust	Australia		**100**	100
Progress 2008–1R Trust	Australia		**100**	100
Progress 2009–1Trust	Australia		**100**	100
Progress 2010–1Trust	Australia		**100**	100
Progress 2011–1Trust	Australia	1	**100**	–
Progress Warehouse Trust No1	Australia		**100**	100
Progress Warehouse Trust No2	Australia		**100**	100
Responsible Investment Leaders Conservative Fund	Australia		**94**	92
Responsible Investment Leaders Growth Fund	Australia		**96**	96
Responsible Investment Leaders High Growth Fund	Australia		**100**	100
Riverside Plaza Trust	Australia		**100**	100
Select Property Portfolio No. 1	Australia		**86**	86
Short Term Credit Fund	Australia	1	**100**	–
Student Housing Accommodation Growth Trust 2	Australia	2	**–**	100
Sydney Cove Trust	Australia		**100**	100
The Glendenning Trust	Australia		**100**	100
The Pinnacle Fund	Australia		**99**	99
Warringah Mall Trust	Australia		**67**	67
Wholesale Australian Bond Fund	Australia		**93**	92
Wholesale Australian Diversified Property Security Fund	Australia	1,2	**–**	–
Wholesale Australian Equity Industrials Fund	Australia	1	**77**	–
Wholesale Australian Equity Style Blend Fund	Australia	1,2	**–**	–
Wholesale Core Australian Equity Growth Fund	Australia	1	**100**	–
Wholesale Core Australian Equity Value Fund	Australia	1	**100**	–
Wholesale Credit Fund	Australia	1	**99**	–
Wholesale Global Diversified Yield Fund	Australia	1	**99**	–
Wholesale Global Equity – Growth Fund	Australia	1	**79**	–
Wholesale Global Equity – Growth Fund (Hedged)	Australia	1	**100**	–
Wholesale Global Equity – Index Fund (Hedged)	Australia	1	**100**	–
Wholesale Global Equity – Index Fund (Unhedged)	Australia	1	**100**	–
Wholesale Global Equity – Value Fund (Hedged)	Australia	1	**100**	–

Footnote:
1 Controlling interest acquired in 2011.
2 Controlling interest lost in 2011.
3 Not more than 50 per cent holding, but consolidated because AMP retains control over the operating functions.

30. Associates

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

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

Footnote:
1 Became an associate entity during 2011.
2 The value of AMP's investment in AIMS AMP Capital Industrial REIT based on published quoted prices as at 31 December 2011 is $45m (31 December 2010: $53m).
3 The combination of the 14 per cent investment in AIMS AMP Capital Industrial REIT and the joint control of the manager companies is considered to represent significant influence by AMP.

Aggregated financial information extracted from the financial statements of associates accounted for using the equity method

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

30. Associates continued

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

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

Footnote:
1 Investments in associated entities that back investment contract and life insurance contract liabilities are treated as financial assets and are measured at fair value. Refer to Note 1(g).
2 In the course of normal operating investment activities, the life statutory funds hold investments in various operating businesses. Investments in associated entities reflect investments where the life statutory funds hold between a 20 per cent and 50 per cent equity interest.
3 Trust became an associated entity during 2011.
4 Trust ceased being an associated entity during 2011.

31. Forward investments, leasing and other commitments

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

Footnote:
1 Uncalled capital represents a commitment to make further capital contributions for shares, units in trusts and certain private capital investments held within the life entities' statutory funds.
2 Amounts disclosed exclude loan commitments of AMP Bank which are set out in Note 23(c).

32. Contingent liabilities

The AMP group and the parent entity from time to time may incur obligations arising from litigation or various types of contracts entered into in the normal course of business; including guarantees issued by the parent for performance obligations to controlled entities in the AMP 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 AMP group (or its insurers) in a dispute, accounting standards allow AMP group not to disclose such information and it is AMP 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.

33. Related-party disclosures

(a) Key management personnel (KMP) details

AASB 124 *Related Party Disclosures* defines key management personnel as including all non-executive directors (NEDs), the Chief Executive Officer (CEO) and other persons having authority and responsibility for planning, directing and controlling the activities of the entity (group executives). The following non-executive directors, CEO and group executives of AMP Limited held office during the year:

Chairman	Peter Mason	
Chief Executive Officer and Managing Director	Craig Dunn	
Non-executive directors	Patricia Akopiantz (appointed 31 March 2011) Richard Allert (appointed 31 March 2011) Catherine Brenner Brian Clark Paul Fegan Richard Grellman (resigned 12 May 2011) John Palmer Nora Scheinkestel Peter Shergold	
Executives	Lee Barnett	Chief Information Officer
	Jonathan Deane	Director, Group Strategy
	Stephen Dunne	Managing Director, AMP Capital
	Paul Leaming (retired 31 December 2011)	Chief Financial Officer
	Craig Meller	Managing Director, AMP Financial Services
	Matthew Percival	General Manager, Public Affairs
	Brian Salter	General Counsel
	Paul Sainsbury	Integration Director
	Fiona Wardlaw	General Manager, Human Resources

(b) Performance rights and options holdings of key management personnel

The following table summarises the holdings of performance rights and options granted to the executive key management personnel.

Name	Holding at 1 Jan 11 or appointment	Granted	Exercised	Lapsed	Holding at 31 Dec 11 or resignation	Vested and exercisable at 31 Dec 11
Lee Barnett	680,476	244,455	–	193,576	**731,355**	–
Jonathan Deane	466,416	167,764	–	132,682	**501,498**	–
Craig Dunn	2,164,960	729,167	–	689,507	**2,204,620**	–
Stephen Dunne	908,282	400,376	–	258,380	**1,050,278**	–
Paul Leaming	913,193	327,538	–	259,777	**980,954**	–
Craig Meller	908,282	400,376	–	258,380	**1,050,278**	–
Matthew Percival	503,729	180,546	–	143,297	**540,978**	–
Paul Sainsbury	364,839	207,707	–	83,799	**488,747**	–
Brian Salter	687,350	246,053	–	195,531	**737,872**	–
Fiona Wardlaw	569,519	204,512	–	162,012	**612,019**	–

33. Related-party disclosures continued

(c) Shareholdings of key management personnel

The following table summarises the movements in holdings of shares in AMP Limited held by the key management personnel and their personally related entities:

Name	Holding at 1 Jan 11 or appointment	Granted as remuneration during the period	Received on exercise of performance rights or options	Purchased through AMP NEDs Share Plan	Other changes[1]	Holding at 31 Dec 11 or retirement or resignation
Non-executive directors						
Patricia Akopiantz	5,116	–	–	5,730	–	**10,846**
Richard Allert	59,120	–	–	5,730	2,387	**67,237**
Catherine Brenner	27,634	–	–	8,983	1,688	**38,305**
Brian Clark	32,482	–	–	8,982	2,477	**43,941**
Paul Fegan	14,505	–	–	8,982	–	**23,487**
Richard Grellman	58,425	–	–	3,541	1,677	**63,643**
Peter Mason	414,811	–	–	30,901	28,986	**474,698**
John Palmer	49,621	–	–	8,983	3,634	**62,238**
Nora Scheinkestel	96,472	–	–	8,983	6,798	**112,253**
Peter Shergold	22,031	–	–	8,983	1,770	**32,784**
Executives						
Lee Barnett	52,978	200	–	–	–	**53,178**
Jonathan Deane	93,583	–	–	–	–	**93,583**
Craig Dunn	558,497	–	–	–	–	**558,497**
Stephen Dunne	209,396	–	–	–	–	**209,396**
Paul Leaming	208,257	–	–	–	–	**208,257**
Craig Meller	96,207	–	–	–	–	**96,207**
Matthew Percival	45,000	–	–	–	–	**45,000**
Paul Sainsbury	19,192	–	–	–	736	**19,928**
Brian Salter	11,220	–	–	–	10,758	**21,978**
Fiona Wardlaw	26,259	–	–	–	35,035	**61,294**

Footnote:
1 Other changes include the purchases and sales of shares on market by key management personnel and their related parties and participation in the Dividend Reinvestment Plan.

Remuneration of key management personnel

The following table provides a total of the remuneration received by the key management personnel. For further details regarding remuneration of key management personnel see the Remuneration Report which forms part of the Directors' Report:

	Short-term benefits $'000	Post-employment benefits $'000	Share-based payments $'000	Other long-term benefits $'000	Termination benefits $'000	Total $'000
Non-executive directors[1]						
2011	**3,215**	**237**	**–**	**–**	**–**	**3,452**
2010	2,622	200	–	–	–	2,822
As disclosed in 2010[2]	2,622	200	–	–	–	2,822
Key management personnel excluding non-executive directors						
2011	**14,374**	**167**	**8,746**	**(4)**	**1,694**	**24,977**
2010	15,011	142	7,587	8	–	22,748
As disclosed in 2010[2]	15,011	142	7,587	8	–	22,748
All key management personnel						
2011[3]	**17,589**	**404**	**8,746**	**(4)**	**1,694**	**28,429**
2010[3]	17,633	342	7,587	8	–	25,570
As disclosed in 2010[2]	17,633	342	7,587	8	–	25,570

Footnote:
1 Non-executive directors are not entitled to short-term incentive payments. Short-term benefits only include fees and allowances.
2 This represents the amount paid to those individuals considered key management personnel and disclosed as such in the 2010 Financial Report.
3 These amounts represent the total remuneration paid to the key management personnel listed in Note 33(a) for 2011 and 2010.

33. Related-party disclosures continued

(d) Transactions with key management personnel

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

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

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

The following tables provide details of loans made to key management personnel and their related parties by AMP or any of its subsidiaries:

	Balance at 1 Jan 11 $'000	Written off $'000	Net advances (repayments) $'000	Balance at 31 Dec 11 $'000	Interest charged $'000	Interest not charged $'000	Number in group
Key management personnel and their related parties[1]	8,252	–	(2,193)	**6,059**	549	–	7

Individuals and their related parties with loans above $100,000 during reporting period

	Balance at 1 Jan 11 $'000	Written off $'000	Net advances (repayments) $'000	Balance at 31 Dec 11 $'000	Interest charged $'000	Interest not charged $'000	Highest indebtedness in period $'000
Craig Dunn	1,030	–	(338)	**692**	53	–	1,037
Lee Barnett	561	–	(517)	**44**	28	–	574
Jonathan Deane	750	–	–	**543**	43	–	751
Stephen Dunne	1,005	–	–	**–**	73	–	1,006
Paul Leaming	125	–	750	**875**	55	–	865
Craig Meller	2,450	–	(419)	**2,031**	161	–	2,549
Paul Sainsbury	2,331	–	–	**1,874**	136	–	2,339

Footnote:
1 All loans to key management personnel and their related parties are provided by AMP Bank and are on similar terms and conditions generally available to other employees within the group. No guarantees are given or received in relation to these loans.

34. Auditors' remuneration

	Consolidated 2011 $'000	Consolidated 2010 $'000	Parent 2011 $'000	Parent 2010 $'000
Amounts received or due and receivable by Auditors of AMP Limited for:				
Audit services				
Audit or review of financial statements	**10,966**	8,956	**140**	140
Other audit services[1]	**1,932**	1,709	**–**	–
Total audit service fees	**12,898**	10,665	**140**	140
Non-audit services				
Assurance related services				
– Other assurances services[2]	**645**	546	**–**	–
Other non-audit services				
– Transaction support	**50**	312	**–**	–
– Tax and compliance advice	**7**	55	**–**	–
– Other services[3]	**485**	432	**–**	–
Total non-audit services	**1,187**	1,345	**–**	–
Total amounts received or due and receivable by Auditors of AMP Limited[4,5]	**14,085**	12,010	**140**	140

Footnote:
1 Other audit services includes fees for reviews of the full-year and half-year Investor Reports, compliance audits and other audit procedures performed for vehicles controlled by AMP life insurance entities' statutory funds and those managed by AMP Capital.
2 Other assurance services include fees for fund prospectus reviews, AMP Bank securitisation opinions and other procedures performed for investment vehicles owned by the AMP Life entities' statutory funds.
3 Other non-audit services includes fees for the review of AMP and AXA systems and processes.
4 Includes fees paid to Ernst & Young affiliates overseas.
5 Periodically, the AMP 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.

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 end of the year that has significantly affected or may significantly affect the entity's operations in future years; the results of those operations in future years; or the entity's state of affairs in future years which is not already reflected in this report, other than the following:

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

– On 16 February 2012, AMP announced a final dividend on ordinary shares of 14 cents per share.

Directors' declaration

for the year ended 31 December 2011

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

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

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

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

(d) the directors have been given the declarations required by Section 295A of the *Corporations Act 2001*.

Peter Mason
Chairman

Sydney, 16 February 2012

Craig Dunn
Chief Executive Officer and Managing Director

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Report on the financial report
We have audited the accompanying financial report of AMP Limited, which comprises the statements of financial position as at 31 December 2011, the income statements, the statements of comprehensive income, the statements of changes in equity and the statements 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 company and 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 Limited is in accordance with the *Corporations Act 2001*, including:
   i giving a true and fair view of the company's and consolidated entity's financial positions as at 31 December 2011 and of their 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.

Report on the remuneration report
We have audited the remuneration report included in the directors' report for the year ended 31 December 2011. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion
In our opinion, the remuneration report of AMP Limited for the year ended 31 December 2011 complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Andrew Price
Partner, Sydney

16 February 2012

Liability limited by a scheme approved under Professional Standards Legislation

Distribution of shareholdings as at 23 February 2012

Range	Number of holders	Ordinary shares held	% of issued capital
1–1,000	690,190	283,781,695	9.93
1,001–5,000	225,592	458,323,907	16.06
5,001–10,000	21,918	155,255,152	5.44
10,001–200,000	11,159	247,695,077	8.68
200,001 and over	178	1,709,616,953	59.89
Total	949,037	2,854,672,784	100.00

The total number of shareholders holding less than a marketable parcel of 118 shares is 57,612.

Twenty largest shareholdings as at 23 February 2012

Rank	Name	Ordinary shares held	% of issued capital
1	HSBC Custody Nominees (Australia) Limited	529,111,259	18.54
2	National Nominees Limited	355,016,116	12.45
3	JP Morgan Nominees Australia Limited	350,827,257	12.30
4	Citicorp Nominees Pty Limited	101,197,689	3.54
5	JP Morgan Nominees Australia Limited <Cash Income A/C>	45,155,484	1.58
6	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	30,356,974	1.06
7	Cogent Nominees Pty Limited	28,882,686	1.01
8	AMP Life Limited	26,401,160	0.92
9	HSBC Custody Nominees (Australia) Limited – GSCO ECA	19,752,421	0.69
10	Australian Foundation Investment Company Limited	18,590,947	0.65
11	UBS Wealth Management Australia Nominees Pty Ltd	12,438,918	0.44
12	Argo Investments Limited	12,231,674	0.43
13	Australian Reward Investment Alliance	10,494,115	0.37
14	Cogent Nominees Pty Limited <SMP Accounts>	10,349,216	0.36
15	M F Custodians Ltd	7,493,077	0.26
16	RBC Dexia Investor Services Australia Nominees Pty Limited	6,959,851	0.24
17	UBS Nominees Pty Ltd	6,232,500	0.22
18	Queensland Investment Corporation	5,812,060	0.20
19	Djerriwarrh Investments Limited	5,642,616	0.20
20	Navigator Australia Ltd <MLC Investment Sett A/C>	4,116,843	0.14
Total		1,587,062,863	55.60

Substantial shareholders
The Company has received no substantial shareholding notices.

Total number of holders of ordinary shares and their voting rights
As at 23 February 2012, the share capital of AMP Limited consisted of 2,854,672,784 ordinary shares held by 949,037 shareholders. The voting rights attached to the shares are that each registered holder of shares present in person (or by proxy, attorney or representative) at a meeting of shareholders has one vote on a vote taken by a show of hands, and one vote for each fully paid share held on a vote taken at a poll.

Total number of options over unissued shares and option holders
As at 23 February 2012, AMP Limited had no options on issue over unissued ordinary shares in AMP Limited.

Stock exchange listings
AMP Limited is listed on the Australian Securities Exchange and on the New Zealand Stock Exchange.

Restricted securities
There are no restricted securities on issue.

Buy-back
There is no current on-market buy-back.

Glossary

Closed products
Products within AMP's Mature business that are not open to new customers.

Contingent liabilities
A situation existing at reporting date, where past events have led to a possible obligation the outcome of which depends on uncertain future events, or an obligation where the outcome is not sufficiently probable or reliably measurable to warrant recognising the liability at this reporting date.

Controllable costs
Costs that AMP incurs in running its business. Controllable costs include operational and project costs and exclude variable costs, provision for bad and doubtful debts and interest on corporate debt.

Demerger
AMP's demerger on 23 December 2003 created separate businesses; AMP in Australasia and Henderson Group in the United Kingdom.

Earnings per share (EPS)
Each EPS calculation represents the relevant profit amount divided by the weighted average number of shares on issue during the year.

Embedded value (EV)
A calculation relating to the AMP Financial Services business, other than AMP Bank, of the economic value of the shareholder capital in the business and the future shareholder profits expected to emerge from the business currently in-force (expressed in today's dollars).

Franked dividends
Dividends paid which have franking credits attached. The franking credits represent the income tax paid by the company paying the dividend, which can be used as a tax credit by Australian resident shareholders receiving the dividend.

Investment performance
A measure of how well we manage funds on behalf of our customers. The percentage of assets managed by AMP which met or exceeded their respective benchmarks.

Long-term incentive (LTI)
A long-term incentive is an award primarily provided in the form of performance rights or share rights, to align an executive's interest with the interests of shareholders. Long-term incentives at AMP are subject to a performance hurdle and/or a service requirement.

Operating earnings
Total operating earnings are the shareholder profits that relate to the performance of AMP's operating units (AMP Financial Services, AMP Capital and group office). Operating earnings exclude investment earnings on shareholder capital and certain one-off items.

Option
A right to acquire an AMP share at a pre-determined price during an exercise period, subject to meeting performance hurdles. AMP has not offered options under its Employee or Executive Option Plans since 2002.

Performance right
This is a form of executive remuneration designed to reward long-term performance. Selected executives are granted performance rights. Each performance right is a right to acquire one AMP share after a three-year performance period, as long as a specific performance hurdle is met.

Restricted share
This is a form of executive remuneration designed to reward long-term performance. Selected executives are granted restricted shares. A restricted share is an ordinary AMP share that has a holding lock in place until a three-year vesting period ends.

Short-term incentive (STI)
A cash-based payment based on performance during the year against pre-defined business objectives aligned to company strategy.

Underlying investment income
Underlying investment income is based on long-term expected rates of return. Actual investment income can be higher or lower than the long-term rate from year to year.

Underlying profit
Underlying profit (which removes merger related costs and some of the effect of investment market volatility) is calculated by aggregating operating earnings, interest expense on corporate debt, recognition of tax losses and underlying investment income.

Underlying return on equity (RoE)
A measure of the return a company makes on shareholder equity. RoE for the year is calculated as underlying profit divided by average monthly shareholder equity during the year.

Value of new business (VNB)
A measure relating to the AMP Financial Services business, other than AMP Bank, of the future shareholder profits (expressed in today's dollars) expected to emerge from new business written over the period, net of the cost of providing supporting capital.

Vesting
Remuneration term defining the point at which the required performance hurdles have been met and a financial benefit may be realised by the recipient.

AMP is committed to actively reducing its impact on the environment and has printed this document on paper derived from certified well managed forests and manufactured by an ISO 14001 certified mill. The document has also been printed at an FSC accredited printer.

Green TOMORROW
an AMP Environment Initiative

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AMP Limited is incorporated and domiciled in Australia.
Company Secretary: Darryl Mackay

NS1247 03/12