ASX Announcement

AMP

19 February 2015

Manager
ASX Market Announcements
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Sydney NSW 2000

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Announcement No: 03/2015
AMP Limited (ASX/NZX: AMP)

Full Year Financial Results

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Part One: **Appendix 4E**

Appendix 3A.1

Part Two: AMP reports A$884 million net profit FY 14

Part Three: Investor Presentation

Part Four: Investor Report

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Appendix 4E – Preliminary final report

Year ended 31 December 2014

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Results for announcement to the market

for the year ended 31 December 2014

Financial results	2014 $m	2013 $m	% movement
Revenue from ordinary activities[1]	**17,600**	20,113	-12%
Profit from ordinary activities after tax attributable to members	**884**	672	32%
Net profit for the period attributable to members	**884**	672	32%

1 Revenue from ordinary activities includes amounts attributable to shareholders, policyholders and external unitholders. The amount is the aggregate of premium and related revenue of $2,427m (2013: $2,283m), fee revenue of $2,790m (2013: $2,434m), other revenue of $126m (2013: $419m), net investment gains of $12,244m (2013: $14,963m gain) and share of profit or (loss) of associates accounted for using the equity method $13m (2013: $14m) as detailed in note 4 and 5 of the preliminary final report.

Dividends	Amount per security (cents)	Franked amount per security (cents)
Final dividend (franked to 80% at a tax rate of 30%)[1,2]		
- Final dividend	13.500	10.800
The record date to determine entitlements to the final dividend	5 Mar 2015	
The date the final dividend is payable	10 Apr 2015	

1 The unfranked component of the 2014 final dividend will be paid from conduit foreign income.

2 AMP has a dividend reinvestment plan (DRP) under which shareholders who have a registered address in, and are residents of, Australia and New Zealand are invited to reinvest part of any dividends receivable in additional shares. The price of the shares under the plan will be the arithmetic average of the daily volume weighted average price per share of all shares sold in the ordinary course of trading on the ASX for the 10 trading days from 9 March 2015 to 20 March 2015, rounded to the nearest one cent. For the 2014 final dividend, no discount to the price will apply. AMP intends to acquire shares on-market to satisfy any entitlements under the DRP. Shares provided under the DRP will rank equally in all respects with existing fully paid AMP ordinary shares. The last date for receipt of election notes from shareholders wanting to commence, cease or vary their participation in the DRP for the 2014 final dividend is by 5:00pm (Australian Eastern Daylight Time) on 6 March 2015.

Net tangible assets per ordinary share	31 Dec 2014 $	31 Dec 2013 $
Net tangible assets per ordinary share	1.42	1.35

This Appendix 4E - Preliminary final report has not been subject to audit and there is no audit report provided. However, a substantial part of the financial information in the preliminary final report has been extracted from the AMP 2014 financial report which has been audited by Ernst & Young, who have issued an unqualified audit report. The audit report forms part of the AMP 2014 annual report. The presentation of the AMP 2014 annual report will be finalised for lodgement with ASX on 26 March 2015.

Commentary on the results

for the year ended 31 December 2014

Operating and financial review

Principal activities

AMP is Australia and New Zealand's leading independent wealth management company, with an expanding international investment management business and a growing retail banking business in Australia.

The company serves customers in Australia and New Zealand. It also serves clients in Asia, Europe, the Middle East and North America. AMP has over 5,400 employees, around 820,000 shareholders and $215 billion of assets under management (AUM).

AMP provides customers in Australia and New Zealand with financial advice, superannuation, retirement income and other investment products for individuals. It also provides superannuation services for businesses, administration, banking and investment services for self-managed superannuation (SMSF) funds, income protection, disability and life insurance, and selected banking products. AMP has over 4,400 aligned and employed financial advisers in Australia and New Zealand, as well as extensive relationships with independent financial advisers.

AMP's business consists of Australian wealth management, AMP Capital, Australian wealth protection, AMP Bank, New Zealand financial services and Australian mature.

The *Australian wealth management* business provides customers with superannuation, retirement income, investment, SMSF administration and financial advice services (through aligned and owned advice businesses).

AMP Capital is a diversified investment manager, managing investments across major asset classes including equities, fixed interest, infrastructure, property, diversified funds, multi-manager and multi-asset funds. Mitsubishi UFJ Trust and Banking Corporation holds a 15% ownership interest in AMP Capital. AMP Capital holds a 15% stake in the China Life AMP Asset Management Company Limited, a funds management company which offers retail and institutional investors in China access to leading investment solutions.

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

AMP Bank is an Australian retail bank offering residential mortgages, deposits, transaction banking, and SMSF products with around 100,000 customers. It also has a small portfolio of practice finance loans. AMP Bank distributes through brokers, AMP advisers, and direct to retail customers via phone and internet banking.

New Zealand financial services provides tailored financial products and solutions to New Zealanders through a network of financial advisers. New Zealand financial services has a leading market position in both wealth protection and wealth management, in addition to being the market leader in advice and in providing support to advisers.

The *Australian mature* business is the largest closed life insurance business in Australia. Australian mature AUM supports capital guaranteed products (75%) and market linked products (25%). Australian mature products include whole of life, endowment, investment linked, investment account, retirement savings account, eligible rollover fund, annuity, insurance bonds, personal superannuation and guaranteed savings accounts.

Review of operations and results

AMP's profit attributable to shareholders of AMP Limited for the year ended 31 December 2014 was $884 million (2013: $672 million).

Basic earnings per share for the year ended 31 December 2014 on a statutory basis were 30.3 cents per share (2013: 23.2 cents per share).

Underlying profit is the basis on which the board determines the dividend payment. It is AMP's key measure of profitability, as it smooths some of the effect of movements in investment markets and aims to reflect the trends in the underlying business performance of the AMP group. AMP's underlying profit for the year ended 31 December 2014 was $1,045 million (2013: $849 million). On an underlying basis, earnings were 35.3 cents per share (2013: 28.8 cents per share).

Commentary on the results

for the year ended 31 December 2014

AMP's key performance measures were as follows:

- 2014 underlying profit of $1,045 million, up 23% on 2013, with strong growth across all contemporary businesses
- 2014 AMP group cost to income ratio of 44.8%, an improvement of 4.6 percentage points on 2013, controllable costs up $14 million (1.1%) to $1,315 million
- Australian wealth management 2014 net cashflows were $2,281 million, up $115 million from net cashflows of $2,166 million in 2013. Higher total retail and corporate superannuation net cashflows on AMP platforms of $3,616 million were partially offset by higher net cash outflows on external platforms of $1,335 million
- AMP Capital external net cashflows were $3,723 million, up $4,762 million from a net cash outflow of $1,039 million in 2013, driven by stronger inflows generated through offshore partnerships and institutional clients both domestically and internationally
- underlying return on equity increased 2.0 percentage points to 12.7% in 2014 from 2013, largely reflecting the increase in underlying profit.

AMP's total AUM was $215 billion at 31 December 2014 ($197 billion at 31 December 2013).

Differences between underlying profit and statutory profit

The 31 December 2014 underlying profit of $1,045 million excludes the impact (net of any tax effect) of:

- net profit from one-off and non-recurring items of $7 million
- AXA integration costs of $20 million
- business efficiency program costs of $100 million
- amortisation of AXA acquired intangible assets of $89 million
- market adjustment gains of $59 million
- accounting mismatches loss of $18 million.

A reconciliation between underlying profit and statutory profit is provided in note 3 of the preliminary final report.

Under Australian Accounting Standards, some assets held on behalf of policyholders (and related tax balances) are included in the financial statements at different values to the values used in the calculation of the liability to policyholders in respect of the same assets. Movements in these policyholder assets flow through to shareholder profit. These differences have no impact on the true economic profits and losses of the AMP group.

The impact of accounting mismatches on profit after tax arising from policyholder assets is as follows.

Accounting mismatch profit/(loss)	2014 $m	2013 $m
Treasury shares	(46)	3
Investments in controlled entities	25	(5)
Superannuation products invested with AMP Bank	4	(8)
Owner occupied property	(1)	(2)
Total accounting mismatch profit/(loss)	**(18)**	**(12)**

The operating results of each of the business segments for 2014 were as follows:

- *Australian wealth management* – Operating earnings increased by $44 million (13%) to $374 million in 2014 from $330 million in 2013. The increase in operating earnings was largely due to strong net cashflows and investment returns generating 11% growth in average AUM while limiting controllable cost growth to 0.4%.

- *AMP Capital* – AMP group's 85% share of AMP Capital's 2014 operating earnings were $115 million, up 16% from $99 million in 2013. Despite relatively subdued Australian markets, AMP Capital's operating earnings increased as a result of strong operational leverage with 8% growth in fee income achieved with only 4% growth in controllable costs.

- *Australian wealth protection* – Operating earnings increased $124 million (194%) to $188 million in 2014 from $64 million in 2013 due to improved lapse and claims outcomes, growth in annual premium in-force and lower controllable costs.

- *AMP Bank* – Operating profits increased $8 million (10%) to $91 million in 2014 from $83 million in 2013. Total revenue increased 12% in 2014 on 2013, driven mainly by growth in the loan portfolio and improved net interest margin.

- *New Zealand financial services* – Operating earnings increased by $13 million (13%) to $110 million in 2014 from $97 million in 2013 as a result of favourable currency movements, experience profits and growth in profit margins. The 8% average depreciation of the Australian dollar against the New Zealand dollar in 2014 from 2013 accounted for $8 million of the $13 million increase in operating earnings.

- *Australian mature* – Operating earnings fell by $4 million (2%) to $174 million in 2014 from $178 million in 2013. Operating earnings were impacted by the expected portfolio run-off ($11 million decrease). This was partially offset by lower controllable costs ($2 million) and experience profits ($5 million, including $3 million of mortality profits).

Strategy and prospects[1, 2]
AMP's strategy revolves around the simple promise of helping people own their tomorrow, and the company is pursuing four key strategic priorities to achieve this.

1- Prioritise investment in the $2.4 trillion[3] Australian wealth management market.
AMP is leveraging its leading position in a superannuation market projected to double in size by 2024[4]. It is currently positioned:
- Number 1 in retail superannuation and pensions with 19.6% market share[5].
- Number 1 in individual risk insurance with 17.9% market share[5].
- Number 1 in financial advice with 22.2% market share[6].

2- Transform the core Australian business to be more relevant to customers.
In Australia, AMP is investing significantly to better understand and anticipate customer needs in order to create highly targeted products and services and increase share-of-wallet and enduring customer loyalty.

The company is more than a year into its enterprise-wide transformation program. Key initiatives undertaken in 2014 included:

Transform face-to-face advice model
- started pilots of new financial advice approaches

Build omni-channel experience with new, improved ways for customers to interact with AMP
- launched market-leading smartphone and tablet applications
- increased functionality of amp.com.au website, making it easier to purchase simple superannuation products

Build better customer solutions
- installed new data analytics infrastructure
- began pilot of new customer offers based on human-centred design and behavioural economics principles

Improve service capability and quality
- simplified communications that will impact millions of customer touch points per annum
- improved corporate superannuation welcome experience
- introduced new call centre telephony infrastructure
- upgraded mortgage origination platform

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[1] Forward looking statements in the strategies and prospects section of the commentary on the results are based on management's current views and assumptions and involve known and unknown risks and uncertainties, many of which are beyond AMP's control and could cause actual results, performance or events to differ materially from those expressed. These forward looking statements are not guarantees or representations of future performance, and should not be relied upon.
[2] AMP does not produce a profit forecast as this is driven by market movements which cannot be predicted. However, AMP does provide forward looking guidance on certain business outcomes.
[3] ABS Managed Funds Report, Managed Funds Industry, September 2014.
[4] Dynamics of the Australian Superannuation System, the Next 20 Years: 2013-2033. Deloitte September 2013: AMP modelling.
[5] Plan for Life, September 2014.
[6] Money Management, July 2014.

- released new claims platform
- introduced new income protection claims processes resulting in more customers returning to health and work.

3- Reduce costs to maintain market-leading efficiency and reinvest in new customer solutions.
AMP's business efficiency program tracked in line with management expectation and guidance in 2014. The three-year program (which started in 2013) aims to reduce the company's overall controllable cost growth by reducing operating costs whilst investing in areas of the business that deliver the greatest value to customers and shareholders. It is expected to lead to $200 million in pre-tax recurring run rate cost savings by the end of 2016 for a one-off investment of $320 million pre-tax, with recurring cost savings estimated to be 80% controllable and 20% variable.

Key initiatives undertaken in 2014:
- rationalised and improved the efficiency of non-customer facing group functions
- outsourced certain back office process functions
- embedded the foundations of a continuous improvement culture
- installed contemporary IT infrastructure.

4- Invest selectively in Asia and internationally by taking investment capabilities into new markets.
During the year, AMP, primarily through AMP Capital, continued to build its international profile. It did this by:

Building strong distribution partnerships with national champions
AMP deepened its existing relationship with its Chinese and Japanese partners to generate strong cashflows in 2014. AMP and China Life's joint venture, China Life AMP Asset Management Company, successfully launched five funds during 2014 and now manages $3.7 billion on behalf of Chinese retail and institutional investors after its first full year of operation.

AMP also acquired a 19.99% stake in China Life's pension provider China Life Pension Company (CLPC) – the largest pension company in China. AMP is the first foreign company in the world to purchase a stake in a Chinese pension company. The acquisition received Chinese regulatory approval and was settled in January 2015.

AMP Capital's business alliance with Mitsubishi UFJ Trust and Banking Corporation offered nine retail and four institutional funds to the Japanese market in 2014. At 31 December 2014, AMP Capital managed $7 billion on behalf of all clients in Japan.

Expanding its global pension fund client base
AMP Capital is capitalising on increased global interest in its infrastructure and property capabilities. At 31 December 2014, it managed $13 billion in AUM from international investors, including more than $4.7 billion on behalf of 119 global pension fund clients (an increase of 56 clients from 2013).

During the year, AMP Capital launched its Global Infrastructure Equity Fund, attracting strong interest from international investors. The Infrastructure Debt Fund II closed with more than US$1.1 billion in commitments from more than 50 investors in eight countries.

AMP Capital's $5 billion property-development program continues to receive strong support from global pension fund clients. External property net cashflows increased to $1.8 billion in 2014 from a net cash outflow of $354 million in 2013.

Commentary on the results

for the year ended 31 December 2014

Strategies and prospects by business segment[7, 8]

Australian wealth management

Australian wealth management's key priorities are to build a more customer-centric business whilst remaining vigilant on cost control by:

- improving the quality of the advice experience
- expanding the methods by which customers can access AMP's products and services
- using new capabilities to design customer centric offers covering advice, product and service
- improving adviser productivity
- developing a strong SMSF capability.

AMP Capital

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

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

Australian wealth protection

The Australian life insurance market has been challenged by higher than expected claims and lapse experience over the past few years, which has impacted the profitability of the industry and of AMP's wealth protection business.

Management is committed to addressing these issues, including the need to make insurance more relevant to customers. The key priorities for management are to:

- continue to stabilise and improve claims management through the rollout of a new claims management process and a new platform across the business
- continue to offer broader customer support, including rehabilitation, as part of the new claims management approach to reduce claim periods and help customers return to health and work sooner
- continue to stabilise and improve retention, with ongoing campaigns and support to advisers targeting customers with a propensity to lapse
- develop compelling new insurance solutions for consumers, with new offers developed from customer research currently being tested in market.

The gradual reversion of best estimate claims and lapse assumptions to lower longer-term levels, combined with increasing costs from strategic investment, will require ongoing delivery of improved lapse and claims outcomes to avoid re-emergence of negative experience.

AMP Bank

The strategy of AMP Bank is to support the achievement of AMP group's strategic objectives. This will be delivered by leveraging synergies with AMP group. In aligning to the AMP group strategic direction, AMP Bank's aspiration and priorities are to:

- deliver compelling customer-centric banking propositions to AMP group target customer segments
- make banking easier for customers by investing in technology and service excellence
- drive growth through AMP Bank's privileged access to AMP distribution networks including aligned advisers and corporate superannuation members
- maintain focus and growth in the mortgage broker channel
- leverage AMP group investments to build out capabilities in direct and digital
- continue to optimise AMP Bank's funding sources and invest in operating capacity.

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

[8] AMP does not produce a profit forecast as this is driven by market movements which cannot be predicted. However, AMP does provide forward looking guidance on certain business outcomes.

New Zealand financial services
New Zealand financial services' key priorities to grow shareholder value are:
- deepening customer relationships
- delivering innovative propositions to customers, advisers and employers
- evolving advice and distribution capability
- taking a value based approach to pricing and commissions
- maximising cost efficiency.

To offset the future impact on operating earnings of changes to the taxation of life insurance business in New Zealand, which will impact the business from 1 July 2015, New Zealand financial services continues to progressively grow its revenue base, closely manage costs and evolve its distribution channels to reduce the capital impacts of distributing life insurance. The future tax changes apply to all life insurance companies in New Zealand and are not specific to AMP's New Zealand financial services business.

Australian mature
Key priorities for the Australian mature business are to:
- maintain high persistency
- prudently manage asset and liability risk
- achieve greater cost efficiency
- maintain capital efficiency.

The Australian mature business remains in slow decline but is expected to remain profitable for many years. It is expected to run off between 4% and 6% per annum. In volatile investment markets, this run-off rate can vary substantially. The run-off of AUM mirrors policy liabilities, although there is potential for profit margins to be impacted differently. The expected run-off of Australian mature is not anticipated to be materially different from current guidance as a result of the Stronger Super regulatory changes.

Key risks
Key risks which may impact AMP's business strategies and prospects for future financial years include:
- *A volatile economic environment*: a volatile economic environment could have a negative impact on the profitability of AMP. When markets are volatile and investment returns are low, customers are more likely to change their investment preferences and products. This could result in customers choosing to put less of their discretionary savings into AMP superannuation and investment products which would reduce AMP's cash inflows and create lower profit margins. AMP continues to monitor market conditions and review its product offerings to ensure they continue to meet changing customer needs. Volatile investment markets and a low interest rate environment can also impact the risks associated with capital guaranteed products, and AMP actively manages capital, liquidity and funding requirements in this context.

- *Elevated insurance claims and lapse rates*: in recent times AMP, in common with much of the industry, has been experiencing elevated insurance claims and lapse rates, which has been reflected in policy liabilities. There are many factors impacting claims and lapse experience including slower economic activity, the impact of the Future of Financial Advice reforms, changes in society's attitudes to claiming benefits, changes in state-based injury compensation schemes as well as changes in AMP's business mix over time. One of AMP's priorities is to improve the profitability of its insurance products, some of which are in loss recognition and can have a large impact on earnings when claims and lapse experience assumptions change. Key projects continue to change the way insurance claims are managed so customers can return to work faster, and to help customers better understand the value and benefits of their policies, with the aim of reducing the number of policies which lapse.

- *Regulatory changes to the finance industry*: the Australian finance industry is in a period of significant regulatory change in relation to superannuation, the provision of financial advice, banking, capital requirements and foreign tax legislation. The interpretation and the practical implementation of regulation, coupled with the failure to manage and implement the required changes, could adversely impact AMP's business model, or result in a failure to achieve business and or strategic objectives. AMP actively engages with the government, regulators and industry bodies, and has dedicated resources and change programs underway to meet the new requirements.

- *Disruption to business operations*: AMP has embarked on a program to increase the scale and pace of change in its Australian business to better respond to changing customer demands and ongoing pricing pressures. Both customers and shareholders will benefit from this reshaping of the Australian business. The introduction of this program may cause some disruption within the business over the short-term. To manage these changes, AMP has dedicated resources and well established change programs and processes in place.

- *Non-compliance with regulatory and legislative requirements*: failure to comply with regulatory and legislative requirements could result in breaches, fines, regulatory action or reputational impacts. AMP has established frameworks and dedicated risk and compliance teams who work closely with the business to ensure compliance with regulatory and legal obligations. The provision of financial advice to customers is one of the current focus areas and AMP is working closely with regulators and external advisers to review processes and controls to ensure all financial advice provided by AMP advisers is compliant with the relevant regulations and in the best interests of the customer.

- *Outsourcing risk*: AMP has a number of material outsourcing arrangements with external service providers. If these are not appropriately managed it could affect AMP's service to customers, financial performance, ability to meet regulatory requirements and reputation. AMP would also need to fund the cost of correcting any issues. AMP has policies and processes in place to ensure appropriate governance and management of external service providers. Dedicated teams ensure contracts and service level agreements are monitored regularly and performance targets are reviewed to ensure required deliverables and standards are met.

- *Cyber risk*: the ongoing evolution of technologies has led to a rapidly changing environment that criminal networks seek to exploit. Cybercriminals can impact AMP and our customers by finding new ways to exploit weaknesses in online processes, hacking into customers' computers, and exploiting potential weaknesses in AMP's control environment. AMP's network and assets are protected through the use of detective, preventative and responsive tools. In assessing and mitigating cybercrime, AMP considers vulnerabilities and the potential for control failures.

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

Capital management
Equity and reserves of the AMP group attributable to shareholders of AMP Limited increased to $8.2 billion at 31 December 2014 from $8.1 billion at 31 December 2013.

AMP remains well capitalised, with $2.0 billion in shareholder regulatory capital resources above minimum regulatory requirements (MRR) at 31 December 2014 ($2.1 billion at 31 December 2013).

AMP's final 2014 dividend is 13.5 cents per share, franked to 80%. This represents a final 2014 dividend payout ratio of 74% of underlying profit. AMP will continue to offer the dividend reinvestment plan (DRP) to eligible shareholders. AMP intends to neutralise the impact of the DRP by acquiring shares on-market to satisfy any entitlements under the DRP.

Significant changes to the state of affairs
Details of changes in AMP's strategic priorities are set out earlier in this report.

Events occurring after the reporting date
As at the date of this report, the directors are not aware of any matter or circumstance that has arisen since the reporting date that has significantly affected or may significantly affect the entity's operations in future years; the results of those operations in future years; or the entity's state of affairs in future years which is not already reflected in this report, other than the following:
- On 19 February 2015, AMP announced a final dividend on ordinary shares of 13.5 cents per share. Details of the announced dividend and dividends paid and declared during the year are disclosed in note 18 of the preliminary final report.
- On 30 October 2014, AMP entered into an agreement to acquire 19.99% of CLPC, the largest pension company in China. As at 31 December 2014, AMP was awaiting final regulatory approval to settle the transaction. Therefore, no investment in CLPC is recognised in the preliminary final report as at 31 December 2014. The acquisition was settled on 20 January 2015.

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Income statement

for the year ended 31 December 2014

		Consolidated		Parent	
	Note	2014 $m	2013 $m	2014 $m	2013 $m
Income and expenses of shareholders, policyholders, external unitholders and non-controlling interests[1]					
Life insurance premium and related revenue	4	**2,427**	2,283	**-**	-
Fee revenue	4	**2,790**	2,434	**14**	12
Other revenue	4	**126**	419	**-**	-
Investment gains and (losses)	5	**12,244**	14,963	**799**	1,677
Share of profit or (loss) of associates accounted for using the equity method		**13**	14	**-**	-
Life insurance claims and related expenses	6	**(2,166)**	(2,084)	**-**	-
Operating expenses	6	**(3,834)**	(3,876)	**(14)**	(12)
Finance costs	6	**(685)**	(753)	**(18)**	-
Movement in external unitholder liabilities		**(1,478)**	(1,634)	**-**	-
Change in policyholder liabilities					
- life insurance contracts	20	**(1,333)**	(381)	**-**	-
- investment contracts		**(6,290)**	(9,887)	**-**	-
Income tax (expense) credit	7	**(843)**	(782)	**51**	10
Profit for the year		**971**	716	**832**	1,687
Profit attributable to shareholders of AMP Limited		**884**	672	**832**	1,687
Profit (loss) attributable to non-controlling interests		**87**	44	**-**	-
Profit for the year		**971**	716	**832**	1,687

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

		Consolidated	
		2014	2013
Earnings per share for profit attributable to ordinary shareholders of AMP Limited	26	cents	cents
Basic		**30.3**	23.2
Diluted		**30.0**	22.9

Statement of comprehensive income

for the year ended 31 December 2014

	Consolidated		Parent	
	2014 $m	2013 $m	2014 $m	2013 $m
Profit for the year	**971**	716	**832**	1,687
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Available-for-sale financial assets				
- gains and (losses) in fair value of available-for-sale financial assets	**2**	7	**-**	-
	2	7	**-**	-
Cash flow hedges[1]				
- gains and (losses) in fair value of cash flow hedges	**3**	(8)	**-**	-
- income tax (expense) credit	**(1)**	2	**-**	-
- transferred to profit for the year	**29**	33	**-**	-
- transferred to profit for the year - income tax (expense) credit	**(8)**	(10)	**-**	-
	23	17	**-**	-
Exchange difference on translation of foreign operations				
- exchange gains (losses)	**39**	124	**-**	-
- transferred to profit for the year	**6**	-	**-**	-
	45	124	**-**	-
Revaluation of hedge of net investments				
- gains and (losses) in fair value of hedge of net investments	**-**	(3)	**-**	-
- income tax (expense) credit	**-**	1	**-**	-
	-	(2)	**-**	-
Items that will not be reclassified subsequently to profit or loss				
Defined benefit plans[2]				
- actuarial gains and (losses)	**(119)**	218	**-**	-
- income tax (expense) credit	**36**	(65)	**-**	-
	(83)	153	**-**	-
Owner-occupied property revaluation				
- gains (losses) in valuation of owner-occupied property	**8**	10	**-**	-
- income tax (expense) credit	**(1)**	-	**-**	-
	7	10	**-**	-
Other comprehensive income for the year	**(6)**	309	**-**	-
Total comprehensive income for the year	**965**	1,025	**832**	1,687
Total comprehensive income attributable to shareholders of AMP Limited	**878**	981	**832**	1,687
Total comprehensive income (loss) attributable to non-controlling interests	**87**	44	**-**	-
Total comprehensive income for the year	**965**	1,025	**832**	1,687

1 Cash flow hedge movements includes interest rate swaps used to manage AMP Bank's interest rate risk on its mortgage portfolio and hedging of a highly probable future payment for an investment by AMP denominated in foreign currency.

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

Statement of financial position

as at 31 December 2014

	Note	Consolidated 2014 $m	Consolidated 2013 $m	Parent 2014 $m	Parent 2013 $m
Assets					
Cash and cash equivalents	25	**3,581**	2,938	**1**	6
Receivables	8	**2,518**	2,418	**321**	50
Current tax assets		**35**	175	**-**	-
Inventories and other assets	9	**189**	216	**-**	-
Investments in financial assets	10	**122,836**	114,779	**1,960**	2,085
Investment properties	11	**340**	6,889	**-**	-
Investments in associates accounted for using the equity method	30	**116**	113	**-**	-
Property, plant and equipment	12	**401**	456	**-**	-
Deferred tax assets	7	**697**	1,062	**55**	62
Intangibles	13	**4,042**	4,136	**-**	-
Investments in controlled entities		**-**	-	**11,010**	10,807
Assets of disposal groups	29	**100**	42	**-**	-
Total assets of shareholders of AMP Limited, policyholders, external unitholders and non-controlling interests		**134,855**	133,224	**13,347**	13,010
Liabilities					
Payables	14	**1,951**	1,910	**92**	47
Current tax liabilities		**247**	53	**190**	26
Provisions	15	**442**	451	**5**	3
Other financial liabilities	10	**2,015**	2,469	**-**	-
Borrowings	16	**15,352**	14,822	**-**	-
Subordinated debt	17	**1,150**	1,421	**326**	325
Deferred tax liabilities	7	**2,336**	2,110	**-**	-
External unitholder liabilities		**11,335**	10,724	**-**	-
Life insurance contract liabilities	20	**24,403**	24,934	**-**	-
Investment contract liabilities	21	**66,980**	66,049	**-**	-
Defined benefit plan liabilities	27	**190**	73	**-**	-
Liabilities of disposal groups	29	**69**	8	**-**	-
Total liabilities of shareholders of AMP Limited, policyholders, external unitholders and non-controlling interests		**126,470**	125,024	**613**	401
Net assets of shareholders of AMP Limited and non-controlling interests		**8,385**	8,200	**12,734**	12,609
Equity[1]					
Contributed equity	19	**9,508**	9,602	**9,747**	9,747
Reserves		**(1,888)**	(1,973)	**21**	18
Retained earnings		**566**	461	**2,966**	2,844
Total equity of shareholders of AMP Limited		**8,186**	8,090	**12,734**	12,609
Non-controlling interests		**199**	110	**-**	-
Total equity of shareholders of AMP Limited and non-controlling interests		**8,385**	8,200	**12,734**	12,609

1 Further information on Equity is provided in the Statement of changes in equity on the following page and note 19.

Statement of changes in equity

for the year ended 31 December 2014

Consolidated

	Equity attributable to shareholders of AMP Limited													
	Contributed equity $m	Equity contribution reserve[1] $m	Share-based payment reserve[2] $m	Capital profits reserve[3] $m	Demerger loss reserve[4] $m	Available-for-sale financial assets reserve[5] $m	Cash flow hedge reserve[6] $m	Foreign currency translation reserve[7] $m	Hedge of net investment reserve[8] $m	Owner-occupied property revaluation reserve[9] $m	Retained earnings $m	Total shareholder equity $m	Non-controlling interest $m	Total equity $m
2014														
Balance at the beginning of the year	9,602	1,019	89	329	(3,585)	6	(17)	92	(1)	95	461	8,090	110	8,200
Profit (loss)	-	-	-	-	-	-	-	-	-	-	884	884	87	971
Other comprehensive income	-	-	-	-	-	2	23	45	-	7	(83)	(6)	-	(6)
Total comprehensive income	-	-	-	-	-	2	23	45	-	7	801	878	87	965
Share-based payment expense	-	-	33	-	-	-	-	-	-	-	-	33	2	35
Share purchases	-	-	(25)	-	-	-	-	-	-	-	-	(25)	(2)	(27)
Net sale/(purchase) of 'treasury shares'	(94)	-	-	-	-	-	-	-	-	-	4	(90)	-	(90)
Dividends paid[10]	-	-	-	-	-	-	-	-	-	-	(710)	(710)	(18)	(728)
Dividends paid on 'treasury shares'[10]	-	-	-	-	-	-	-	-	-	-	10	10	-	10
New capital from shares issued[11]	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and acquisitions of non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	20	20
Balance at the end of the year	9,508	1,019	97	329	(3,585)	8	6	137	(1)	102	566	8,186	199	8,385
2013														
Balance at the beginning of the year	9,333	1,019	61	329	(3,585)	(1)	(34)	(32)	1	85	332	7,508	135	7,643
Profit (loss)	-	-	-	-	-	-	-	-	-	-	672	672	44	716
Other comprehensive income	-	-	-	-	-	7	17	124	(2)	10	153	309	-	309
Total comprehensive income	-	-	-	-	-	7	17	124	(2)	10	825	981	44	1,025
Share-based payment expense	-	-	28	-	-	-	-	-	-	-	-	28	2	30
Share purchases	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net sale/(purchase) of 'treasury shares'	132	-	-	-	-	-	-	-	-	-	-	132	-	132
Dividends paid[10]	-	-	-	-	-	-	-	-	-	-	(705)	(705)	(85)	(790)
Dividends paid on 'treasury shares'[10]	-	-	-	-	-	-	-	-	-	-	9	9	-	9
New capital from shares issued[11]	137	-	-	-	-	-	-	-	-	-	-	137	-	137
Sales and acquisitions of non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	14	14
Balance at the end of the year	9,602	1,019	89	329	(3,585)	6	(17)	92	(1)	95	461	8,090	110	8,200

Statement of changes in equity (continued)

for the year ended 31 December 2014

AMP Limited parent

	Contributed equity $m	Share-based payment reserve[2] $m	Retained earnings $m	Total shareholder equity $m
2014				
Balance at the beginning of the year	**9,747**	**18**	**2,844**	**12,609**
Profit	**-**	**-**	**832**	**832**
Other comprehensive income	**-**	**-**	**-**	**-**
Total comprehensive income	**-**	**-**	**832**	**832**
Share-based payment expense	**-**	**6**	**-**	**6**
Share purchases	**-**	**(3)**	**-**	**(3)**
Dividends paid[10]	**-**	**-**	**(710)**	**(710)**
New capital from shares issued under dividend reinvestment plan[11]	-	-	-	-
Balance at the end of the year	**9,747**	**21**	**2,966**	**12,734**
2013				
Balance at the beginning of the year	9,610	15	1,862	11,487
Profit	-	-	1,687	1,687
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	1,687	1,687
Share-based payment expense	-	3	-	3
Share purchases	-	-	-	-
Dividends paid[10]	-	-	(705)	(705)
New capital from shares issued under dividend reinvestment plan[11]	137	-	-	137
Balance at the end of the year	9,747	18	2,844	12,609

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

4 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.

5 Unrealised gains or losses on available-for-sale financial assets are recognised in other comprehensive income as described in note 1(g) and accumulated in a separate reserve within equity. Upon impairment or disposal, the accumulated change in fair value within the Available-for-sale financial assets reserve is recognised within profit or loss in the Income statement.

6 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.

7 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.

8 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.

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

10 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.

11 New capital from shares issued under dividend reinvestment plan nil (2013: $137m).

Statement of cash flows

for the year ended 31 December 2014

	Note	Consolidated 2014 $m	Consolidated 2013 $m	Parent 2014 $m	Parent 2013 $m
Cash flows from operating activities[1]	25				
Cash receipts in the course of operations		**20,326**	17,702	**14**	12
Interest and other items of a similar nature received		**2,470**	2,357	**16**	2
Dividends and distributions received[2]		**3,228**	2,561	**578**	1,675
Cash payments in the course of operations		**(24,373)**	(20,859)	**(9)**	(9)
Finance costs		**(682)**	(714)	**(18)**	-
Income tax refunded (paid)		**117**	(189)	**(1)**	33
Cash flows from (used in) operating activities		**1,086**	858	**580**	1,713
Cash flows from investing activities[1]					
Net proceeds from sale of (payments to acquire):					
- investment property		**440**	(38)	**-**	-
- investments in financial assets[3,6]		**2,439**	(5,241)	**-**	-
- operating and intangible assets		**(186)**	7	**-**	-
(Payments to acquire) proceeds from disposal of subsidiaries[4]		**(135)**	(24)	**-**	-
Net movement in loans (to) from controlled entities		**-**	-	**125**	(1,465)
Cash flows from (used in) investing activities		**2,558**	(5,296)	**125**	(1,465)
Cash flows from financing activities					
Net movement in deposits from customers		**950**	755	**-**	-
Proceeds from (repayment of) borrowings - non-banking operations[1]		**255**	(223)	**-**	-
Net movement in borrowings - banking operations		**196**	1,929	**-**	-
Proceeds from issue of subordinated debt		**-**	325	**-**	325
Repayment of subordinated debt		**(280)**	(30)	**-**	-
Dividends paid[5]		**(700)**	(559)	**(710)**	(568)
Cash flows from (used in) financing activities		**421**	2,197	**(710)**	(243)
Net increase (decrease) in cash and cash equivalents		**4,065**	(2,241)	**(5)**	5
Cash and cash equivalents at the beginning of the year		**7,157**	9,352	**6**	1
Effect of exchange rate changes on cash and cash equivalents		**10**	46	**-**	-
Cash and cash equivalents at the end of the year[1,6]		**11,232**	7,157	**1**	6

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

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

3 Net proceeds from sale of (payment to acquire) investments in financial assets includes loans and advances made (net of payments) and purchases of financial assets (net of maturities) during the period by AMP Bank.

4 Payments to acquire and proceeds from disposals of subsidiaries (net of cash acquired and cash in deconsolidated subsidiaries) did not have a material impact on the composition of the AMP group.

5 The dividends paid amount is presented net of dividends on 'treasury shares' (FY13 also net of dividend reinvestment plan). See Statement of changes in equity for further information.

6 The increase in Cash and cash equivalents at the end of the period and net cash proceeds from sale of investments in financial assets includes the effect of AMP gaining control of a managed cash fund during 2014.

Notes supporting the financial information

for the year ended 31 December 2014

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 preliminary final 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* (Cth). The AMP group is a for-profit entity for the purposes of preparing financial statements. The preliminary final report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The financial statements for the year ended 31 December 2014 were authorised for issue on 19 February 2015 in accordance with a resolution of the directors.

The preliminary final report is presented in Australian dollars and all values are rounded to the nearest million dollars ($m), unless otherwise stated.

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

The AMP group is predominantly a wealth-management business conducting operations through statutory funds of registered life insurance companies (AMP life insurance entities' statutory funds) 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 an 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

A number of new accounting standards and amendments have been adopted effective 1 January 2014, but have not had any material effect on the financial position or performance of the AMP group:

- AASB 2012–3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities*. These amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'. Where financial assets and financial liabilities meet the criteria to offset, the net amount is presented in the Statement of financial position. This standard is applied retrospectively.
- AASB 2011–4 *Amendments to Australian Accounting Standard to Remove Individual Key Management Personnel Disclosure Requirements*. This standard amends AASB 124 *Related Party Disclosures* to remove the individual key management personnel (KMP) disclosures required by Australian specific paragraphs. These disclosures now form part of the remuneration report requirements under the *Corporations Act 2001*. This standard is applied retrospectively.
- AASB 2013–3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*. This standard makes amendments to AASB 136 *Impairment of Assets* to address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. This standard is applied retrospectively.
- AASB 2013–4 *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting*. These amendments to AASB 139 *Financial Instruments: Recognition and Measurement* permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws and regulations. This standard is applied retrospectively.
- AASB 2013–7 *Amendments to AASB 1038 arising from AASB 10 in relation to Consolidation and Interests of Policyholders*. These amendments remove the specific consolidation requirements from AASB 1038 *Life Insurance Contracts*, and thereby AASB 10 *Consolidated Financial Statements* becomes the sole source for consolidation requirements applicable to life insurer entities. This standard is applied retrospectively.
- AASB 2013–9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*. Parts A and B of this standard are applicable to the AMP group for the year ended 31 December 2014. Part A of this standard updates references to the *Framework for the Preparation and Presentation of Financial Statements*, while Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 *Materiality,* and makes minor editorial amendments to various standards. This standard is applied retrospectively.

Notes supporting the financial information

for the year ended 31 December 2014

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

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 preliminary final 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 as set out below.

- AASB 9 *Financial Instruments.* This standard makes significant changes to the way financial assets are classified for the purpose of determining their measurement basis and also to the amounts relating to fair value changes which are to be taken directly to equity. This standard also makes significant changes to hedge accounting requirements and disclosures and introduces a new expected loss model when recognising expected credit losses on financial assets. This standard is mandatory for adoption by the AMP group for the year ending 31 December 2018. The financial impact to the AMP group of adopting AASB 9 *Financial Instruments* has not yet been quantified.

(b) Principles of consolidation

The preliminary final report consolidates the financial information of controlled entities. An entity is controlled when AMP Limited is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial information for controlled entities is prepared for the same reporting date as the parent entity, using consistent accounting policies. Where dissimilar accounting policies may exist, adjustments are made to ensure conformity with the group's accounting policies.

Consolidation principles require the total amounts of each underlying asset, liability, income and expense of the controlled entities to be recognised in the consolidated preliminary final report. When a controlled managed investment scheme 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 entities attributable to non-controlling interests is disclosed as a separate line item on the Statement of financial position. In the Income statement, the profit or loss of the AMP group is allocated between profit or loss attributable to non-controlling interests and profit or loss attributable to shareholders of 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 preliminary final report include the results for the part of the reporting period during which the parent entity had control.

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

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

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

The majority of the AMP life insurance entities' statutory funds' investments are held through controlling interests in a number of managed investment schemes and companies. These investment assets are held on behalf of policyholders and the AMP life insurance entities' statutory funds recognise a liability to the policyholders valued as described in note 1(s) for Life insurance contract liabilities, and note 1(t) for Investment contract liabilities. In certain cases, the amount of the net assets of the controlled entities recognised in the consolidated preliminary final report may not match the valuation of the relevant liabilities to policyholders, 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.

Notes supporting the financial information

for the year ended 31 December 2014

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

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

The accounting treatment of certain transactions in this preliminary final 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 preliminary final report, holders of investment contracts or life insurance contracts are collectively and individually referred to as *policyholders*.

Investment contracts

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

Under Australian Accounting Standards, such contracts are defined as *life investment contracts* and described as *investment contracts* throughout this preliminary final report.

Life insurance contracts

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

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

Assets measurement basis

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

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

Notes supporting the financial information

for the year ended 31 December 2014

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

(d) Cash and cash equivalents

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

(e) Receivables

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

(f) Inventories

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

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

(g) Investments in financial assets

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

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

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

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

Investments in available-for-sale financial assets

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

Subsequent to initial recognition, the fair value of available-for-sale investments is determined on the same basis as for financial assets measured at fair value through profit or loss.

Investments in financial assets measured at amortised cost

Investments in financial assets measured at amortised cost are mainly assets of AMP Bank. Loans, advances and other receivables which arise when AMP Bank provides money directly to a customer, including loans and advances to advisers, with no intention of trading the financial assets, 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.

Notes supporting the financial information

for the year ended 31 December 2014

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

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

Associated entities are defined as those entities over which the AMP group has significant influence but no capacity to control. Investments in associates, other than those backing investment contract liabilities and life insurance contract liabilities, are initially measured at cost plus any excess of the fair value of AMP's share of identifiable assets and liabilities above cost at acquisition date. This is subsequently adjusted for the AMP group's share of post-acquisition profit or loss and movements in reserves net of any impairment. The 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 investment contract liabilities and life insurance contract liabilities are exempt from the requirement to apply equity accounting and have been designated on initial recognition as financial assets measured at fair value through profit or loss.

(i) Investment property

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

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

Changes in value of investment property are taken directly to the Income statement and may comprise changes in the fair value from revaluation of investment property, and fair value adjustments in relation to:
- the straight-lining of fixed rental income
- tenant incentives including rent-free periods and landlord and tenant owned fit-out contributions
- capitalised leasing fees.

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

(j) Property, plant and equipment

Owner-occupied property

Under Australian Accounting Standards, where the whole or a significant portion of a property owned by the 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 held by the AMP group for administrative purposes is initially recognised at cost, including transaction costs, and is subsequently measured at the revalued amount, being its fair value at the date of the revaluation, less any subsequent accumulated depreciation and accumulated impairment losses. Fair value is determined on the same basis as investment property in note 11.

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

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

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

To the extent owner-occupied property is held by the life insurance entities' statutory funds, the amounts recognised for the asset in the consolidated preliminary final report 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 the AMP group and the cost of the item can be reliably measured.

Notes supporting the financial information

for the year ended 31 December 2014

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

(k) Intangible assets

Goodwill

When the aggregate of the fair value of the consideration transferred in a business combination, the recognised amount of any non-controlling interest and the fair value of any previously held equity interest in the acquiree exceeds the fair value of the identifiable assets acquired and liabilities assumed, the excess is recognised as *goodwill*. Subsequently, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not subject to amortisation.

Capitalised costs

Costs are capitalised and carried forward only where the costs relate to the creation of an asset with expected future economic benefits which are capable of reliable measurement. Otherwise, all costs are recognised as expenses in the period in which they are incurred. Capitalised costs are amortised on a straight-line basis over the estimated useful life of the asset, commencing at the time the asset is first put into use or held ready for use (whichever is the earlier). The useful lives of such assets generally do not exceed five years; however a useful life of up to 10 years has been applied to some capitalised costs relating to IT systems development projects where the AMP group expects benefits to flow over a longer period.

Value of in-force business

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

Distribution networks

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

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

Other intangible assets

Other intangible assets comprise:

- amounts recognised in a business combination for the value of the software assets of the acquired entity where it is expected that future economic benefits will be derived. Software is recognised initially at fair value and is subsequently amortised on a straight-line basis over its useful life. Software has a useful life of two to four years. Software maintenance costs are expensed as incurred.
- acquired management rights relating to AMP's asset management business. For closed-ended funds where AMP cannot be removed as manager, these management rights have an indefinite useful life and are not amortised.

Reassessment of useful life

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

Notes supporting the financial information

for the year ended 31 December 2014

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

(l) Impairment of assets

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

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

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

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

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

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

For the purposes of assessing impairment of goodwill, assets are grouped at the lowest levels for which there are separately identifiable cashflows (cash-generating units). Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates.

(m) Taxes

Tax consolidation

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

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

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

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

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

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

Notes supporting the financial information

for the year ended 31 December 2014

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

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. These changes are attributable to:

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

Adjustments to income tax expense/credit are also made for any differences between the amounts paid, or expected to be paid, in relation to prior periods and the amounts provided for these periods at the start of the current period.

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

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

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

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

Notes supporting the financial information

for the year ended 31 December 2014

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

(n) Payables

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

(o) Provisions

Provisions are recognised when:

- the 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, eg under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Income statement net of any reimbursement.

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

Employee entitlements

Liabilities arising in respect of salaries and wages and any other employee entitlements expected to be settled within 12 months of the reporting date are measured at their nominal amounts. All other employee entitlements are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, discount rates are determined with reference to market yields at the end of the reporting period on high quality corporate bonds or, in countries where there is no deep market in such bonds, by using market yields at the end of the period on government bonds.

Restructuring

A restructuring provision is only recognised when it is probable that future costs will be incurred in respect of a fundamental reorganisation or change in focus of the business of the 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 amounts of borrowings and subordinated debt are adjusted for changes in fair value for the period that the fair value hedge relationship remains effective. See note 1(q).

Borrowings of certain controlled managed investment schemes of the AMP life insurance entities' statutory funds are measured at amortised cost for the purpose of determining the unit price of those schemes. These borrowings are measured at amortised cost in this preliminary final report with any difference between the proceeds (net of transaction costs) and the redemption amount recognised in the Income statement over the period of the contract using the effective interest rate method.

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

Notes supporting the financial information

for the year ended 31 December 2014

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

(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 it has issued in respect of its products. 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 exclusive of any transactions costs on the date on which a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. All derivatives are recognised as assets when their fair value is positive and as liabilities when their fair value is negative.

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

The 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:

- to the extent that a hedge is effective, changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the Income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk
- the gain or loss relating to any ineffective portion of a hedge is recognised immediately in the Income statement
- if a hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item, for which the effective interest method is used, is amortised to the Income statement over the period until the forecast transaction occurs.

(ii) Cash flow hedges:

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

(iii) Net investment hedges:

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

Derivatives that do not qualify for hedge accounting

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

Fair value estimation

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

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

(r) Recognition and de-recognition of financial assets and liabilities

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

Notes supporting the financial information

for the year ended 31 December 2014

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

(s) Life insurance contract liabilities

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

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

Life insurance contract liabilities are usually determined using a projection method, whereby estimates of policy cashflows (premiums, benefits, expenses and profit margins to be released in future periods) are projected using best-estimate assumptions about the future. The liability is calculated as the net present value of these projected cashflows. When the benefits under a life insurance contract are linked to the assets backing it, the discount rate applied is based on the expected future earnings rate of those assets. Where the benefits are not linked to the performance of the backing assets, a risk-free discount rate is used. The risk-free discount rate is based on the zero coupon government bond rate and a liquidity margin, which depend 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* (Cth) (Life Act) and, for The National Mutual Life Association of Australasia Limited (NMLA), the Memorandum of Demutualisation.

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

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

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

The principles of allocation of the profit arising from discretionary participating business are as follows:

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

(ii) Other MoS profits arising from discretionary participating business are allocated 80% to policyholders and 20% to shareholders, with the following exceptions:
- the profit arising from New Zealand corporate superannuation business is apportioned such that shareholders are allocated 15% of the profit allocated to policyholders
- the profit arising in respect of Preservation Superannuation Account business is allocated 92.5% to policyholders and 7.5% to shareholders
- the profits arising from NMLA's discretionary participating investment account business where 100% of investment profit is allocated to policyholders and 100% of any other profit or loss is allocated to shareholders, with the over-riding provision being that at least 80% of any profit and not more than 80% of any loss be allocated to policyholders' retained profits of the relevant statutory fund
- the underwriting profit arising in respect of NMLA's Participating Business Super Risk business is allocated 90% to policyholders and 10% to shareholders
- for AMP Life, additional tax on taxable income to shareholders in respect of Australian superannuation business is allocated to shareholders only.

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

Allocation of expenses within the life insurance entities' statutory funds

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

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

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

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

Notes supporting the financial information

for the year ended 31 December 2014

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

(t) Investment contract liabilities

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

For fixed retirement-income policies, the financial instrument element of the liability is the fair value of the fixed retirement-income payments, being their net present value using a fair value discount rate. The fair value of the associated management services element is the net present value, using a fair value discount rate, of all expenses associated with the provision of services and any profit margins thereon.

(u) Contributed equity

Issued capital

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

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 AMP life insurance entities' statutory funds also recognise a corresponding liability to policyholders.

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 AMP life insurance 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.

The AMP Foundation also holds AMP Limited shares. These assets, plus any corresponding Income statement fair value amount on the assets and any dividend income, are also eliminated on consolidation of the AMP Foundation into AMP group. As the net assets and profit of the AMP Foundation Trust are fully attributable to non-controlling interests, this has no impact on the net assets or profit attributable to the shareholders of AMP Limited.

(v) Foreign currency transactions

Functional and presentation currency

The consolidated preliminary final report is presented in Australian dollars (the presentation currency). Items included in the preliminary final report 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
- all resulting exchange differences are recognised in Other comprehensive income in the foreign currency translation reserve.

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

Notes supporting the financial information

for the year ended 31 December 2014

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

(w) Insurance premium and related revenue

Life insurance contracts

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

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

Investment contracts

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

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

(x) Fee and other revenue

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

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

The revenue that can be attributed to the origination service is recognised at inception. Any amounts paid to financial planners are 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 de-recognition of the asset or liability), and unrealised gains and losses (being changes in the fair value of financial assets and investment property recognised in the period).

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

(z) Insurance claims and related expenses

Life insurance contracts

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

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

Investment contracts

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

Notes supporting the financial information

for the year ended 31 December 2014

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

(aa) Operating expenses

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

Expenses of controlled entities of the AMP life insurance entities' statutory funds represent the business costs of those entities and are consolidated into the results of the 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 assets 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 payment reserve.

Notes supporting the financial information

for the year ended 31 December 2014

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

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

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

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

(ee) 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.

(ff) Disposal groups held for sale

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

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

Notes supporting the financial information

for the year ended 31 December 2014

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 preliminary final report. Estimates and assumptions are determined based on information available to management at the time of preparing the preliminary final 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 preliminary final report. 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 preliminary final report of the AMP group where AMP Limited has control over the entities. Control arises from exposure, or rights, to variable returns from involvement with an entity, where AMP Limited has the ability to affect those returns through its power over the entity. Judgement is applied by management in assessing whether control exists.

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

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

(b) Fair value of investments in financial assets

The AMP group measures investments in financial assets, other than those held by AMP Bank and loans and advances to advisers, at fair value. Where available, quoted market prices for the same or similar instruments are used to determine fair value. Where there is no market price available for an instrument, a valuation technique is used. Management applies judgement in selecting valuation techniques and setting valuation assumptions and inputs. Further detail on the determination of fair value of financial instruments is set out in note 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 11.

(d) Acquired intangible assets

Subject to some exceptions, accounting standards require the assets and liabilities of businesses acquired through a business combination to be measured at their acquisition date fair values. Management 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 25(d) provides details of intangibles acquired through business combinations during the period.

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

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

(e) Goodwill

Goodwill is required to be allocated to cash-generating units and tested at least annually for impairment. 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 13 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 preliminary final report may be impacted by changes in legislation and interpretations or be subject to challenge by tax authorities.

Judgement is also applied by management in determining the extent to which the recovery of carried forward tax losses is probable for the purpose of meeting the criteria for recognition as deferred tax assets. Note 7 sets out information on carried forward tax losses for which a deferred tax asset has not been recognised.

(g) Provisions

A provision is recognised for items where: the 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 15 sets out further information on provisions.

Notes supporting the financial information

for the year ended 31 December 2014

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

(h) Insurance contract liabilities

The measurement of insurance contract liabilities is determined using the MoS methodology. The determination of the liability amounts involves judgement in selecting the valuation methods and profit carriers for each type of business and setting valuation assumptions. The determination is subjective and relatively small changes in assumptions may have a significant impact on the reported profit. The board of each of the life entities is responsible for these judgements and assumptions, after taking advice from the appointed actuary. Further detail on the determination of insurance contract liabilities is set out in note 20.

(i) Investment contract liabilities

Investment contract liabilities are measured at fair value. For the majority of contracts, the fair value is determined based on published unit prices and the fair value of backing assets, and does not generally require the exercise of judgement. For fixed income products and the North capital guarantee, fair value is determined using valuation models. Judgement is applied in selecting the valuation model and setting the valuation assumptions. Further details on investment contract liabilities are set out in note 21.

(j) Defined benefit plan liabilities

The defined benefit plan liabilities of the AMP group are measured as the difference, for each fund, between the fair value of the fund's assets and the actuarially determined present value of the obligation to fund members. AASB 119 *Employee Benefits* requires defined benefit plan liabilities to be measured using discount rates determined with reference to market yields at the end of the reporting period or high quality corporate bonds or, in countries where there is no deep market in such bonds, using market yields on government bonds. Judgement is applied in assessing whether there is a deep market in high quality corporate bonds and in the selection of government bonds used to determine the yield.

The determination of the fair value of the fund's assets is also subject to the other judgements, estimates and assumptions discussed at (b) above. The calculation of the obligation to fund members requires judgement to be applied in the setting of actuarial assumptions. Further detail on the determination of defined benefit plan liabilities is set out in note 27.

Notes supporting the financial information

for the year ended 31 December 2014

3. 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. The AMP group evaluates the performance of segments on a post-tax operating earnings basis.

Segment information is not reported for activities of the 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 comprises the following business units:

- *Australian wealth management (WM*) – Financial planning services (through aligned and owned advice businesses), platform administration (including SMSF), unit-linked superannuation, retirement income and managed investment products business. Superannuation products include personal and employer sponsored plans.
- *AMP Capital* – A diversified investment manager with a growing international presence, providing investment services for domestic and international customers. AMP Capital manages investments across major asset classes including equities, fixed interest, property, infrastructure and multi-manager and multi-asset funds. AMP Capital also provides commercial, industrial and retail property management services.

  AMP Capital and Mitsubishi UFJ Trust and Banking Corporation (MUTB) have a strategic business and capital alliance, with MUTB holding a 15% ownership interest in AMP Capital.

  In November 2013, AMP Capital established a funds management company in China with China Life, China's largest insurance group, institutional investor and corporate pension manager. AMP Capital is a founding shareholder, holding a 15% stake, with the balance held by China Life Asset Management Company.
- *Australian wealth protection (WP*) – Includes individual and group term, disability and income protection insurance products. Products can be bundled with a superannuation product or held independently of superannuation.
- *AMP Bank* – Australian retail bank offering residential mortgages, deposits, transaction banking, and SMSF products. It also has a portfolio of practice finance loans. AMP Bank increasingly distributes through AMP's aligned distribution network as well as third party brokers, and direct to retail customers via phone and internet banking.
- *New Zealand financial services (NZFS)* – A risk insurance business and mature book (traditional participating business), with a growing wealth management business driven by KiwiSaver.
- *Australian mature (Mature)* – A business comprising products which are mainly in run-off. Products within Australian mature include whole of life, endowment, investment linked, investment account, Retirement Savings Account, Eligible Rollover Fund, annuities, insurance bonds, personal superannuation and guaranteed savings accounts.

Notes supporting the financial information

for the year ended 31 December 2014

3. Segment information (continued)

(c) Segment profit

2014	WM $m	Bank $m	WP[2] $m	Mature[2] $m	NZFS[2] $m	AMP Capital[3] $m	Total operating segments $m
Segment profit after income tax[1]	**374**	**91**	**188**	**174**	**110**	**115**	**1,052**
Other segment information[4]							
External customer revenue	**1,525**	**246**	**188**	**174**	**110**	**254**	**2,497**
Intersegment revenue[5]	**120**	**-**	**-**	**-**	**-**	**258**	**378**
Income tax expense	**158**	**39**	**81**	**75**	**43**	**50**	**446**
Depreciation and amortisation	**53**	**-**	**11**	**4**	**7**	**11**	**86**
2013							
Segment profit after income tax[1]	330	83	64	178	97	99	851
Other segment information[4]							
External customer revenue	1,441	219	64	178	97	236	2,235
Intersegment revenue[5]	116	-	-	-	-	237	353
Income tax expense	141	35	27	76	38	43	360
Depreciation and amortisation	57	-	5	1	7	11	81

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 corporate debt
   iv) AMP AAPH integration costs, business efficiency program costs and other items (refer to note 3(d) for further details). These items do not reflect the underlying operating performance of the operating segments, and
   v) accounting mismatches, market adjustments (annuity fair value and risk products) and amortisation of AMP AAPH acquired intangible assets.

2 Statutory reporting revenue for WP, Mature and AMPFS NZ 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. AMP Capital segment profit is reported net of 15% attributable to MUTB. Other AMP Capital segment information is reported before deductions of minority interests.

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.

Notes supporting the financial information

for the year ended 31 December 2014

3. Segment information (continued)

	2014 $m	2013 $m
(d) Reconciliation of segment profit after tax		
Australian wealth management	**374**	330
AMP Capital	**115**	99
Australian wealth protection	**188**	64
AMP Bank	**91**	83
New Zealand financial services	**110**	97
Australian mature	**174**	178
Business unit operating earnings	**1,052**	851
Group office costs	**(62)**	(62)
Total operating earnings	**990**	789
Underlying investment income[1]	**132**	135
Interest expense on corporate debt	**(77)**	(75)
Underlying profit	**1,045**	849
Other items[2]	**7**	(2)
AMP AAPH integration costs	**(20)**	(57)
Business efficiency program costs	**(100)**	(39)
Amortisation of AMP AAPH acquired intangible assets	**(89)**	(91)
Profit before market adjustments and accounting mismatches	**843**	660
Market adjustment - investment income[1]	**42**	2
Market adjustment - annuity fair value[3]	**6**	27
Market adjustment - risk products[4]	**11**	(5)
Accounting mismatches[5]	**(18)**	(12)
Profit attributable to shareholders of AMP Limited	**884**	672
Profit attributable to non-controlling interests	**87**	44
Profit for the year	**971**	716

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 returns are set based on long-term expected returns for each asset class, except for a short-term return, equivalent to a one-year government bond, set annually for the implicit deferred acquisition costs (DAC) component of shareholder assets. 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 Other items include one-off and non-recurring revenues and costs.

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

4 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.

5 Under Australian Accounting Standards, some assets held on behalf of the policyholders (and related tax balances) are recognised in the financial statements 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.

Notes supporting the financial information

for the year ended 31 December 2014

3. Segment information (continued)

	2014 $m	2013 $m
(e) Reconciliation of segment revenue		
Total segment revenue	**2,875**	2,588
Add revenue excluded from segment revenue		
Investment gains and (losses) - shareholders and policyholders (excluding AMP Bank interest revenue)	**11,414**	14,154
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	**67**	311
Other revenue	**59**	108
Add back expenses netted against segment revenue		
Claims, expenses, movement in insurance contract liabilities and tax relating to Australian Wealth Protection, Australian Mature and New Zealand Financial Services	**1,955**	1,944
Interest expense related to AMP Bank	**594**	600
External investment manager and adviser fees paid in respect of certain assets under management	**1,014**	761
Remove intersegment revenue	**(378)**	(353)
Total revenue[1]	**17,600**	20,113

1 Revenue as per the Income statement of $17,600m (2013: $20,113m) comprises Premiums and related revenue $2,427m (2013: $2,283m), Fee revenue $2,790m (2013: $2,434m), Other revenue $126m (2013: $419m), Investment gains and (losses) gains of $12,244m (2013: gains of $14,963m) and Share of profit or (loss) of associates accounted for using the equity method $13m (2013: $14m).

Notes supporting the financial information

for the year ended 31 December 2014

4. Income

	Consolidated		Parent	
	2014	2013	2014	2013
	$m	$m	$m	$m
(a) Life insurance premium and related revenue				
Life insurance contract premium revenue	**2,290**	2,175	**-**	-
Reinsurance recoveries	**137**	108	**-**	-
Total life insurance premium and related revenue	**2,427**	2,283	**-**	-
(b) Fee revenue				
Investment management and origination fees	**2,065**	1,830	**-**	-
Financial advisory fees	**725**	604	**-**	-
Service fees - subsidiaries	**-**	-	**14**	12
Total fee revenue	**2,790**	2,434	**14**	12
(c) Other revenue				
Investment entities controlled by the AMP life insurance entities' statutory funds[1]	**67**	311	**-**	-
Other entities	**59**	108	**-**	-
Total other revenue	**126**	419	**-**	-

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

Notes supporting the financial information

for the year ended 31 December 2014

5. Investment gains and (losses)

	Consolidated		Parent	
	2014	2013	2014	2013
	$m	$m	$m	$m
Investment gains and (losses)				
Interest[1]				
- subsidiaries	**-**	-	**17**	1
- other entities	**2,468**	2,301	**1**	1
Dividends and distributions				
- subsidiaries	**-**	-	**578**	1,675
- associated entities not equity accounted	**1,494**	923	**-**	-
- other entities	**5,472**	3,811	**-**	-
Rental income	**505**	582	**-**	-
Net realised and unrealised gains and (losses)[2]	**2,167**	7,306	**203**	-
Other investment income	**138**	40	**-**	-
Total investment gains and (losses)[3]	**12,244**	14,963	**799**	1,677

1 Interest includes interest income from financial assets designated at fair value through profit or loss upon initial recognition, with the exception of $783m (2013: $767m) 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 for the consolidated group predominantly consist of gains and losses on financial assets and financial liabilities designated at fair value through profit or loss upon initial recognition. The net unrealised gain for the parent entity is the reversal of an impairment of an investment in a controlled entity recognised in an earlier period.

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

Notes supporting the financial information

for the year ended 31 December 2014

6. Expenses

	Consolidated		Parent	
	2014	**2013**	**2014**	**2013**
	$m	**$m**	**$m**	**$m**
(a) Life insurance claims and related expenses				
Life insurance contract claims and related expenses	**(2,025)**	(1,979)	**-**	-
Outwards reinsurance expense	**(141)**	(105)	**-**	-
Total life insurance claims and related expenses	**(2,166)**	(2,084)	**-**	-
(b) Operating expenses[1]				
Commission and advisory fee-for-service expense	**(1,211)**	(1,105)	**-**	-
Investment management expenses	**(297)**	(281)	**-**	-
Fee and commission expenses	**(1,508)**	(1,386)	**-**	-
Wages and salaries	**(888)**	(966)	**(5)**	(4)
Contributions to defined contribution plans	**(85)**	(94)	**(1)**	-
Defined benefit fund expense	**(8)**	(27)	**-**	-
Share-based payments expense	**(35)**	(30)	**(6)**	(3)
Other staff costs	**(69)**	(83)	**(1)**	(1)
Staff and related expenses	**(1,085)**	(1,200)	**(13)**	(8)
Occupancy and other property related expenses	**(105)**	(105)	**-**	-
Direct property expenses[2]	**(139)**	(169)	**-**	-
Information technology and communication	**(256)**	(307)	**-**	-
Professional and consulting fees	**(94)**	(143)	**-**	-
Advertising and marketing	**(39)**	(42)	**-**	-
Travel and entertainment	**(34)**	(44)	**-**	-
Impairment of intangibles[3]	**(13)**	(25)	**-**	-
Amortisation of intangibles	**(258)**	(203)	**-**	-
Depreciation of property, plant and equipment	**(17)**	(44)	**-**	-
Other expenses				
- investment entities controlled by the AMP life insurance entities' statutory funds	**(2)**	(76)	-	-
- other entities	**(284)**	(132)	**(1)**	(4)
Other operating expenses	**(1,241)**	(1,290)	**(1)**	(4)
Total operating expenses	**(3,834)**	(3,876)	**(14)**	(12)
(c) Finance costs				
Interest expense on borrowings and subordinated debt	**(674)**	(679)	**(18)**	-
Other finance costs	**(11)**	(74)	**-**	-
Total finance costs	**(685)**	(753)	**(18)**	-

1 Operating expenses includes certain trading expenses of investment entities controlled by the AMP life insurance entities' statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group. The reduction includes the impact of AMP ceasing to control a number of controlled operating entities, principally the controlled entities of Aged Care Investment Trust 1 & 2, during 2013.

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

3 Impairment of intangibles includes $13m (2013: $25m) in relation to controlled entities of AMP life insurance entities' statutory funds. The 2014 balance relates to goodwill of controlled entities of AMP life insurance entities' statutory funds which has been transferred to disposal groups.

Notes supporting the financial information

for the year ended 31 December 2014

7. Income tax

	Consolidated		Parent	
	2014	**2013**	**2014**	**2013**
	$m	**$m**	**$m**	**$m**
(a) Analysis of income tax (expense) credit				
Current tax (expense) credit	**(381)**	(23)	**(6)**	6
Increase (decrease) in deferred tax assets	**(148)**	(95)	**57**	2
(Increase) decrease in deferred tax liabilities	**(320)**	(686)	**-**	-
Over (under) provided in previous years including amounts attributable to policyholders	**6**	22	**-**	2
Income tax (expense) credit	**(843)**	(782)	**51**	10

(b) Relationship between income tax expense and accounting profit

The following table provides a reconciliation of differences between *prima facie* tax calculated as 30% of the profit before income tax for the year and the actual income tax expense recognised in the Income statement for the year. The income tax expense amount reflects the impact of both income tax attributable to shareholders as well as income tax attributable to policyholders. In respect of income tax expense attributable to shareholders, the tax rate which applies is 30% in Australia and 28% in New Zealand.

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

	Consolidated		Parent	
	2014	**2013**	**2014**	**2013**
	$m	**$m**	**$m**	**$m**
Profit before income tax	**1,814**	1,498	**781**	1,677
Policyholder tax (expense) credit recognised as part of the change in policyholder liabilities in determining profit before tax	**(540)**	(564)	**-**	-
Profit before income tax excluding tax charged to policyholders	**1,274**	934	**781**	1,677
Tax at the Australian tax rate of 30% (2013: 30%)	**(382)**	(280)	**(234)**	(503)
Tax effect of differences between amounts of income and expenses recognised for accounting and the amounts assessable/deductible in calculating taxable income:				
- shareholder impact of life-insurance tax treatment	**(30)**	16	**-**	-
- tax concessions including research and development and offshore banking unit	**12**	18	**-**	-
- non-deductible expenses	**(7)**	(7)	**(1)**	(1)
- non-taxable income	**11**	7	**61**	-
- dividend income from controlled entities	**-**	-	**173**	502
- other items	**13**	(3)	**(5)**	7
Over (under) provided in previous years after excluding amounts attributable to policyholders	**17**	15	**-**	2
Utilisation of previously unrecognised tax losses	**56**	3	**57**	3
Differences in overseas tax rates	**7**	13	**-**	-
Income tax (expense) credit attributable to shareholders	**(303)**	(218)	**51**	10
Income tax (expense) credit attributable to policyholders	**(540)**	(564)	**-**	-
Income tax (expense) credit per Income statement	**(843)**	(782)	**51**	10

Notes supporting the financial information

for the year ended 31 December 2014

7. Income tax (continued)

	Consolidated		Parent	
	2014	2013	2014	2013
	$m	$m	$m	$m
(c) Analysis of deferred tax assets				
Expenses deductible and income recognisable in future years	**253**	247	**1**	1
Unrealised movements on borrowings and derivatives	**19**	60	**-**	-
Unrealised investment losses	**25**	61	**-**	-
Losses available for offset against future taxable income	**310**	642	**50**	57
Other	**90**	52	**4**	4
Total deferred tax assets	**697**	1,062	**55**	62
(d) Analysis of deferred tax liabilities				
Unrealised investment gains	**1,759**	1,525	**-**	-
Unrealised movements on borrowings and derivatives	**20**	16	**-**	-
Other	**557**	569	**-**	-
Total deferred tax liabilities	**2,336**	2,110	**-**	-
(e) Amounts recognised directly in equity				
Deferred income tax (expense) credit related to items taken directly to equity during the current year	**34**	(87)	**-**	-
(f) Unused tax losses and deductible temporary differences not recognised				
Revenue losses	**109**	118	**108**	110
Capital losses	**343**	407	**321**	378

Notes supporting the financial information

for the year ended 31 December 2014

8. Receivables

	Consolidated		Parent	
	2014	**2013**	**2014**	**2013**
	$m	**$m**	**$m**	**$m**
Investment income receivable	**358**	269	**1**	1
Investment sales and margin accounts receivable	**872**	1,012	**-**	-
Life insurance contract premiums receivable	**369**	366	**-**	-
Reinsurance and other recoveries receivable	**29**	26	**-**	-
Reinsurers' share of life insurance contract liabilities	**529**	465	**-**	-
Trade debtors	**234**	208	**-**	-
Other receivables				
- investment entities controlled by the AMP life insurance entities' statutory funds	**11**	6	**-**	-
- other entities	**116**	66	**4**	2
- subsidiaries tax related amounts	**-**	-	**316**	47
Total receivables[1]	**2,518**	2,418	**321**	50

1 $425m (2013: $387m) of Total consolidated receivables is expected to be recovered more than 12 months from the reporting date and nil (2013: nil) of Total receivables of the parent is expected to be recovered more than 12 months from the reporting date.

Notes supporting the financial information

for the year ended 31 December 2014

9. Inventories and other assets

	Consolidated		Parent	
	2014 $m	2013 $m	2014 $m	2013 $m
Inventories[1]	**136**	142	**-**	-
Prepayments	**51**	71	**-**	-
Other assets[2]	**2**	3	**-**	-
Total inventories and other assets[3]	**189**	216	**-**	-

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

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

3 $81m (2013: $99m) of inventories and other assets is expected to be recovered more than 12 months from the reporting date.

Notes supporting the financial information

for the year ended 31 December 2014

10. Investments in financial assets and other financial liabilities

	Consolidated		Parent	
	2014	2013	2014	2013
	$m	$m	$m	$m
Investments in financial assets				
Financial assets measured at fair value through profit or loss[1]				
Equity securities and listed managed investment schemes	**46,830**	47,670	**-**	-
Debt securities[2]	**38,440**	32,680	**-**	-
Investments in unlisted managed investment schemes	**18,556**	16,356	**-**	-
Derivative financial assets	**1,982**	1,648	**-**	-
Other financial assets	**40**	146	**-**	-
Total financial assets measured at fair value through profit or loss	**105,848**	98,500	**-**	-
Available-for-sale financial assets				
Equity securities and managed investment schemes	**63**	61	-	-
Total available-for-sale financial assets	**63**	61	-	**-**
Financial assets measured at amortised cost				
Loans and advances - to subsidiaries	**-**	-	**1,960**	2,085
Loans and advances	**14,590**	13,418	**-**	-
Debt securities - held to maturity	**2,335**	2,800	**-**	-
Total financial assets measured at amortised cost	**16,925**	16,218	**1,960**	2,085
Total investments in financial assets	**122,836**	114,779	**1,960**	2,085
Other financial liabilities				
Derivative financial liabilities	**1,150**	1,041	**-**	-
Collateral deposits held[3]	**865**	1,428	**-**	-
Total other financial liabilities	**2,015**	2,469	**-**	-

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

Notes supporting the financial information

for the year ended 31 December 2014

11. Investment property

	Consolidated		Parent	
	2014 $m	2013 $m	2014 $m	2013 $m
Investment property				
Directly held	**340**	6,889	**-**	-
Total investment property	**340**	6,889	**-**	-
Movements in investment property				
Balance at the beginning of the year	**6,889**	6,508	**-**	-
Additions - through direct acquisitions	**-**	54	**-**	-
Additions - subsequent expenditure recognised in carrying amount	**51**	151	**-**	-
Acquisitions (disposal) through business combinations[2]	**(2,742)**	71	**-**	-
Disposals[2]	**(3,922)**	(16)	**-**	-
Net gains (losses) from fair value adjustments	**74**	111	**-**	-
Foreign currency exchange differences	**-**	10	**-**	-
Transfer from (to) inventories	**(10)**	-	**-**	-
Balance at the end of the year[1]	**340**	6,889	**-**	-

1 Investment property of nil (2013: $3,901m) held by controlled entities of the AMP life insurance entities' statutory funds has been provided as security against borrowings of these controlled entities of the AMP life insurance entities' statutory funds.

2 In October 2014, substantially all of the investment property in the AMP group was sold into the AMP Capital Diversified Property Fund (ADPF). The AMP group also sold units in other property funds to ADPF and, as a result, ceased to control a number of funds with direct property assets. The AMP group continues to invest in property assets indirectly through ADPF and other property funds.

Valuation of investment property

Investment property is measured at fair value at each reporting date. *Fair value* represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the reporting date.

Fair values of the 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 the reporting date to ensure there has been no material change to the fair value since the valuation date.

The valuers use 'comparable sales analysis' and the 'capitalised income approach' which considers factors such as annual net market income, comparable capitalisation rates and other property-specific adjustments as well as discounted cashflow analysis using a market determined risk adjusted discount rate. The fair value of investment property does not include future capital expenditure that will improve or enhance the property.

	Consolidated		Parent	
	2014	2013	2014	2013
Primary assumptions used in valuing investment property	%	%	%	%
Capitalisation rates[1]	**6.63-8.00**	5.75-10.00	**-**	-
Market determined, risk adjusted discount rate[2]	**8.00-9.25**	8.50-11.00	**-**	-

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

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

Notes supporting the financial information

for the year ended 31 December 2014

12. Property, plant and equipment

2014 - Consolidated	Owner-occupied property measured at fair value[1] $m	Owner-occupied property measured at cost $m	Leasehold improvements $m	Plant and equipment[2] $m	Total $m
Property, plant and equipment					
Gross carrying amount	**342**	**-**	**107**	**154**	**603**
Less: accumulated depreciation and impairment losses	**-**	**-**	**(90)**	**(112)**	**(202)**
Property, plant and equipment at written down value	**342**	**-**	**17**	**42**	**401**
Movements in property, plant and equipment					
Balance at the beginning of the year	**331**	**-**	**15**	**110**	**456**
Additions (reductions) through acquisitions (disposal) of controlled entities[2]	**-**	**-**	**-**	**-**	**-**
Additions					
- through direct acquisitions	**-**	**-**	**2**	**16**	**18**
- subsequent expenditure recognised in carrying amount	**6**	**-**	**-**	**-**	**6**
Increases(decreases) from revaluations recognised directly in equity	**8**	**-**	**-**	**-**	**8**
Disposals	**-**	**-**	**-**	**(1)**	**(1)**
Depreciation expense	**(3)**	**-**	**(4)**	**(10)**	**(17)**
Transferred to disposal group	**-**	**-**	**-**	**(69)**	**(69)**
Other movements	**-**	**-**	**4**	**(4)**	**-**
Balance at the end of the year	**342**	**-**	**17**	**42**	**401**
2013 - Consolidated					
Property, plant and equipment					
Gross carrying amount	331	-	103	294	728
Less: accumulated depreciation and impairment losses	-	-	(88)	(184)	(272)
Property, plant and equipment at written down value	331	-	15	110	456
Movements in property, plant and equipment					
Balance at the beginning of the year	321	529	15	175	1,040
Additions (reductions) through acquisitions (disposal) of controlled entities[2]	-	(521)	-	(39)	(560)
Additions					
- through direct acquisitions	-	-	7	13	20
- subsequent expenditure recognised in carrying amount	3	15	-	-	18
Increases(decreases) from revaluations recognised directly in equity	10	-	-	-	10
Disposals	-	(18)	-	(3)	(21)
Depreciation expense	(3)	(5)	(7)	(29)	(44)
Transferred to disposal group	-	-	-	(8)	(8)
Other movements	-	-	-	1	1
Balance at the end of the year	331	-	15	110	456

1 For Owner-occupied property measured at fair value; had the asset been measured at historic cost the amortised carrying value would have been $201m (2013: $198m).

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

Notes supporting the financial information

for the year ended 31 December 2014

13. Intangibles

2014 - Consolidated	Goodwill[1] $m	Capital-ised costs $m	Value of in-force business $m	Distrib-ution networks $m	Other intangibles $m	Total $m
Intangibles						
Gross carrying amount	**2,825**	**1,008**	**1,191**	**217**	**95**	**5,336**
Less: accumulated amortisation and/or impairment losses	**(108)**	**(630)**	**(385)**	**(81)**	**(90)**	**(1,294)**
Intangibles at written down value	**2,717**	**378**	**806**	**136**	**5**	**4,042**
Movements in intangibles						
Balance at the beginning of the year	**2,711**	**355**	**909**	**140**	**21**	**4,136**
Additions (reductions) through acquisitions (disposal) of controlled entities	**19**	**-**	**-**	**5**	**-**	**24**
Additions through separate acquisition	**-**	**-**	**-**	**34**	**-**	**34**
Additions through internal development	**-**	**127**	**-**	**-**	**-**	**127**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**
Transferred to disposal groups	**(13)**	**-**	**-**	**-**	**-**	**(13)**
Amortisation expense[2]	**-**	**(104)**	**(103)**	**(35)**	**(16)**	**(258)**
Impairment losses[3]	**-**	**-**	**-**	**-**	**-**	**-**
Other movements	**-**	**-**	**-**	**(8)**	**-**	**(8)**
Balance at the end of the year	**2,717**	**378**	**806**	**136**	**5**	**4,042**

2013 - Consolidated	Goodwill[1] $m	Capital-ised costs $m	Value of in-force business $m	Distrib-ution networks $m	Other intangibles $m	Total $m
Intangibles						
Gross carrying amount	2,841	881	1,191	186	95	5,194
Less: accumulated amortisation and/or impairment losses	(130)	(526)	(282)	(46)	(74)	(1,058)
Intangibles at written down value	2,711	355	909	140	21	4,136
Movements in intangibles						
Balance at the beginning of the year	2,876	229	1,011	143	243	4,502
Additions (reductions) through acquisitions (disposal) of controlled entities and other businesses	(116)	-	-	3	(190)	(303)
Additions through separate acquisition	-	-	-	-	-	-
Additions through internal development	-	190	-	-	-	190
Disposals	(16)	-	-	-	(6)	(22)
Transferred to disposal groups	(15)	-	-	-	(5)	(20)
Amortisation expense[2]	-	(64)	(102)	(16)	(21)	(203)
Impairment losses[3]	(18)	-	-	-	-	(18)
Other movements	-	-	-	10	-	10
Balance at the end of the year	2,711	355	909	140	21	4,136

1 Total goodwill comprises amounts attributable to shareholders of $2,702m (2013: $2,683m) and amounts attributable to policyholders of $15m (2013: $28m).

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

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

Notes supporting the financial information

for the year ended 31 December 2014

13. Intangibles (continued)

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

Goodwill attributable to shareholders
$2,702m (2013: $2,683m) of the goodwill is attributable to shareholders and arose from the acquisition of AMP AAPH Limited group in 2011, a previous Life Act Part 9 transfer of life insurance business into the statutory funds of AMP Life and other business combinations where the AMP group was the acquirer.

Each of the businesses acquired included activities conducted in the same business units already operated by AMP. Those business units are Australian wealth management (WM), Australian wealth protection (WP), Australian mature, AMP Financial Services New Zealand and AMP Capital and those business units are identified as the cash-generating units for the purpose of assessing goodwill impairment.

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

- Australian wealth management – goodwill attributable: $1,425m (2013: $1,406m)
- Australian wealth protection – goodwill attributable: $668m (2013: $668m)
- Australian mature – goodwill attributable: $350m (2013: $350m)
- AMP Financial Services New Zealand – goodwill attributable $172m (2013: $172m)
- AMP Capital – goodwill attributable $87m (2013: $87m).

There were no other intangible assets with indefinite useful lives allocated to these cash-generating units (31 December 2013: nil).

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

In determining the fair value of future new business, multiples of 10 to 15 were applied to the actuarially determined value of one year's new business. The key assumptions applied in estimating the embedded value and value of one year's new business are: mortality, morbidity, discontinuance rates, maintenance unit costs, future rates of supportable bonus for participating business, franking credits, risk discount rates, investment returns and inflation rates. Premium and claim amounts are estimated over the expected life of the in-force policies which varies depending on the nature of the product. Future maintenance and investment expenses are based on unit costs derived from budgeted amounts for the following year and increased in future years for expected rates of inflation. Assumptions applied in this valuation are consistent with the best estimate assumptions used in calculating the policy liabilities of AMP's life insurance entities except the value of in-force and new business calculation includes a risk discount rate. Note 1(s) and note 20 provide extensive details with respect to the assumptions, management's approach to determining the values assigned to each key assumption and their consistency with past experience and external sources of information. All relevant business is projected for the embedded value and the description of the assumptions in note 20 applies even where that business is not valued by projection methods for profit reporting. The value of in-force and new business calculation uses a risk discount rate based on an annualised 10-year government bond yield plus a discount margin of 4% (2013: 4%): Australia 6.8% (2013: 8.3%), New Zealand 7.7% (2013: 8.8%).

The recoverable amount for the AMP Capital cash-generating unit is determined based on a multiple of 19 times (2013: 17.4 times) current period earnings, which approximates the fair value of this business, less an allowance for disposal costs.

The conclusion from the goodwill impairment testing is that there has been no impairment to the amount of the goodwill recognised.

At the reporting date, 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 arises on acquisitions of operating subsidiaries controlled by the AMP life insurance entities' statutory funds, which carry out business operations unrelated to the core wealth management operations of the AMP group. The goodwill represents the future value of cashflows expected to be derived from those operating subsidiaries.

Policyholder cash-generating units were allocated $15m goodwill at 31 December 2014 (31 December 2013: $28m). Policyholder cash-generating units had no other intangibles with indefinite useful lives (31 December 2013: nil).

Impairment testing of these goodwill balances is based on each asset's value in use, calculated as the present value of forecast future cashflows from those assets using discount rates of between 9.3% and 19.6% (2013: 13.0% and 19.6%).

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

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

Notes supporting the financial information

for the year ended 31 December 2014

14. Payables

	Consolidated		Parent	
	2014	**2013**	**2014**	**2013**
	$m	**$m**	**$m**	**$m**
Investment purchases and margin accounts payable	**795**	602	**-**	-
Life insurance and investment contracts in process of settlement	**367**	354	**-**	-
Accrued expenses	**86**	154	**-**	-
Interest payable	**4**	33	**-**	-
Trade creditors	**56**	93	**-**	-
Other payables				
- subsidiaries	**-**	-	**-**	-
- subsidiaries tax related amounts	**-**	-	**91**	45
- investment entities controlled by AMP life insurance entities' statutory funds	**159**	158	**-**	-
- other entities	**484**	516	**1**	2
Total payables [1 2]	**1,951**	1,910	**92**	47

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

2 $2m (2013: $7m) of Total payables of the AMP group is expected to be settled more than 12 months from the reporting date and nil (2013: nil) of Total payables of the parent is expected to be settled more than 12 months from the reporting date.

Notes supporting the financial information

for the year ended 31 December 2014

15. Provisions

	Consolidated 2014 $m	Consolidated 2013 $m	Parent 2014 $m	Parent 2013 $m
(a) Provisions				
Employee entitlements[1]	**295**	271	**5**	3
Restructuring[2]	**17**	16	**-**	-
Other[3]	**130**	164	**-**	-
Total provisions	**442**	451	**5**	3

	Employee entitlements[1] $m	Restructuring[2] $m	Other[3] $m	Total $m
(b) Movements in provisions - consolidated				
Balance at the beginning of the year	**271**	**16**	**164**	**451**
Additions (reductions) through acquisitions (disposal) of controlled entities	**(2)**	**-**	**(12)**	**(14)**
Additional provisions made during the year	**205**	**41**	**83**	**329**
Unused amounts reversed during the year	**(20)**	**(7)**	**(24)**	**(51)**
Provisions used during the year	**(160)**	**(33)**	**(82)**	**(275)**
Foreign exchange movements	**1**	**-**	**1**	**2**
Balance at the end of the year	**295**	**17**	**130**	**442**

	Employee entitlements[1] $m	Restructuring[2] $m	Other[3] $m	Total $m
(c) Movements in provisions - parent				
Balance at the beginning of the year	**3**	**-**	**-**	**3**
Additions (reductions) through acquisitions (disposal) of controlled entities	**-**	**-**	**-**	**-**
Additional provisions made during the year	**4**	**-**	**-**	**4**
Unused amounts reversed during the year	**-**	**-**	**-**	**-**
Provisions used during the year	**(2)**	**-**	**-**	**(2)**
Foreign exchange movements	**-**	**-**	**-**	**-**
Balance at the end of the year	**5**	**-**	**-**	**5**

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. $13m (2013: $18m) of the consolidated balance is expected to be settled more than 12 months from the reporting date. Nil (2013: nil) 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. Nil (2013: 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. $15m (2013: $14m) is expected to be settled more than 12 months from the reporting date.

Notes supporting the financial information

for the year ended 31 December 2014

16. Borrowings

	Consolidated		Parent	
	2014 $m	2013 $m	2014 $m	2013 $m
Deposits[1]	**6,392**	5,442	**-**	-
Borrowings and interest bearing liabilities				
- AMP Bank and securitisation vehicles	**7,224**	7,028	**-**	-
- Corporate borrowings	**463**	711	**-**	-
- Investment entities controlled by AMP life insurance entities' statutory funds	**1,273**	1,641	**-**	-
Total borrowings[2]	**15,352**	14,822	**-**	-

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 borrowings of AMP group $463m (2013: $711m). Of this balance $255m (2013: $710m) is expected to be settled more than 12 months from the reporting date

ii) AMP Bank and securitisation trusts borrowings $13,514m (2013: $12,359m). Of this balance $2,931m (2013: $4,554m) is expected to be settled more than 12 months from the reporting date, and

iii) AMP Life statutory funds borrowings and borrowings within controlled entities of AMP Life are $1,375m (2013: $1,752m). Of this balance $1,238m (2013: $1,163m) is expected to be settled more than 12 months from the reporting date.

Notes supporting the financial information

for the year ended 31 December 2014

17. Subordinated debt

	Consolidated		Parent	
	2014	**2013**	**2014**	**2013**
	$m	**$m**	**$m**	**$m**
AMP Bank				
- Floating Rate Subordinated Unsecured Notes (first call date 2017, maturity 2022)[1]	**150**	150	**-**	-
Corporate subordinated debt[2]				
- 6.875% GBP Subordinated Guaranteed Bonds (maturity 2022)	**79**	72	**-**	-
- Floating Rate Subordinated Unsecured Notes (first call date 2016, maturity 2021)[3]	**602**	602	**-**	-
- AMP Notes 2 (first call date 2018, maturity 2023)[4]	**319**	317	**326**	325
- A$ AMP Notes (first call date 2014, maturity 2019)[5]	**-**	173	**-**	-
- NZ$ AMP Notes (first call date 2014, maturity 2019)[5]	**-**	107	**-**	-
Total subordinated debt	**1,150**	1,421	**326**	325

1 Floating rate subordinated unsecured notes are to fund AMP Bank's capital requirements. Of this balance all (2013: all) is expected to be settled more than 12 months from the reporting date.

2 Subordinated debt amounts are to fund corporate activities of AMP group. All of this balance (2013: all with the exception of A$ AMP Notes and NZ$ AMP Notes) is expected to be settled more than 12 months from the reporting date.

3 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.

4 AMP Limited Floating Rate unsecured notes were issued on 18 December 2013 and are listed on the ASX. In certain circumstances, AMP may be required to convert some or all of AMP Notes 2 into AMP ordinary shares.

5 During 2014, AMP repaid (at first call date) $173m A$ AMP Notes and $107m NZ$ AMP Notes.

Notes supporting the financial information

for the year ended 31 December 2014

18. Dividends

	Consolidated		Parent	
	2014	2013	2014	2013
	$m	$m	$m	$m
Final dividends paid				
2013 final dividend paid in 2014: 11.5 cents per ordinary share franked to 70% (2012 final dividend paid in 2013: 12.5 cents per ordinary share franked to 65%)	**340**	366	**340**	366
Interim dividends paid				
2014: 12.5 cents per ordinary share franked to 70% (2013: 11.5 cents per ordinary share franked to 70%)	**370**	339	**370**	339
Total dividends paid[1,2]	**710**	705	**710**	705
Final dividends proposed but not recognised				
2014: 13.5 cents per ordinary share franked to 80%	**399**	340	**399**	340
Dividend franking account[3,4]				
Franking credits available to shareholders of AMP Limited (at 30%)	**291**	196	**291**	196

1 Total dividends paid includes dividends paid on 'treasury shares' $10m (2013: $9m). 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%.

3 The franking credits available to shareholders are based on the balance of the dividend franking account at the reporting date adjusted for:

i) franking credits that will arise from the payment of the current tax liability

ii) franking debits that will arise from the payment of dividends recognised as a liability at the year end

iii) franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the year end, and

iv) 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 $137m.

Notes supporting the financial information

for the year ended 31 December 2014

19. Contributed equity

	Consolidated		Parent	
	2014	2013	2014	2013
	$m	$m	$m	$m
Movements in issued capital				
Balance at the beginning of the year	**9,747**	9,610	**9,747**	9,610
Nil (2013: 27,314,418) shares issued under dividend reinvestment plan[1]	**-**	137	**-**	137
Balance at the end of the year	**9,747**	9,747	**9,747**	9,747
Total issued capital				
2,957,737,964 (2013: 2,957,737,964) ordinary shares fully paid	**9,747**	9,747	**9,747**	9,747
Movements in 'treasury shares'				
Balance at the beginning of the year	**(145)**	(277)	**-**	-
(Increase) decrease due to purchases less sales during the year	**(94)**	132	**-**	-
Balance at the end of the period	**(239)**	(145)	**-**	-
Total treasury shares[2]				
46,961,490 (2013: 29,177,280) treasury shares	**(239)**	(145)	**-**	-
Total contributed equity				
2,910,776,474 (2013: 2,928,560,684) ordinary shares fully paid	**9,508**	9,602	**9,747**	9,747

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.

1 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 2013 final dividend (paid in April 2014) at $4.96 per share, 2014 interim dividend (paid in October 2014) at $5.57 per share. AMP settled the DRP for the 2013 final dividend and 2014 interim dividend by acquiring shares on market and, accordingly, no new shares were issued.

2 Of the AMP Limited ordinary shares on issue 44,835,103 (2013: 27,050,893) are held by AMP's life insurance entities 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.

Notes supporting the financial information

for the year ended 31 December 2014

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

	Consolidated		Parent	
	2014	**2013**	**2014**	**2013**
	$m	**$m**	**$m**	**$m**
(a) Analysis of life insurance contract premium and related revenue				
Total life insurance contract premiums received and receivable	**2,797**	3,327	**-**	-
Less: component recognised as a change in life insurance contract liabilities	**(507)**	(1,152)	**-**	-
Life insurance contract premium revenue[1]	**2,290**	2,175	**-**	-
Reinsurance recoveries	**137**	108	**-**	-
Total life insurance contract premium and related revenue	**2,427**	2,283	**-**	-
(b) Analysis of life insurance contract claims and related expenses				
Total life insurance contract claims paid and payable	**(4,620)**	(3,974)	**-**	-
Less: component recognised as a change in life insurance contract liabilities	**2,595**	1,995	**-**	-
Life insurance contract claims expense	**(2,025)**	(1,979)	**-**	-
Outwards reinsurance expense	**(141)**	(105)	**-**	-
Total life insurance contract claims and related expenses	**(2,166)**	(2,084)	**-**	-
(c) Analysis of life insurance contract operating expenses				
Life insurance contract acquisition expenses				
- commission	**(74)**	(91)	**-**	-
- other expenses	**(159)**	(148)	**-**	-
Life insurance contract maintenance expenses				
- commission	**(195)**	(193)	**-**	-
- other expenses	**(391)**	(413)	**-**	-
Investment management expenses	**(55)**	(56)	**-**	-

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

Notes supporting the financial information

for the year ended 31 December 2014

20. Life insurance contracts (continued)

	Consolidated		Parent	
	2014	2013	2014	2013
	$m	$m	$m	$m
(d) Life insurance contract liabilities				
Life insurance contract liabilities determined using projection method				
Best estimate liability				
- value of future life insurance contract benefits	**19,773**	18,179	**-**	-
- value of future expenses	**5,163**	4,465	**-**	-
- value of future premiums	**(19,874)**	(17,454)	**-**	-
Value of future profits				
- life insurance contract holder bonuses	**2,875**	2,824	**-**	-
- shareholders' profit margins	**3,445**	2,991	**-**	-
Total life insurance contract liabilities determined using the projection method[1]	**11,382**	11,005	**-**	-
Life insurance contract liabilities determined using accumulation method				
Best estimate liability				
- value of future life insurance contract benefits	**10,107**	11,194	**-**	-
- value of future acquisition expenses	**(94)**	(5)	**-**	-
Total life insurance contract liabilities determined using the accumulation method	**10,013**	11,189	**-**	-
Value of declared bonus	**326**	226	**-**	-
Unvested policyholder benefits liabilities[1]	**2,153**	2,049	**-**	-
Total life insurance contract liabilities net of reinsurance	**23,874**	24,469	**-**	-
Add: reinsurers' share of life insurance contract liabilities	**529**	465	**-**	-
Total life insurance contract liabilities gross of reinsurance	**24,403**	24,934	**-**	-

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

(e) Reconciliation of changes in life insurance contract liabilities				
Total life insurance contract liabilities at the beginning of the year	**24,934**	25,055	**-**	-
Change in life insurance contract liabilities recognised in the Income statement	**1,333**	381	**-**	-
Premiums recognised as an increase in life insurance contract liabilities	**507**	1,152	**-**	-
Claims recognised as a decrease in life insurance contract liabilities	**(2,595)**	(1,995)	**-**	-
Change in reinsurers' share of life insurance contract liabilities	**64**	(65)	**-**	-
Foreign exchange adjustment	**160**	406	**-**	-
Total life insurance contract liabilities at the end of the year	**24,403**	24,934	**-**	-

Notes supporting the financial information

for the year ended 31 December 2014

20. Life insurance contracts (continued)

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

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

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

Business type	Method	Profit carriers (for business valued using projection method)
Conventional	Projection	Bonuses
Investment account	Modified accumulation	n/a
Retail risk (lump sum)	Projection	Expected premiums
Retail risk (income protection - AMP Life NZ only)	Projection	Expected premiums
Retail risk (income protection - all others)	Projection	Expected claims
Group risk (lump sum)	Accumulation	n/a
Group risk (income benefits)	Accumulation	n/a
Participating allocated annuities (AMP Life only)	Modified accumulation	n/a
Life annuities	Projection	Annuity payments

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

(i) Risk-free discount rates

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

Business type		Basis[1]	31 December 2014 Australia %	31 December 2014 New Zealand %	31 December 2013 Australia %	31 December 2013 New Zealand %
Retail risk (other than income benefit open claims)		Zero coupon government bond yield curve	**2.1 - 3.8**	**3.6 - 4.1**	2.5 - 5.5	3.2 - 5.4
Retail risk and group risk (income benefit open claims)		Zero coupon government bond yield curve (including liquidity premium)	**2.4 - 4.0**	**3.8 - 4.3**	2.7 - 5.7	3.5 - 5.7
Life annuities[2]	Non-CPI	Zero coupon government bond yield curve (including liquidity premium)	**2.5 - 4.1**	**3.9 - 4.4**	2.8 - 5.8	3.6 - 5.7
	CPI	Commonwealth indexed bond yield curve (including liquidity premium)	**0.4 - 1.5**	**2.1 - 2.9**	1.2 - 2.6	2.2 - 3.8

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

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

(ii) Participating business discount rates

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

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

Notes supporting the financial information

for the year ended 31 December 2014

20. Life insurance contracts (continued)

31 December 2014

	10 year government bonds	Risk premiums				
		Local equities	International equities	Property and Infrastructure[1]	Fixed interest	Cash
	%	%	%	%	%	%
Australia	**2.8**	**4.5**	**3.5**	**2.5**	**AMP Life: 0.6 NMLA: 0.7**	**(0.5)**
New Zealand	**3.7**	**4.5**	**3.5**	**2.5**	**AMP Life: 0.6 NMLA: 0.0**	**(0.5)**

31 December 2013

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

1 The change in asset classes between 2014 and 2013 reflects a new approach to managing asset allocations for participating business. In 2013, Infrastructure was included in Equities.

The risk premiums for local equities include allowance for imputation credits. The risk premiums for fixed interest reflect credit ratings of the portfolio held.

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

31 December 2014

Average asset mix[1]		Equities	Property and Infrastructure[2]	Fixed interest	Cash
		%	%	%	%
Australia	AMP Life	**25**	**13**	**40**	**22**
	NMLA	**37**	**18**	**32**	**13**
New Zealand	AMP Life	**34**	**17**	**42**	**7**
	NMLA	**38**	**19**	**34**	**9**

31 December 2013

Average asset mix[1]		Equities	Property	Fixed interest	Cash
		%	%	%	%
Australia	AMP Life	29	10	40	21
	NMLA	37	13	35	15
New Zealand	AMP Life	40	17	37	6
	NMLA	48	2	40	10

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

2 The change in asset classes between 2014 and 2013 reflects a new approach to managing asset allocations for participating business. In 2013, Infrastructure was included in Equities.

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 shareholders' profit margins) 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 margins 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.

20. Life insurance contracts (continued)

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

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

Typical supportable bonus rates on major product lines are as follows for AMP Life and NMLA (31 December 2013 in parentheses).

Reversionary bonus		Bonus on sum insured	Bonus on existing bonuses
		%	%
Australia	AMP Life	**0.7 - 0.9** (1.0 - 1.4)	**0.9 - 1.2** (1.4 - 2.1)
	NMLA[1]	**0.5 - 0.8** (0.5 - 0.9)	**0.8 - 1.1** (0.9 - 1.2)
New Zealand	AMP Life	**0.6 - 0.9** (0.9 - 1.3)	**0.6 - 0.9** (0.9 - 1.3)
	NMLA[1]	**0.7** (0.8)	**1.0** (1.1)

1 The 2013 ranges have been updated to be consistent with the approach used to calculate the 2014 ranges.

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

Crediting rates (investment account)		%
Australia	AMP Life	**0.0 - 7.0** (2.4 - 6.7)
	NMLA	**2.9 - 8.6** (2.7 - 8.8)
New Zealand	AMP Life	**3.4 - 6.6** (3.9 - 5.2)
	NMLA	**5.1 - 7.3** (3.0 - 6.8)

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

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

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

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

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

		Australia	New Zealand
		%	%
31 December 2014	AMP Life and NMLA	**2.3 CPI, 3.0 expenses**	**2.5 CPI, 3.0 expenses**
31 December 2013	AMP Life and NMLA	2.6 CPI, 3.0 expenses	2.5 CPI, 3.0 expenses

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

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

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

Notes supporting the financial information

for the year ended 31 December 2014

20. Life insurance contracts (continued)

Business type	Life company	31 December 2014 Australia %	31 December 2014 New Zealand %	31 December 2013 Australia %	31 December 2013 New Zealand %
Conventional	AMP Life	**2.1 - 3.0**	**1.1 - 1.9**	2.1 - 3.0	1.1 - 1.9
	NMLA	**3.5 - 4.0**	**4.1 - 4.7**	3.5 - 4.0	4.1 - 4.7
Retail risk (lump sum)	AMP Life	**12.1 - 17.1**	**12.0 - 14.0**	12.1 - 17.7	12.0 - 13.0
	NMLA	**13.3 - 15.8**	**11.6**	13.3 - 16.4	12.1
Retail risk (income benefit)	AMP Life[1]	**9.1 - 19.6**	**11.4**	9.1 - 21.5	11.4 - 15.7
	NMLA	**12.0 - 14.0**	**9.5**	12.0 - 14.6	9.2 - 13.4
Flexible Lifetime Super (FLS) risk business	AMP Life	**10.2 - 19.4**	**n/a**	10.2 - 20.0	n/a
Investment account	AMP Life	**n/a**	**n/a**	n/a	n/a
	NMLA[1]	**n/a**	**n/a**	n/a	n/a

1 The 2013 ranges have been updated to be consistent with the approach used to calculate the 2014 ranges.

(viii) Surrender values

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

(ix) Mortality and morbidity

Standard mortality tables, based on national or industry wide data, are used. These are then adjusted by factors that take account of AMP Life and NMLA's own experience.

Rates of mortality assumed at 31 December 2014 for AMP Life and NMLA are as follows:

- Conventional in Australia and New Zealand are unchanged from those assumed at 31 December 2013. The rates are based on IA95-97 for AMP Life and IA90-92 for NMLA with an allowance for future mortality improvements for AMP Life Conventional business.
- NMLA New Zealand annuitant mortality rates have been changed to be the same as that for AMP Life New Zealand.
- Retail Risk mortality rates for AMP Life Australia and NMLA Australia are unchanged from those assumed at 31 December 2013. The rates are based on the Industry standard IA04-08 Death Without Riders table modified based on aggregated experience with overall product specific adjustment factors.
- Retail Risk mortality rates for AMP Life New Zealand and NMLA New Zealand are based on Industry standard IA04-08 Death Without Riders table modified based on aggregated experience with overall product specific adjustment factors.

For TPD and Trauma business. the Australian AMP Life and Australian NMLA Retail Risk products assumptions are based on the latest industry table IA04-08 modified based on aggregated experience with overall product specific adjustment factors. There has been some increase in the specific factors at 31 December 2014.

For TPD and Trauma business, the New Zealand AMP Life and New Zealand NMLA Retail Risk products assumptions have been changed to use the latest industry table IA04-08 modified based on aggregated experience with overall product specific adjustment factors.

For Income Protection business the assumptions are based on the IAD89-93 standard table modified for AMP Life and NMLA in both Australia and New Zealand with overall product specific adjustment factors. The adjustment factors include age, gender, occupation, waiting period, duration on claim, benefit band and benefit period. There have been some changes to the Australian product specific factors at 31 December 2014. There have been no changes made to the New Zealand assumptions.

The assumptions are summarised in the following table:

	Conventional - % of IA95-97 (AMP Life)		Conventional - % of IA90-92 (NMLA)	
Conventional	**Male**	**Female**	**Male**	**Female**
Australia	67.5	67.5	60	68
New Zealand	73	73	81	95
	Retail lump sum - % of table (AMP Life)		**Retail lump sum - % of table (NMLA)**	
Risk products	**Male**	**Female**	**Male**	**Female**
Australia[1]	86 - 118	86 - 118	88 - 104	88 - 104
New Zealand	100	82	120	98

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

20. Life insurance contracts (continued)

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

1 Annuities tables modified for future mortality improvements.

Typical morbidity assumptions, in aggregate, are as follows:

Income protection	**Incidence rates - % of IAD89-93 (AMP Life)**	**Incidence rates - % of IAD 89-93 (NMLA)**	**Termination rates (ultimate) - % of IAD 89-93(AMP Life)**	**Termination rates (ultimate) - % of IAD 89-93 (NMLA)**
Australia	49 - 138	60 - 125	44 - 75	41 - 72
New Zealand	45 - 67	41 - 80	57 - 67	33 - 46

Retail lump sum	**Male % of IA04-08 (AMP Life)**	**Male % of IA04-08 (NMLA)**	**Female % of IA04-08 (AMP Life)**	**Female % of IA04-08 (NMLA)**
Australia TPD[1]	140 - 155	125 - 138	177 - 196	158 - 175
Australia Trauma[2]	105 - 110	96 - 116	105 - 121	96 - 111
New Zealand TPD[1]	150	194	190	194
New Zealand Trauma[2]	91	101	91	101

1 Base IA04-08 TPD table modified based on aggregated experience with overall product specific adjustment factors.

2 Base IA04-08 Trauma table modified based on aggregated experience with overall product specific adjustment factors.

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. The table has been modified to allow for future mortality improvement.
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 and 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.
IA04-08 DTH	This was published by the Institute of Actuaries of Australia under the name "*A graduation of the 2004-2008 Lump Sum Investigation Data"*. We refer to this table as IA04-08. The table contains separate graduations for Smokers, Non-Smokers, Males and Females and Death With and Without Riders.
IA04-08 TPD	This is the TPD graduation published in the same paper as above.
IAD04-08 Trauma	This is the Trauma graduation published in the same paper as above.
IAD 89-93	A disability table developed by the Institute of Actuaries of Australia based on the Australian disability income experience for the period 1989-1993. This table has been extensively modified based on aggregate experience.

(x) Impact of changes in assumptions

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

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

Notes supporting the financial information

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20. Life insurance contracts (continued)

The impact on future profit margins of changes in assumptions from 31 December 2013 to 31 December 2014 in respect of life insurance contracts (excluding new business contracts which are measured using assumptions at reporting date) is as shown in the table below for the two life companies.

	AMP Life			NMLA		
Assumption change	**Change in future profit margins**	**Change in life insurance contract liabilities**	**Change in shareholders' profit & equity**	**Change in future profit margins**	**Change in life insurance contract liabilities**	**Change in shareholders' profit & equity**
	$m	**$m**	**$m**	**$m**	**$m**	**$m**
Non-market related changes to discount rates	(14)	-	-	1	-	-
Mortality and morbidity	(87)	-	-	(15)	-	-
Discontinuance rates	1	-	-	(1)	-	-
Maintenance expenses	30	-	-	-	-	-
Other assumptions[1]	(29)	-	-	174	-	-

1 Other assumption changes include the impact of modelling, product and premium changes.

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

Notes supporting the financial information

for the year ended 31 December 2014

20. Life insurance contracts (continued)

(g) Insurance risk sensitivity analysis – life insurance contracts

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

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

		Change in life insurance contract liabilities		Change in shareholder profit after income tax and equity	
		Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance
Variable	**Change in variable**	**$m**	**$m**	**$m**	**$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	21	16	(15)	(11)
Morbidity - disability income	10% decrease in recovery rates	33	26	(23)	(18)
Discontinuance rates	10% increase in discontinuance rates	-	-	-	-
Maintenance expenses	10% increase in maintenance expenses	1	1	(1)	(1)
NMLA					
Mortality[1]	10% increase in mortality rates	2	2	(1)	(1)
Annuitant mortality	50% increase in the rate of mortality improvement	-	-	-	-
Morbidity - lump sum disablement	20% increase in lump sum disablement rates	-	-	-	-
Morbidity - disability income	10% increase in incidence rates	116	95	(81)	(67)
Morbidity - disability income	10% decrease in recovery rates	149	121	(105)	(85)
Discontinuance rates	10% increase in discontinuance rates	21	21	(14)	(14)
Maintenance expenses	10% increase in maintenance expenses	5	5	(4)	(4)

1 This includes the impact on death benefits that are payable on some Disability Income products.

(h) Life insurance risk

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

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

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

Notes supporting the financial information

for the year ended 31 December 2014

20. Life insurance contracts (continued)

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

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

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

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

Terms and conditions of life insurance contracts
The nature of the terms of the life insurance contracts written by AMP Life and NMLA is such that certain external variables can be identified on which related cashflows for claim payments depend. The following table provides an overview of the key variables upon which the timing and uncertainty of future cashflows 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 cashflows**
Non-participating life insurance contracts with fixed and guaranteed terms (term life and disability)	These policies provide guaranteed benefits, which are paid on death or ill-health, that are fixed and not at the discretion of the Life Company. Premium rates for yearly renewable business are not guaranteed and may be changed at the Life Company's discretion for the portfolio as a whole.	Benefits, defined by the insurance contract, are not directly affected by the performance of any underlying assets or the performance of any associated investment contracts as a whole.	Mortality, morbidity, lapses, expenses and market earning rates on assets backing the liabilities
Life annuity contracts	In exchange for an initial single premium, these policies provide a guaranteed regular income for the life of the insured.	The amount of the guaranteed regular income is set at inception of the policy including any indexation.	Longevity, expenses, inflation and market earning rates on assets backing the liabilities
Conventional life insurance contracts with discretionary participating benefits (endowment and whole of life)	These policies combine life insurance and savings. The policyholder pays a regular premium and receives the specified sum insured plus any accruing bonuses on death or maturity. The sum insured is specified at inception and guaranteed. Reversionary bonuses are added annually, which once added (vested) are guaranteed. A further terminal bonus may be added on surrender, death or maturity.	Benefits arising from the discretionary bonuses are based on the performance of a specified pool of contracts and the assets supporting these contracts.	Market earning rates on assets backing the liabilities, lapses, expenses, and mortality
Investment account contracts with discretionary participating features	The gross value of premiums received is invested in the investment account with fees and premiums for any associated insurance cover being deducted from the account balance when due. Interest is credited regularly.	Payment of the account balance is generally guaranteed, although it may be subject to certain penalties on early surrender or limited adjustment in adverse markets. Operating profit arising from these contracts is allocated between the policyholders and shareholders with not less than 80% allocated to policyholders. Distribution of policyholder profit is through an interest rate mechanism.	Fees, lapses, expenses and market earning rates on the assets backing the liabilities

(i) Liquidity risk and future net cash outflows

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

Total AMP Life and NMLA

	Up to 1 year	**1-5 years**	**Over 5 years**	**Total**
	$m	**$m**	**$m**	**$m**
2014[1]	**1,233**	**2,986**	**9,616**	**13,835**
2013	1,208	2,479	8,225	11,912

1 For NMLA, the 2014 future cash flows include participating investment account business, which was previously considered as investment contracts for the purposes of this table.

Notes supporting the financial information

for the year ended 31 December 2014

21. Other life insurance and investment contract disclosures

	Consolidated	
	2014	2013
	$m	$m
(a) Analysis of life insurance and investment contract profit		
Components of profit related to life insurance and investment contract liabilities:		
- planned margins of revenues over expenses released	**546**	535
- profits (losses) arising from difference between actual and assumed experience	**171**	(49)
- profits (losses) arising from changes in assumptions	**(121)**	1
- capitalised (losses) reversals	**3**	(46)
Profit related to life insurance and investment contract liabilities	**599**	441
Attributable to:		
- life insurance contracts	**381**	249
- investment contracts	**218**	192
Investment earnings on assets in excess of life insurance and investment contract liabilities	**133**	109

(b) Restrictions on assets in statutory funds

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

The Life Act requires the life insurance business of AMP Life and NMLA to be conducted within life statutory funds.

AMP Life has three statutory funds as set out below:

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

NMLA has six statutory funds as set out below:

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

Notes supporting the financial information

for the year ended 31 December 2014

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

Investments held in the life statutory funds can only be used in accordance with the relevant regulatory restrictions imposed under the Life Act and associated rules and regulations. The main restrictions are that the assets in a life statutory fund can only be used to meet the liabilities and expenses of that life statutory fund, to acquire investments to further the business of the life statutory fund or as distributions provided solvency, capital adequacy and other regulatory requirements are met. See further details about solvency and capital adequacy in note 21(d).

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

	2014			2013		
	AMP Life and NMLA			AMP Life and NMLA		
	Non-investment linked	Investment linked	Total life entities' statutory funds	Non-investment linked	Investment linked	Total life entities' statutory funds
	$m	$m	$m	$m	$m	$m
Net assets of life entities' statutory funds attributable to policyholders and shareholders	**30,955**	**63,968**	**94,923**	31,510	62,786	94,296
Attributable to policyholders						
Life insurance contract liabilities	**24,403**	**-**	**24,403**	24,934	-	24,934
Investment contract liabilities[1]	**3,149**	**63,728**	**66,877**	3,463	62,547	66,010
	27,552	**63,728**	**91,280**	28,397	62,547	90,944
Attributable to shareholders	**3,403**	**240**	**3,643**	3,113	239	3,352

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

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

Impact of the life statutory fund amounts on the AMP group consolidated preliminary final report

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 preliminary final report. The consolidated balances include 100% of the underlying investments in financial assets, investment property, and other net operating assets of the controlled entities of AMP life entities' statutory funds. Most of the controlled entities are managed investment schemes and the share of the consolidated profit and net assets of those managed investment schemes attributable to unitholders other than the AMP Life statutory funds is recognised in the consolidated Income statement as Movement in external unitholders' liabilities and in the consolidated Statement of financial position as External unitholders' liabilities.

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

Notes supporting the financial information

for the year ended 31 December 2014

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

Income statement	Life entities' statutory funds consolidated 2014 $m	2013 $m
Insurance premium and related revenue	**2,427**	2,283
Fee revenue	**1,184**	1,200
Other revenue	**28**	215
Investment gains and (losses)	**11,485**	14,312
Insurance claims and related expenses	**(2,166)**	(2,084)
Operating expenses including finance costs	**(2,210)**	(2,670)
Movement in external unitholders' liabilities	**(1,473)**	(1,615)
Change in life insurance contract liabilities	**(1,333)**	(381)
Change in investment contract liabilities	**(6,229)**	(9,937)
Income tax (expense)/credit	**(889)**	(751)
Profit	**824**	572
Assets		
Cash and cash equivalents	**7,852**	5,061
Investments in financial assets measured at fair value through profit or loss	**99,942**	98,106
Investment property	**682**	7,220
Other assets	**5,545**	3,180
Total assets of policyholders, shareholders and non-controlling interests	**114,021**	113,567
Liabilities		
Life insurance contract liabilities	**24,403**	24,934
Investment contract liabilities	**66,877**	66,010
Other liabilities	**7,927**	8,124
External unitholders' liabilities	**11,012**	11,098
Total liabilities of policyholders, shareholders and non-controlling interests	**110,219**	110,166
Net assets	**3,802**	3,401

(c) Capital guarantees

	Consolidated 2014 $m	2013 $m
Life insurance contracts with a discretionary participating feature		
- amount of the liabilities that relate to guarantees	**16,632**	19,402
Investment linked contracts		
- amount of the liabilities subject to investment performance guarantees	**991**	1,061
Other life insurance contracts with a guaranteed termination value		
- current termination value	**129**	137

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

(d) Capital requirements

Registered life insurance entities are required to hold prudential reserves, over and above their life insurance contract and investment contract liabilities, as a buffer against adverse experience and poor investment returns. These reserving requirements are specified by the APRA prudential capital standards. The standards are intended to take account of the full range of risks to which a regulated institution is exposed and introduces the Prescribed Capital Amount (PCA) requirement. The PCA is the minimum level of capital that the regulator deems must be held to meet policyholder obligations.

In addition to the PCA, the AMP life insurance entities maintain a target surplus providing an additional capital buffer against adverse events. The AMP life insurance entities use internal capital models to determine its target surplus, with the models reflecting the risks of the business, principally the risk of adverse asset movements relative to the liabilities and of worse than expected claims costs.

The excess of the AMP life insurance entities capital base over the PCA as at 31 December 2014 was $1,188m (2013: $865m) and $441m (2013: $315m) for AMP Life and NMLA respectively.

The appointed actuaries of AMP Life and NMLA have confirmed that the capital base of each life statutory fund and shareholders' fund have exceeded PCA at all times during 2014 and 2013.

	2014		2013	
	AMP Life	**NMLA**	**AMP Life**	**NMLA**
2014	**$m**	**$m**	**$m**	**$m**
Common Equity Tier 1 Capital	3,241	1,491	2,859	1,443
Adjustments to Common Equity Tier 1 Capital	(1,333)	(712)	(1,296)	(762)
Additional Tier 1 Capital	-	-	-	-
Adjustments to Additional Tier 1 Capital	-	-	-	-
Tier 2 Capital	215	85	215	85
Adjustments to Tier 2 Capital	-	-	-	-
Total capital base	**2,123**	**864**	**1,778**	**766**
Total prescribed capital amount (PCA)	**935**	**423**	**913**	**451**
Capital adequacy multiple	**227%**	**204%**	**194%**	**170%**

Notes supporting the financial information

for the year ended 31 December 2014

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

(e) Actuarial information

Mr Rocco Mangano, as the Appointed Actuary of AMP Life and Mr Anton Kapel, as the Appointed Actuary of NMLA, are satisfied as to the accuracy of the data used in the valuations in the preliminary final report and in the tables in this note and note 20.

The liabilities to policyholders (being the sum of the life insurance contract and investment contract liabilities, including any asset or liability arising in respect of the management services element of an investment contract), capital base and prescribed capital amounts 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 $13,402m (2013: $12,632m) of policy liabilities may be settled within 12 months of the reporting date.

Notes supporting the financial information

for the year ended 31 December 2014

22. Risk management and financial instruments disclosures

(a) Financial risk management

Financial risk management (FRM) at AMP is an integral part of the AMP group's enterprise risk management framework. Up until 12 November 2014, the Board Audit Committee (BAC), supported by the Group Asset and Liability Committee (ALCO), was responsible for ensuring financial risks were appropriately managed. From 26 November 2014 the existing risk management responsibilities of the BAC were transferred to the new Board Risk Committee (BRC).

Risks and mitigation

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

Financial risk management includes decisions made about the allocation of investment assets across asset classes and/or markets and the management of risks within these asset classes. Financial risk for investments in the AMP group is managed by reference to the probability of loss relative to expected income over a one-year time horizon at a 90% 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).

Market risk is the risk that the fair value of assets and liabilities, or future cashflows 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 borrowings.

(b) Market risk sensitivity analysis

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

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

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

Interest rate risk

Interest rate risk is the risk of an impact on the 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:

- *The AMP group's long-term borrowings and the AMP group's and the parent entity's subordinated debt* – interest rate risk arises in relation to long-term borrowings and subordinated debt raised through a combination of Australian dollar, New Zealand dollar and pound sterling denominated fixed-rate and floating-rate facilities. Most of the AMP group's debt is Australian dollar denominated and the AMP group's foreign denominated debt is converted to floating-rate Australian dollars through cross-currency swaps. Interest rate risk is managed by entering floating-to-fixed interest rate swaps, which have the effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the 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 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 are required to satisfy capital adequacy requirements, including holding statutory reserves to cater for interest rate risk to the extent that assets are not matched against liabilities.

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

22. Risk management and financial instruments disclosures (continued)

- *AMP Bank* – interest rate risk arises in AMP Bank from mismatches in the repricing terms of assets and liabilities (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 net interest rate risk position within the limits delegated and approved by the AMP Bank Board.

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.

	2014		**2013**	
	Impact on profit after tax Increase (decrease)	**Impact on equity Increase (decrease)**	**Impact on profit after tax Increase (decrease)**	**Impact on equity Increase (decrease)**
Change in variables	**$m**	**$m**	**$m**	**$m**
+100 basis points	**(22)**	**2**	(45)	(23)
-100 basis points	**2**	**(23)**	61	39

(i) Currency risk
Currency risk is the risk of an impact on the 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 the reporting date (translation risk) or from foreign exchange rate movements on specific cashflow transactions (transaction risk).

Other than where the impact would be immaterial, borrowings are typically converted to Australian dollars through cross-currency swaps, individual investment assets in shareholder capital (excluding the international equities portfolio attributable to shareholders within the AMP Life Statutory Fund No.1 fund) and seed and sponsor capital investments are hedged, and expected foreign currency receipts and payments are hedged once the value and timing of the expected cashflow 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.

The AMP group does not hedge the capital invested in overseas operations (other than foreign seed and sponsor capital investments), thereby accepting the foreign currency translation risk on invested capital with movements through foreign currency translation reserve.

Currency risk sensitivity analysis
This analysis demonstrates the impact of a 10% movement of exchange 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% change occurs as at the reporting date.

	2014		**2013**	
	Impact on profit after tax Increase (decrease)	**Impact on equity Increase (decrease)**	**Impact on profit after tax Increase (decrease)**	**Impact on equity Increase (decrease)**
Change in variables	**$m**	**$m**	**$m**	**$m**
10% depreciation of AUD	**2**	**32**	10	10
10% appreciation of AUD	**(4)**	**(28)**	(4)	(4)

22. Risk management and financial instruments disclosures (continued)

Equity price risk
Equity price risk is the risk of an impact on the 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% 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 the AMP group's investment linked business is not included.

	2014		2013	
	Impact on profit after tax Increase (decrease)	Impact on equity Increase (decrease)	Impact on profit after tax Increase (decrease)	Impact on equity Increase (decrease)
	$m	$m	$m	$m
10% increase in Australian equities	**7**	**7**	18	18
10% increase in International equities	**11**	**11**	17	17
10% decrease in Australian equities	**(9)**	**(9)**	(14)	(14)
10% decrease in International equities	**(13)**	**(13)**	(12)	(12)

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

To ensure that the AMP group has sufficient funds available, in the form of cash, liquid assets, borrowing capacity and undrawn committed funding facilities to meet its liquidity requirements, Group Treasury maintains a defined surplus of cash targeting $500m with a limit of $200m 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.

Financiers of loans lending to 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.

22. Risk management and financial instruments disclosures (continued)

The following table summarises the maturity profiles of the 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

2014	Up to 1 year or no term $m	1-5 years $m	Over 5 years $m	Other[2] $m	Total $m
Non-derivative financial liabilities[1]					
Payables	**1,949**	**2**	**-**	**-**	**1,951**
Borrowings	**12,506**	**4,565**	**1,464**	**-**	**18,535**
Subordinated debt	**64**	**1,499**	**97**	**-**	**1,660**
Investment contract liabilities	**1,088**	**944**	**1,514**	**63,728**	**67,274**
External unitholders' liabilities	**-**	**-**	**-**	**11,335**	**11,335**
Derivative financial instruments					
Cross currency swaps					
- outflows	**4**	**16**	**10**	**-**	**30**
- inflows	**(2)**	**(7)**	**(5)**	**-**	**(14)**
Interest rate swaps	**374**	**630**	**132**	**-**	**1,136**
Off balance sheet items					
Credit-related commitments - AMP Bank[4]	**1,940**	**-**	**-**	**-**	**1,940**
Credit-related commitments - Securitisation vehicles[4]	**865**	**-**	**-**	**-**	**865**
Total undiscounted financial liabilities and off balance sheet items[3]	**18,788**	**7,649**	**3,212**	**75,063**	**104,712**
2013					
Non-derivative financial liabilities[1]					
Payables	1,893	17	-	-	1,910
Borrowings	9,371	5,550	1,101	-	16,022
Subordinated debt	340	910	519	-	1,769
Investment contract liabilities	1,190	960	1,717	62,829	66,696
External unitholders' liabilities	-	-	-	10,724	10,724
Derivative financial instruments					
Cross currency swaps					
- outflows	18	231	5	-	254
- inflows	(14)	(207)	(14)	-	(235)
Interest rate swaps	26	6	(11)	-	21
Off balance sheet items					
Credit-related commitments - AMP Bank[4]	1,898	-	-	-	1,898
Credit-related commitments - Securitisation vehicles[4]	906	-	-	-	906
Total undiscounted financial liabilities and off balance sheet items[3]	15,628	7,467	3,317	73,553	99,965

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

3 Estimated net cash outflow profile of life insurance contract liabilities, disclosed in note 20, are excluded from the above table.

4 Loan commitments relate to commitments to provide credit to customers of AMP Bank.

Notes supporting the financial information

22. Risk management and financial instruments disclosures (continued)

(d) Credit risk

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

The AMP concentration risk policy sets out the assessment and determination of what constitutes credit risk. The policy has set exposure limits for each counterparty and credit rating. Compliance with this policy is monitored and exposures and breaches are reported to senior management and the Risk Committee through monthly and quarterly financial risk management (FRM) reports.

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

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

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

- *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. Wholesale credit exposures in AMP Bank's liquidity portfolio 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 the 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 the AMP group's portfolio.

Credit risk associated with derivatives are mitigated through the use of Credit Support Annex (CSA) which facilitate the bi-lateral posting of collateral with derivative counterparties.

Compliance is monitored and exposures and breaches are reported to senior management and the AMP Audit Committee through the monthly and quarterly FRM report.

(ii) Exposure to credit risk

The exposures on 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 items monitored by Group Treasury according to the credit rating of the counterparties.

	2014 $m	2013 $m
AAA	**5,283**	5,266
AA- to AA+	**9,252**	9,836
A- to A+	**3,902**	3,847
BBB- to BBB+	**2,041**	2,464
BB+ and below	**519**	375
Total financial assets with credit risk exposure monitored by AMP Treasury	**20,997**	21,788

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22. Risk management and financial instruments disclosures (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 cost of living allowance and requires valuation of the proposed security property. About 30% 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 with first registered mortgages over relevant properties and as a result manages credit risk on its loan with conservative lending policies and particular focus on the loan to value ratio (LVR). The LVR is calculated by dividing the total loan amount outstanding by the lower of AMP Bank's approved valuation amount or the purchase price. Loans with LVR greater than 80% are fully mortgage insured. Mortgage insurance is provided by Genworth Mortgage Insurance Australia Ltd and QBE Lenders Mortgage Insurance Ltd who are both regulated by APRA. The potential credit exposure to the loan mortgage insurers has been assessed to be minimal due to the stable historical relationship with the Bank and minimal level of historic claims rejections and reductions. The average LVR of AMP Bank's loan portfolio for existing and new business is set out in the following table:

	Existing business	**New business**	**Existing business**	**New business**
	2014	**2014**	**2013**	**2013**
LVR	**%**	**%**	**%**	**%**
0 - 50	**16**	**8**	17	9
51 - 60	**10**	**6**	10	7
61 - 70	**15**	**10**	15	12
71 - 80	**41**	**54**	41	52
81 - 90	**13**	**10**	14	15
91 - 95	**4**	**11**	2	4
> 95	**1**	**1**	1	1

(iv) Past due but not impaired financial assets

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

	Past due but not impaired				
	Less than 31 days	**31-60 days**	**61-90 days**	**More than 91 days**	**Total**
2014	**$m**	**$m**	**$m**	**$m**	**$m**
Receivables					
- trade debtors	**5**	**2**	**1**	**3**	**11**
- other receivables	**11**	**-**	**2**	**-**	**13**
Debt securities					
- loans and advances	**320**	**48**	**20**	**57**	**445**
Total [(1)]	**336**	**50**	**23**	**60**	**469**
2013					
Receivables					
- trade debtors	8	1	3	1	13
- other receivables	17	-	-	-	17
Debt securities					
- loans and advances	331	55	17	44	447
Total[1]	356	56	20	45	477

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.

22. Risk management and financial instruments disclosures (continued)

(v) Adjustment for own credit risk in the determination of the fair value of life investment contract policy liabilities
The fair value of non-investment linked investment contract liabilities includes the following allowance for the credit risk that an external party would ascribe to an amount due from AMP Life and NMLA.

	2014 $m	2013 $m
Cumulative adjustment	**9**	11
Change during the period	**(2)**	(9)

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 maintains individual provisions and collective loan impairment provisions against impaired loans.

(vii) Collateral
AMP Life enters into debt security repurchase agreements and part of these agreements include the receipt of collateral which is required to be returned to the counterparty on settlement.

The amount and type of collateral required by AMP Bank on housing loans depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral.

AMP Bank holds collateral against its loans and advances primarily in the form of mortgage interests over property, other registered securities over assets and guarantees.

Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement.

In the event of customer default, AMP Bank can enforce any security held as collateral against the outstanding claim. Any loan security is usually held as mortgagee in possession while AMP Bank seeks to realise its value through the sale of property. Therefore, AMP Bank does not hold any real estate or other assets acquired through the repossession of collateral.

(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
The 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 2014 Funds under management invested subject to the North guarantees were $1,919m (2013: $1,748m). The fair value recorded for the North guarantee liability was $96m (2013: $35m).

22. Risk management and financial instruments disclosures (continued)

Hedging techniques are used to protect the AMP group against changes in the expected guarantee claim payments from market movements. The 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.

Hedging of the North 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, AMP Capital 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 cashflows 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 counter parties in the over-the-counter market (OTC), whereas *futures* are standardised contracts transacted on regulated exchanges.
- *Options* – an option contract gives the option buyer the right, but not the obligation, to buy or sell a specified amount of a given commodity or financial instrument at a specified price during a certain period or on a specific date. The seller of the option contract is obliged to perform if the holder exercises the right contained therein. Options may be traded OTC or on a regulated exchange.

(iv) Risk relating to derivative financial instruments
The market risk of derivatives is managed and controlled as an integral part of the financial risk of the AMP group. The credit risk of derivatives is also managed in the context of the AMP group's overall credit risk policies and includes the use of CSA's which facilitate the bi-lateral posting of collateral.

(f) Accounting for hedges
The accounting treatment of hedge transactions varies according to the nature of the instrument hedged and whether the hedge qualifies for hedge accounting.

Derivative transactions may qualify as fair value hedges, cash flow hedges or hedges of net investments in foreign operations. The 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 2014, the AMP group recognised a net gain of $23m (2013: $5m loss) on hedging instruments designated as fair value hedges. The net loss on hedged items attributable to the hedged risks amounted to $23m (2013: $5m gain).

22. Risk management and financial instruments disclosures (continued)

(ii) Derivative instruments accounted for as cash flow hedges
The AMP group is exposed to variability in future cashflows on non-trading assets and liabilities which can bear interest at fixed and variable rates. The AMP group uses interest rate swaps and cash flow hedges to manage these risks.

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

	0-1 year	1-2 years	2-3 years	3-4 years	4-5 years
	$m	$m	$m	$m	$m
2014					
Cash inflows	**171**	**72**	**26**	**11**	**7**
Cash outflows	**(182)**	**(83)**	**(29)**	**(12)**	**(7)**
Net cash inflow/(outflow)	**(11)**	**(11)**	**(3)**	**(1)**	**-**
2013					
Cash inflows	154	87	42	9	6
Cash outflows	(178)	(87)	(38)	(11)	(8)
Net cash inflow/(outflow)	(24)	-	4	(2)	(2)

Nil (2013: nil) was recognised in the Income statement due to hedge ineffectiveness from cash flow hedges.

In addition to the above, during the year AMP Life entered into an agreement to acquire 19.99% of China Life Pension Company. AMP Life entered into a hedging relationship, at the time the transaction became highly probable, which qualified as a cash flow hedge. The transaction settled for RMB 1,539m subsequent to reporting date for a net outflow of $238m.

(iii) Hedges of net investments in foreign operations
The 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.

The AMP group recognised a profit of nil (2013: nil) due to the ineffective portion of hedges relating to investments in seed pool foreign operations.

(g) Master netting or similar agreements

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

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

If these netting arrangements were applied to the derivative portfolio, the derivative assets of $1,982m would be reduced by $125m to the net amount of $1,857m and derivative liabilities of $1,150m would be reduced by $125m to the net amount of $1,025m (2013: derivative assets of $1,648m would be reduced by $171m to the net amount of $1,477m and derivative liabilities of $1,041m would be reduced by $171m to the net amount of $870m).

(ii) Repurchase agreements
Included within debt securities are assets held to back the liability for collateral deposits held in respect of debt security repurchase arrangements entered into by the life entities' statutory funds and controlled entities of the life entities' statutory funds. Collateral deposits held includes the obligation to repay collateral held in respect of debt security repurchase arrangements entered into. As at 2014, if repurchase arrangements were netted, debt securities of $38,440m would be reduced by $792m to the net amount of $37,648m and collateral deposits held of $865m would be reduced by $792m to the net amount of $73m (2013: debt securities of $32,628m would be reduced by $1,351m to the net amount of $31,277m and collateral deposits held of $1,428m would be reduced by $1,351m to the net amount of $77m).

(ii) Other collateral
The AMP group has collateral arrangements in place with some counterparties in addition to collateral deposits held with respect to repurchase agreements. Collateral generally consists of 11am loans and deposits and is exchanged between the counterparties to reduce the exposure from the net fair value of derivative assets and liabilities between the counterparties. As at 31 December 2014 there was $73m of collateral deposits due to other financial institutions (2013: $175m).

23. Fair value information

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

	Carrying amount 2014 $m	Aggregate fair value 2014 $m	Carrying amount 2013 $m	Aggregate fair value 2013 $m
Financial assets				
Loans and advances	**14,590**	**14,623**	13,418	13,436
Debt securities - held to maturity	**2,335**	**2,347**	2,800	2,805
Total financial assets	**16,925**	**16,970**	16,218	16,241
Financial liabilities				
Deposits	**6,392**	**6,392**	5,442	5,442
Borrowings and interest bearing liabilities				
- AMP Bank and securitisation vehicles	**7,224**	**7,208**	7,028	7,450
- Corporate and other shareholder activities	**463**	**465**	711	714
- Investment entities controlled by AMP life insurance entities' statutory funds	**1,273**	**1,273**	1,641	1,641
- Subordinated debt[1]	**1,150**	**1,173**	1,421	1,473
Total financial liabilities	**16,502**	**16,511**	16,243	16,720

1 The parent has financial liabilities - subordinated debt with a carrying amount of $326m (2013: $325m) and a fair value of $341m (2013: $329m).

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

(i) Debt securities
The estimated fair value of loans and interest bearing securities represents the discounted amount of estimated future cashflows 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 cashflow model is used, based on a current yield curve appropriate for the remaining term to maturity.

(iii) Subordinated debt
The fair value of subordinated debt is determined with reference to quoted market prices at the reporting date.

(b) Fair value measures
The AMP group's assets and liabilities measured at fair value are categorised under a three-level hierarchy, reflecting the availability of observable market inputs when estimating the fair value. If different levels of inputs are used to measure a financial instrument's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The three levels are:

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

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

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.

Notes supporting the financial information

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23. Fair value information (continued)

Valuation techniques are used to the extent that observable inputs are not available, and include estimates about the timing of cashflows, discount rates, earnings multiples and other inputs.

The following table shows an analysis of the AMP group's assets and liabilities measured at fair value by each level of the fair value hierarchy.

2014	Level 1 $m	Level 2 $m	Level 3 $m	Total fair value $m
Assets				
Measured at fair value on a recurring basis				
Equity securities and listed managed investment schemes[1]	**44,496**	**43**	**2,354**	**46,893**
Debt securities	**-**	**37,841**	**599**	**38,440**
Investments in unlisted managed investment schemes	**-**	**17,589**	**967**	**18,556**
Derivative financial assets	**131**	**1,851**	**-**	**1,982**
Investment properties[2]	**-**	**-**	**340**	**340**
Other financial assets	**-**	**31**	**9**	**40**
Total financial assets measured at fair value on a recurring basis	**44,627**	**57,355**	**4,269**	**106,251**
Other assets measured at fair value on a non-recurring basis				
Assets of disposal groups[3]	**-**	**-**	**100**	**100**
Total other assets measured at fair value on a non-recurring basis	**-**	**-**	**100**	**100**
Total assets measured at fair value	**44,627**	**57,355**	**4,369**	**106,351**
Liabilities				
Measured at fair value on a recurring basis				
Derivative financial liabilities	**96**	**1,054**	**-**	**1,150**
Collateral deposits held	**792**	**73**	**-**	**865**
Investment contract liabilities	**-**	**2,532**	**64,448**	**66,980**
Total financial liabilities measured at fair value on a recurring basis	**888**	**3,659**	**64,448**	**68,995**
Other liabilities measured at fair value on a non-recurring basis				
Liabilities of disposal groups[3]	**-**	**-**	**69**	**69**
Total other liabilities measured at fair value on a non-recurring basis	**-**	**-**	**69**	**69**
Total liabilities measured at fair value	**888**	**3,659**	**64,517**	**69,064**
2013				
Assets				
Measured at fair value on a recurring basis				
Equity securities and listed managed investment schemes[1]	45,251	-	2,480	47,731
Debt securities	-	32,124	556	32,680
Investments in unlisted managed investment schemes	-	15,744	612	16,356
Derivative financial assets	386	1,262	-	1,648
Investment properties[2]	**-**	**-**	6,889	6,889
Other financial assets	-	146	-	146
Total financial assets measured at fair value on a recurring basis	45,637	49,276	10,537	105,450
Other assets measured at fair value on a non-recurring basis				
Assets of disposal groups[3]	**-**	**-**	42	42
Total other assets measured at fair value on a non-recurring basis	**-**	**-**	42	42
Total assets measured at fair value	45,637	49,276	10,579	105,492
Liabilities				
Measured at fair value on a recurring basis				
Derivative financial liabilities	156	885	-	1,041
Collateral deposits held	1,428	-	-	1,428
Investment contract liabilities	-	2,901	63,148	66,049
Total financial liabilities measured at fair value on a recurring basis	1,584	3,786	63,148	68,518
Other liabilities measured at fair value on a non-recurring basis				
Liabilities of disposal groups[3]	**-**	**-**	8	8
Total other liabilities measured at fair value on a non-recurring basis	**-**	**-**	8	8
Total liabilities measured at fair value	1,584	3,786	63,156	68,526

1 Equity securities and listed managed investment schemes include financial assets available for sale measured at fair value.

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

3 Refer to note 30 for disposal groups.

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23. Fair value information (continued)

The following table shows movements in the fair value of financial instruments categorised as level 3:

2014	Balance at the beginning of the year $m	FX gains or losses[2] $m	Total gains/ losses[2,3] $m	Purchases/ deposits $m	Sales/ withdrawals $m	Net transfers in/(out)[1] $m	Balance at the end of the year $m	Total gains and losses on assets and liabilities held at reporting date $m
Assets classified as level 3[4]								
Equity securities and listed managed investment schemes	**2,480**	**29**	**223**	**29**	**(19)**	**(388)**	**2,354**	**223**
Debt securities	**556**	**13**	**65**	**9**	**(32)**	**(12)**	**599**	**65**
Investments in unlisted managed investment schemes	**612**	**-**	**128**	**321**	**(251)**	**157**	**967**	**128**
Other financial assets	**-**	**-**	**-**	**-**	**-**	**9**	**9**	**-**
Liabilities classified as level 3								
Investment contract liabilities	**63,148**	**12**	**4,956**	**11,608**	**(15,276)**	**-**	**64,448**	**4,572**
2013								
Assets classified as level 3[4]								
Equity securities and listed managed investment schemes	2,138	133	104	66	(117)	156	2,480	104
Debt securities	478	67	13	59	(31)	(30)	556	13
Investments in unlisted managed investment schemes	592	-	34	55	(73)	4	612	34
Liabilities classified as level 3								
Investment contract liabilities	54,819	41	8,935	9,388	(10,040)	5	63,148	8,394

1 The AMP group recognises transfers as at the end of the reporting period during which the transfer has occurred. Transfers are recognised when there are changes in the observability of the pricing of the relevant securities or where the AMP group cease to consolidate a controlled entity.

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

3 Total gains/losses includes net unrealised gains and losses relating to financial assets of $420m (2013: $116m).

4 Movements relating to Investment properties are disclosed in note 11.

Notes supporting the financial information

for the year ended 31 December 2014

23. Fair value information (continued)

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

2014	Carrying amount[1 2] $m	Effect of reasonably possible alternative assumptions[3] (+) $m	(-) $m	Valuation technique	Key unobservable inputs
Assets					
Equity securities and listed managed investment schemes	**2,354**	**164**	**(163)**	Discounted cash flow approach utilising cost of equity as the discount rate	Discount rate Terminal value growth rate Cash flow forecasts
Debt securities	**599**	**-**	**-**	Discounted cash flow approach	Discount rate Cash flow forecasts
Investments in unlisted managed investment schemes	**967**	**-**	**-**	Published redemption prices	Valuation of the unlisted managed investment schemes Suspension of redemptions of the managed investment schemes
Assets of disposal groups	**100**	**-**	**-**	Discounted cash flow approach utilising cost of equity as the discount rate or where available, an indicative sale price received from a potential buyer	Discount rate Cash flow forecasts
Liabilities					
Investment contract liabilities	**64,448**	**9**	**(9)**	Valuation model based on published unit prices and the fair value of backing assets Fixed retirement-income policies - discounted cash flow	Fair value of financial instruments Cash flow forecasts Credit risk
Liabilities of disposal groups	**69**	**-**	**-**	Discounted cash flow approach and utilising a cost of equity as the discount rate or where available, an indicative sale price received from a potential buyer	Discount rate Cash flow forecasts
2013					
Assets					
Equity securities and listed managed investment schemes	2,480	200	(200)		
Debt securities	556	-	-		
Investments in unlisted managed investment schemes	612	-	-		
Assets of disposal groups	42	-	-		
Liabilities					
Investment contract liabilities	63,148	12	(11)		
Liabilities of disposal groups	8	-	-		

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

2 Each individual asset and industry profile will determine the appropriate valuation inputs to be utilised in each specific valuation and can vary from asset to asset.

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

Financial asset valuation process

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

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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, approved by the board.

The AMP group's capital resources include ordinary equity and interest-bearing liabilities. The AMP group excludes the 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, or have received transitional arrangements approved by APRA.

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 preliminary final 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 AMP statutory equity attributable to shareholders of AMP Limited. Mismatch items include:

- treasury shares (AMP Limited shares held by the statutory funds on behalf of policyholders)
- AMP Life Limited statutory funds' investments in controlled entities
- AMP Life Limited statutory funds' superannuation products invested in AMP Bank Limited assets.

Adjustments are also made relating to cash flow hedge reserves and an adjustment for AMP Foundation to exclude the net assets of the AMP Foundation from capital resources.

The table below shows the AMP group's current capital resources at reporting date:

	2014 $m	2013 $m
AMP statutory equity attributable to shareholders of AMP Limited	**8,186**	8,090
Accounting mismatch, cash flow hedge resources and other adjustments	**160**	64
AMP shareholder equity	**8,346**	8,154
Subordinated debt[1]	**1,008**	1,274
Senior debt[1]	**450**	700
Total AMP capital resources	**9,804**	10,128

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 plan 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 (NMLA) – capital adequacy requirements as specified under the APRA Life Insurance Prudential Standards
- AMP Bank Limited – capital requirements as specified under APRA ADI Prudential Standards
- AMP Superannuation Limited and National Mutual Super – Operational Risk Financial Requirements as specified under the APRA Superannuation Prudential Standards
- AMP Capital Investors Limited and other ASIC regulated businesses – capital requirements under Australian Financial Services Licence requirements and for risks relating to North.

In August 2014, APRA released its planned final capital adequacy standards for conglomerate groups. APRA has deferred its implementation of these standards for all conglomerate groups (including AMP Limited) to allow for any potential changes that may result from the Financial System Inquiry (FSI) recommendations and the Government's response to them. APRA has committed to providing a minimum 12 months transition time before any new standards come into force.

All of 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.

24. Capital management (continued)

AMP holds a level of capital above its MRR. At the reporting date, the shareholder regulatory capital resources above MRR were $1,987m (2013: $2,080m). The shareholder regulatory capital resources above MRR will vary throughout the year due to investment market movements, dividend payments and the retention of profits.

Policyholder retained profits continue to be resources supporting the participating business. The total policyholder retained profits of AMP Life and NMLA were $2,153m at 31 December 2014 (2013: $2,049m).

AMP's businesses and the AMP group maintain capital targets (target surplus), reflecting their material risks (including financial risk, insurance and product risk and operational risk) and AMP's risk appetite. The target surplus is a management guide to the level of excess capital that AMP seeks to carry to reduce the risk of breaching MRR.

AMP Limited, AMP Life, NMLA and AMP Bank have Board minimum capital levels above APRA requirements, with additional capital targets held above these amounts. Within the life insurance businesses, the capital targets above Board minimums have been set to a less than 10% probability of capital resources falling below the Board minimum over a 12-month period. Capital targets are also set for AMP Capital to cover risk associated with seed and sponsor capital investments and operational risk. Other components of AMP group's capital targets include amounts relating to AMP group office investments, defined benefit funds and other operational risks.

Following the finalisation of the conglomerate capital adequacy standards by APRA, AMP will review the appropriateness of its capital targets for the AMP group.

In addition, the participating business of the life insurance companies is managed to target a very high level of confidence that the business is self-supporting and that there are sufficient assets to support policyholder liabilities.

The transition arrangements provided by APRA relating to the subordinated debt held at a group level issued prior to 1 January 2013 continue to be 100% recognised as eligible capital until the earlier of each relevant instrument's first call date or March 2016. The $25m of AMP Notes 2 that were used for the refinancing of AMP Notes and that were not loaned to AMP Life or NMLA will cease to be eligible for transition during 2015 ($10m in 2014 and $15m in 2015).

Notes supporting the financial information

for the year ended 31 December 2014

25. Notes to Statement of cash flows

	Consolidated		Parent	
	2014 $m	2013 $m	2014 $m	2013 $m
(a) Reconciliation of the net profit after income tax to cash flows from operating activities				
Net profit after income tax	**971**	716	**832**	1,687
Depreciation of operating assets	**17**	44	**-**	-
Amortisation and impairment of intangibles	**271**	228	**-**	-
Investment gains and losses and movements in external unitholders liabilities	**(871)**	(6,363)	**(203)**	-
Dividend and distribution income reinvested	**(3,655)**	(2,031)	**-**	-
Share-based payments	**8**	30	**3**	3
Decrease (increase) in receivables, intangibles and other assets	**(135)**	688	**(2)**	56
(Decrease) increase in net policy liabilities	**3,610**	7,543	**-**	-
(Decrease) increase in income tax balances	**961**	593	**(52)**	-
(Decrease) increase in other payables and provisions	**(91)**	(590)	**2**	(33)
Cash flows from (used in) operating activities	**1,086**	858	**580**	1,713
(b) Reconciliation of cash				
Comprises:				
Cash and cash equivalents for the purpose of the Statement of financial position	**3,581**	2,938	**1**	6
Bank overdrafts (included in Borrowings)	**(1)**	(3)	**-**	-
Short-term bills and notes (included in Debt securities)	**7,652**	4,222	**-**	-
Cash and cash equivalents for the purpose of the Statement of cash flows	**11,232**	7,157	**1**	6
(c) Financing arrangements				
(i) Overdraft facilities				
Bank overdraft facility available	**828**	716	**-**	-
(ii) Loan facilities and note programs				
In addition to facilities arranged through bond and note issues (refer notes 16 and 17), financing facilities are provided through bank loans under normal commercial terms and conditions.				
Available	**13,827**	19,360	**-**	-
Used	**(2,780)**	(9,736)	**-**	-
Unused	**11,047**	9,624	**-**	-

Notes supporting the financial information

for the year ended 31 December 2014

25. Notes to statement of cash flows (continued)

(d) Acquisitions and disposal of controlled entities

Operating entities
During the year ended 31 December 2014, AMP acquired the following entities:

- Forsythes Financial Services Pty Limited
- Prosperitus Holdings Pty Ltd
- Total Super Solutions Pty Ltd.

During the year ended 31 December 2013, AMP acquired the following entities:

- on 1 November 2013, AMP acquired 100% of Supercorp Administration Pty Ltd and its controlled entities.

There were no other significant acquisitions or disposals of operating entities in 2013 or 2014.

The impact of acquisitions of operating entities is as follows:

Operating entities	Impact in 2014 $m	Impact in 2013 $m
Assets		
Cash and cash equivalents	**(24)**	(4)
Receivables	**-**	-
Investments in financial assets measured at fair value through profit or loss	**-**	-
Investments in financial assets measured at amortised cost	**-**	-
Investments in associates accounted for using the equity method	**-**	-
Investment property	**-**	-
Intangible assets	**24**	4
Total assets	**-**	-
Liabilities		
Payables and provisions	**-**	-
Borrowings	**-**	-
Deferred tax liabilities	**-**	-
External unitholders liabilities	**-**	-
Minority interest	**-**	-
Total liabilities	**-**	-

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 managed investment schemes with underlying net assets typically comprising investment assets including cash. The consideration for acquisitions or disposals reflects the fair value of the investment assets at the date of the transactions after taking into account minority interests.

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

Notes supporting the financial information

for the year ended 31 December 2014

25. Notes to statement of cash flows (continued)

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

- No significant acquisitions occurred during 2014.
- From 1 July 2013, AMP Life consolidated Student Housing Accommodation Growth Trust 1 and 2 and their controlled entities.

Acquisitions	Impact in 2014 $m	Impact in 2013 $m
Assets		
Cash and cash equivalents	-	8
Receivables	-	-
Investments in financial assets measured at fair value through profit or loss	-	(42)
Investments in financial assets measured at amortised cost	-	-
Investments in associates accounted for using the equity method	-	-
Investment property	-	71
Intangible assets	-	15
Total assets	-	52
Liabilities		
Payables and provisions	-	5
Borrowings	-	7
Deferred tax liabilities	-	12
External unitholders liabilities	-	23
Minority interest	-	5
Total liabilities	-	52

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

- In October 2014, substantially all controlled property funds were sold into the AMP Capital Diversified Property Fund (ADPF). At the same time AMP increased its ownership interest in ADPF.
- In August 2013, AMP reduced its ownership interest on the controlled entities of Aged Care Investment Trust 1&2. At the same time AMP increased its ownership interest in Aged Care Investment Trust 1&2.

The impacts of these transactions were as follows:

Disposals	Impact in 2014 $m	Impact in 2013 $m
Assets		
Cash	**(114)**	(28)
Receivables	**(18)**	(48)
Investment property	**(4,365)**	-
Investments in financial assets measured at fair value through profit or loss	**1,589**	149
Deferred tax assets	-	(26)
Property, plant and equipment	-	(560)
Intangibles	-	(322)
Other assets	**(118)**	-
Total assets	**(3,026)**	(835)
Liabilities		
Payables and provisions	**(48)**	(430)
Borrowings	**(948)**	(301)
Deferred tax liabilities	-	(31)
Other financial liabilities	**(6)**	-
External unitholder liabilities	**(2,024)**	(73)
Total liabilities	**(3,026)**	(835)

Notes supporting the financial information

for the year ended 31 December 2014

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. Performance rights have been determined to be dilutive in 2014 and 2013. 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.

Of the AMP Limited ordinary shares on issue 46,961,490 (2013: 29,177,280) are held by controlled entities of AMP Limited. AMP's life insurance entities hold 44,835,103 (2013: 27,050,893) shares on behalf of policyholders. The Australian Securities and Investments Commission 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.

	Consolidated	
	2014 million shares	**2013 million shares**
(b) Weighted average number of ordinary shares used		
Weighted average number of ordinary shares used in calculation of basic earnings per share	**2,920**	2,900
Add: potential ordinary shares considered dilutive	**25**	29
Weighted average number of ordinary shares used in calculation of diluted earnings per share	**2,945**	2,929

	$m	$m
(c) Level of earnings used		
Basic	**884**	672
Diluted	**884**	672

	cents	cents
(d) Earnings per share		
Basic	**30.3**	23.2
Diluted	**30.0**	22.9

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 the AMP group companies and the group's legal obligation is limited to these contributions. The defined benefit sections provide members with a choice of lump sum benefits or pension benefits based on years of membership and final salary. New employees are only offered defined contribution style benefits. The disclosures in this note relate only to the defined benefit sections of the plans.

The following tables summarise the components of the net amount recognised in the Income statement, Statement of comprehensive income, the movements in the defined benefit obligation and plan assets and the net amounts recognised in the consolidated Statement of financial position for the defined benefit funds, determined in accordance with AASB 119 *Employee Benefits*. However, for the purposes of recommending contributions to the defined benefit funds, fund actuaries consider a range of other factors which do not reflect the financial position presented in the preliminary final report.

(a) Summary information of defined benefit funds

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

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

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

The plans are exposed to a number of risks. Other than the risks of actual outcomes being different to the actuarial assumptions used to estimate the defined benefit obligation as set out in note 27(g), the most significant risks include investment risk and legislative risk. These risks apply to all superannuation plans and are not specific to AMP.

During 2014, approximately 30% (AMP Australia) and 42% (AMP AAPH Australia) of the assets backing current pension liabilities were invested in a fixed-income investment option with a benchmark duration based on the estimated duration of the pension liability.

As at the most recent actuarial update, 31 December 2014, the fund actuary recommended contributions to be made at the normal superannuation rates applicable to the various members and did not identify any deficit for funding purposes, and therefore no additional contributions are required.

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

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

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

The plans are exposed to a number of risks. Other than the risks of actual outcomes being different to the actuarial assumptions used to estimate the defined benefit obligation as set out in note 27(g), the most significant risks include investment risk and legislative risk. These risks apply to all superannuation plans and are not specific to AMP.

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

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

Notes supporting the financial information

for the year ended 31 December 2014

27. Superannuation funds (continued)

	Consolidated 2014 $m	Consolidated 2013 $m
(b) Defined benefit plan income (expense)		
Current service cost	**(5)**	(8)
Interest cost	**(21)**	(24)
Interest income	**19**	18
Foreign currency gains and losses	**(1)**	(13)
Total defined benefit plan income (expense)	**(8)**	(27)

	Consolidated 2014 $m	Consolidated 2013 $m
(c) Movements in defined benefit obligation		
Balance at the beginning of the year	**(801)**	(964)
Current service cost	**(5)**	(8)
Interest cost	**(21)**	(24)
Contributions by plan participants	**(1)**	(1)
Actuarial gains and losses[1]		
- change in demographic assumptions	**-**	(17)
- change in financial assumptions	**(177)**	137
- experience gain (loss)	**(1)**	37
Foreign currency exchange rate changes	**(5)**	(28)
Benefits paid	**49**	66
Other expenses	**-**	1
Balance at the end of the year	**(962)**	(801)

	Consolidated 2014 $m	Consolidated 2013 $m
(d) Movement in fair value of plan assets		
Balance at the beginning of the year	**728**	678
Interest income	**19**	18
Actuarial gains and losses - actual return on plan assets less interest income	**59**	61
Foreign currency exchange rate changes	**4**	15
Employer contributions	**10**	22
Contributions by plan participants	**1**	1
Benefits paid	**(49)**	(66)
Other expenses	**-**	(1)
Balance at the end of the year	**772**	728

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

Notes supporting the financial information

for the year ended 31 December 2014

27. Superannuation funds (continued)

	Consolidated 2014 $m	Consolidated 2013 $m
(e) Defined benefit (liability) asset		
Present value of wholly funded defined benefit obligations	**(962)**	(801)
Less: Fair value of plan assets	**772**	728
Defined benefit (liability) asset recognised on the Statement of financial position[1]	**(190)**	(73)
Movement in defined benefit (liability) asset		
(Deficit) surplus at the beginning of the year	**(73)**	(286)
Plus: Total income (expenses) recognised in income	**(8)**	(27)
Plus: Employer contributions	**10**	22
Plus: Actuarial gains (losses) recognised in Other comprehensive income[2]	**(119)**	218
Defined benefit (liability) asset recognised at the end of the year	**(190)**	(73)

1 The defined benefit liability is measured in accordance with the requirements of AASB 119 *Employee Benefits* and does not represent a current obligation to provide additional funding to the plans. Refer to note 27(a) for details of the funding of the AMP defined benefit funds.

2 The cumulative amount of the net actuarial gains and losses recognised in the Statement of comprehensive income is a $10m gain (2013: $129m gain).

Notes supporting the financial information

for the year ended 31 December 2014

27. Superannuation funds (continued)

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

	Consolidated 2014 $m	Consolidated 2013 $m
AMP Australian defined benefit (liability) asset		
Present value of wholly funded defined benefit obligations	**(360)**	(311)
Less: Fair value of plan assets	**279**	264
Net defined benefit (liability) asset recognised in the Statement of financial position	**(81)**	(47)
Actuarial gains and (losses)	**(33)**	44
AMP AAPH Australian defined benefit (liability) asset		
Present value of wholly funded defined benefit obligations	**(441)**	(355)
Less: Fair value of plan assets	**381**	362
Net defined benefit (liability) asset recognised in the Statement of financial position	**(60)**	7
Actuarial gains and (losses)	**(67)**	101
AMP New Zealand defined benefit (liability) asset		
Present value of wholly funded defined benefit obligations	**(28)**	(26)
Less: Fair value of plan assets	**25**	23
Net defined benefit (liability) asset recognised in the Statement of financial position	**(3)**	(3)
Actuarial gains and (losses)	**(1)**	10
AMP AAPH New Zealand defined benefit (liability) asset		
Present value of wholly funded defined benefit obligations	**(133)**	(109)
Less: Fair value of plan assets	**87**	79
Net defined benefit (liability) asset recognised in the Statement of financial position	**(46)**	(30)
Actuarial gains and (losses)	**(18)**	63

Notes supporting the financial information

for the year ended 31 December 2014

27. Superannuation funds (continued)

(g) Principal actuarial assumptions

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

	AMP				AMP AAPH			
	Australia		New Zealand		Australia		New Zealand	
	2014	2013	2014	2013	2014	2013	2014	2013
	%	%	%	%	%	%	%	%
Weighted average discount rate	**3.5**	5.1	**3.9**	4.8	**3.8**	5.4	**3.4**	5.4
Expected rate of pension increases	**2.3**	2.5	**1.7**	1.9	**2.3**	2.5	**2.5**	2.5
Expected rate of salary increases	**4.0**	4.0	**4.0**	4.0	**4.0**	4.0	**4.0**	4.0
Cash crediting rate	**n/a**	n/a	**n/a**	n/a	**2.5**	3.5	**n/a**	n/a

(h) Allocation of assets

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

	AMP				AMP AAPH			
	Australia[1]		New Zealand[1]		Australia[1]		New Zealand[1]	
	2014	2013	2014	2013	2014	2013	2014	2013
	%	%	%	%	%	%	%	%
Equity	**51**	45	**37**	47	**33**	34	**38**	40
Property	**9**	5	**10**	10	**5**	1	**8**	7
Fixed interest	**30**	18	**35**	25	**42**	33	**34**	33
Cash	**4**	9	**14**	14	**5**	7	**20**	20
Other	**6**	23	**4**	4	**15**	25	**-**	-

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 the AMP group.

(h) Sensitivity analysis

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

	AMP		AMP AAPH	
	Australia	New Zealand	Australia	New Zealand
	$m	$m	$m	$m
Higher discount rate (0.5%)	22	3	34	8
Lower discount rate (0.5%)	(25)	(3)	(38)	(8)
Higher expected salary increase rate (0.5%)	n/a	n/a	(3)	(1)
Lower expected salary increase rate (0.5%)	n/a	n/a	3	2
Higher expected deferred benefit crediting rate (0.5%)	n/a	n/a	(4)	n/a
Lower expected deferred benefit crediting rate (0.5%)	n/a	n/a	4	n/a
Increase to pensioner indexation assumption (0.5%)	(25)	(2)	(30)	n/a
Decrease to pensioner indexation assumption (0.5%)	22	2	27	n/a
Increase to pensioner mortality assumption (10.0%)	11	n/a	(10)	n/a
Decrease to pensioner mortality assumption (10.0%)	(11)	n/a	10	n/a
1 year additional life expectancy	n/a	(2)	n/a	n/a

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

Notes supporting the financial information

for the year ended 31 December 2014

27. Superannuation funds (continued)

(i) Expected contributions

	AMP		AMP AAPH	
	Australia	New Zealand	Australia	New Zealand
	$m	$m	$m	$m
Expected employer contributions	-	1	3	4

(j) Maturity profile of defined benefit obligation

	AMP		AMP AAPH	
	Australia	New Zealand	Australia	New Zealand
Expected benefit payments for the financial year ending on	$m	$m	$m	$m
31 December 2015	22	2	20	4
31 December 2016	21	2	20	5
31 December 2017	22	2	21	5
31 December 2018	22	2	21	5
31 December 2019	22	2	22	5
Following five years	120	10	116	26

	AMP		AMP AAPH	
	Australia	New Zealand	Australia	New Zealand
Weighted average duration of the defined benefit obligation	12 years	9 years	14 years	15 years

Notes supporting the financial information

for the year ended 31 December 2014

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.

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

	Consolidated	
	2014	2013
	$'000	$'000
Plans currently offered		
Performance rights	**13,308**	11,121
Share rights	**21,946**	18,115
Restricted shares	**158**	1,224
Employee share acquisition plan - matching shares	**1**	1
Total share-based payments expense	**35,413**	30,461

(b) Performance rights
Plan description
The CEO and his direct reports, as well as selected senior executives, are required to take their long-term incentive (LTI) awards in the form of performance rights. This is to ensure that those executives who are most directly able to influence company performance, are appropriately aligned with the interests of shareholders. The LTI awards of other participants are comprised of either a mix of performance rights and share rights, or share rights only.

A *performance right* is a right to acquire one fully paid ordinary share in AMP Limited after a three-year performance period at no cost to the participant (ie effectively a share option with a zero exercise price), provided a specific performance hurdle is met. Prior to conversion into shares (vesting), performance rights holders do not receive dividends or have other shareholder benefits (including any voting rights). From September 2011, performance rights may be settled through a cash payment in lieu of shares, at the discretion of the board.

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

The vesting of performance rights granted since the 2013 LTI award are now based on two performance hurdles as follows:
- 50% of the LTI award fair value, granted as performance rights, will be subject to AMP's TSR performance relative to the top industrial companies in the S&P/ASX 100 Index (TSR tranche), and
- 50% of the LTI award fair value, granted as performance rights, will be subject to a RoE measure (RoE tranche).

The number of performance rights that vest is determined as follows:

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

RoE tranche: Vesting of the performance rights granted in 2014 is based on AMP's RoE performance for the year ending 31 December 2016.

Prior to the 2014 grant being awarded, the board determined the threshold and maximum RoE performance targets (expressed as percentage outcomes) to be achieved for the year ending 31 December 2016. An RoE hurdle was chosen as it drives a strong capital discipline which is a key contributor to creating sustainable shareholder value.

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

Notes supporting the financial information

28. Share-based payments (continued)

Treatment of performance rights on ceasing employment and change of control
Typically, unvested LTI awards lapse at the end of the employee's notice period if the participant resigns from AMP or their employment is terminated for misconduct or inadequate performance. In other cases, such as retirement and redundancy, LTI awards may be retained by the participant, with vesting continuing to be subject to the same vesting conditions as if they had remained in AMP employment. In the event that AMP is subject to a takeover or change of control, unvested performance rights, granted prior to September 2011, typically vest.

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

Plan valuation
The allocation values for the performance rights with the TSR hurdle and the RoE hurdle are based on valuations prepared by an independent external consultant. The valuations are based on the 10-day average daily closing share price prior to the offer being made, discounted for foregone dividends and, in the case of performance rights with market conditions, the risk of performance conditions not being met.

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 allocation value of the performance rights granted during 2014 and the comparative period (2013):

Grant Date	Share price	Contractual life	Dividend yield	Volatility[1]	Risk-free rate[1]	TSR performance hurdle discount[2]	RoE performance hurdle discount[3]	TSR performance rights fair value	RoE performance rights fair value
05/06/2014	$5.28	3.0 years	4.8%	25%	2.9%	45%	0%	$2.89	$4.57
09/09/2013	$4.62	2.5 years	4.9%	24%	2.8%	71%	0%	$1.33	$4.09
06/06/2013	$4.97	3.0 years	5.6%	23%	2.5%	60%	0%	$2.00	$4.21
07/06/2012	$3.85	2.7 years	6.3%	26%	2.3%	67%	n/a	$1.28	n/a
09/09/2011	$4.15	2.9 years	5.9%	34%	3.7%	54%	n/a	$1.92	n/a
09/06/2011	$4.88	2.8 years	5.5%	36%	4.8%	51%	n/a	$2.39	n/a
09/06/2011	$4.88	2.1 years	5.5%	36%	4.8%	55%	n/a	$2.19	n/a

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

2 TSR performance hurdle discount for 09/09/2013 was incorrectly reported in the 2013 annual report and has been correctly reflected.

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

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

Grant date	Exercise period	Exercise price	Balance at 1 Jan 2014	Exercised during the year	Granted during the year	Lapsed during the year	Balance at 31 Dec 2014[1]
09/06/2011	01/05/2014-30/04/2016	Nil	729,167	-	-	729,167	-
09/09/2011	n/a[2]	Nil	5,614,041	-	-	5,614,041	-
07/06/2012	n/a[2]	Nil	7,106,226	-	-	97,079	7,009,147
06/06/2013	n/a[2]	Nil	4,793,936	-	-	129,227	4,664,709
09/09/2013	n/a[2]	Nil	29,047	-	-	-	29,047
05/06/2014	n/a[2]	Nil	-	-	3,953,450	11,108	3,942,342
Total			**18,272,417**	**-**	**3,953,450**	**6,580,622**	**15,645,245**

1 The weighted average remaining contractual life of performance rights outstanding at the end of the period is 1.1 years.

2 With the exception of the grant on 9 June 2011, the performance rights granted from 2011 have no exercise period as they are automatically exercised upon vesting.

Notes supporting the financial information

28. Share-based payments (continued)

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

(c) Share rights
Plan description
As described above, LTI participants below the CEO and his direct reports may be awarded share rights as part of their overall LTI award.

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

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

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 cashflow' methodology. Fair value has been discounted for the present value of dividends expected to be paid during the vesting period to which the participant is not entitled.

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

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

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

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

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

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

Notes supporting the financial information

for the year ended 31 December 2014

28. Share-based payments (continued)

The following table shows the factors which were considered in determining the independent fair value of the share rights granted during 2014 and the comparative period (2013):

Grant date	Share price	Contractual life	Dividend yield	Dividend discount	Fair value
05/06/2014	$5.28	3 years	4.8%	13%	$4.57
29/04/2014	$5.07	1.8 years	4.8%	8%	$4.64
14/03/2014	$4.92	1 year	4.8%	4%	$4.70
14/03/2014	$4.92	2 years	4.8%	9%	$4.48
09/09/2013	$4.62	2.5 years	4.9%	11%	$4.09
09/09/2013	$4.62	0.9 years	4.9%	4%	$4.42
09/09/2013	$4.62	1.9 years	4.9%	9%	$4.20
09/09/2013	$4.62	2.9 years	4.9%	13%	$4.00
27/06/2013	$4.39	1.7 years	5.6%	9%	$4.00
06/06/2013	$4.97	0.8 years	5.6%	5%	$4.74
06/06/2013	$4.97	1.8 years	5.6%	10%	$4.48
06/06/2013	$4.97	0.9 years	5.6%	5%	$4.72
06/06/2013	$4.97	1.9 years	5.6%	10%	$4.46
06/06/2013	$4.97	3.0 years	5.6%	15%	$4.21
30/04/2013	$5.40	1.8 years	5.6%	10%	$4.87

The following table shows the movement in share rights outstanding during the period.

Grant date	Exercise period	Exercise price	Balance at 1 Jan 2014	Exercised during the year	Granted during the year	Lapsed during the year	Balance at 31 Dec 2014[1]
09/09/2011	n/a[2]	Nil	2,678,331	2,541,504	-	136,827	-
27/04/2012	n/a[2]	Nil	1,895,864	1,895,864	-	-	-
27/04/2012	n/a[2]	Nil	953,087	913,924	-	39,163	-
22/05/2012	n/a[2]	Nil	247,513	247,513	-	-	-
07/06/2012	n/a[2]	Nil	2,179,062	-	-	89,694	2,089,368
30/04/2013	n/a[2]	Nil	2,615,515	-	-	39,412	2,576,103
30/04/2013	n/a[2]	Nil	15,723	15,723	-	-	-
30/04/2013	n/a[2]	Nil	797,781	-	-	55,707	742,074
06/06/2013	n/a[2]	Nil	1,533,305	-	-	83,479	1,449,826
06/06/2013	n/a[2]	Nil	80,482	40,241	-	-	40,241
06/06/2013	n/a[2]	Nil	31,512	15,756	-	-	15,756
27/06/2013	n/a[2]	Nil	9,392	-	-	-	9,392
09/09/2013	n/a[2]	Nil	107,178	35,726	-	-	71,452
09/09/2013	n/a[2]	Nil	18,181	-	-	-	18,181
14/03/2014	n/a[2]	Nil	-	-	75,000	-	75,000
29/04/2014	n/a[2]	Nil	-	-	703,092	28,486	674,606
29/04/2014	n/a[2]	Nil	-	-	2,550,182	51,257	2,498,925
29/04/2014	n/a[2]	Nil	-	-	1,502,676	20,981	1,481,695
Total			**13,162,926**	**5,706,251**	**4,830,950**	**545,006**	**11,742,619**

1 The weighted average remaining contractual life of share rights (and share bonus rights without performance conditions) outstanding at the end of the period is 0.8 years.

2 The share rights granted from 2011 have no exercise period as they are automatically exercised upon vesting.

28. Share-based payments (continued)

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 no share rights have lapsed. Of the share rights outstanding at the end of the period, none have vested or become exercisable.

(d) Restricted shares
Plan description
Historically, AMP awarded 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.

No restricted shares were granted during 2013 or 2014.

(e) Employee Share Acquisition Plan

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

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

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

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

Plan valuation
All awards made during 2014, and the comparative year (2013), were offers to salary sacrifice to acquire shares, with matching shares awarded on a one-for-ten basis after a three-year vesting period. Each matching share has been valued by external consultants as the face value of an AMP ordinary share at the date the salary sacrifice shares were acquired, less the present value of the expected dividends (to which the participant is not entitled until the end of the vesting period). The number of matching shares expected to be granted is estimated based on the average number of shares held in the ESAP by each employee at the beginning of each year. In determining the share-based payments expense for the period, the number of matching shares expected to be granted has been adjusted to reflect the number of employees expected to remain with AMP until the end of the three-year vesting period.

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

Grant date	Estimated number of matching shares to be granted	Weighted average fair value
2014 - various	**369**	**$4.41**
2013 - various	421	$4.14

Notes supporting the financial information

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29. Group controlled entity holdings

Details of significant investments in controlled operating entities are as follows:

Operating entities Name of entity	Country of registration	Share type	Footnote	% Holdings 2014	2013
140 St Georges Terrace Pty Limited	Australia	Ord		85	85
AAPH Executive Plan (Australia) Pty Ltd	Australia	Ord		100	100
AAPH Hong Kong Finance Limited	Hong Kong SAR	Ord		100	100
AAPH New Zealand Finance Pty Ltd	Australia	Ord		100	100
Accountants Resourcing (Australia) Pty Ltd	Australia	Ord	2	-	100
ACN 100 509 993 Pty Ltd	Australia	Ord	2	-	100
ACN 155 075 040 Pty Limited	Australia	Ord, Class A Pref.		100	100
ACPP Industrial Pty Ltd	Australia	Ord		85	85
ACPP Office Pty Ltd	Australia	Ord		85	85
ACPP Retail Pty Ltd	Australia	Ord		85	85
Advice First Limited	New Zealand	Ord		62	65
Adviser Resourcing Pty Ltd	Australia	Ord	2	-	100
AMP (UK) Finance Services Plc	UK	Ord		100	100
AMP AAPH Finance Limited	Australia	Ord		100	100
AMP AAPH Limited	Australia	Ord		100	100
AMP Administration (NZ) Limited	New Zealand	Ord	1	100	-
AMP ASAL Pty Ltd	Australia	Ord		100	100
AMP Bank Limited	Australia	Ord		100	100
AMP Capital AA REIT Investments (Australia) Pty Limited	Australia	Ord		85	85
AMP Capital AB Holdings Pty Limited	Australia	Ord		85	85
AMP Capital Advisors India Private Limited	India	Ord		85	85
AMP Capital Asia Limited	Hong Kong SAR	Ord		85	85
AMP Capital Bayfair Pty Limited	Australia	Ord		85	85
AMP Capital Core Infrastructure Pty Limited	Australia	Ord		85	85
AMP Capital Finance Limited	Australia	Ord		85	85
AMP Capital Funds Management Limited	Australia	Ord		85	85
AMP Capital Holdings Limited	Australia	Ord		85	85
AMP Capital Investment Management (UK) Limited	UK	Ord A &B		85	85
AMP Capital Investment Management Pty Limited	Australia	Ord A & B		85	85
AMP Capital Investors (GIF GP) S.à r.l.	Luxembourg	Ord		85	-
AMP Capital Investors (Hong Kong) Limited	Hong Kong SAR	Ord		85	85
AMP Capital Investors (IDF II GP) S.à.r.l.	Luxembourg	Ord		85	85
AMP Capital Investors (Jersey No. 2) Limited	Jersey	Ord		85	85
AMP Capital Investors (Luxembourg No. 3) S.à r.l.	Luxembourg	Ord		85	85
AMP Capital Investors (Luxembourg No. 4) S.à r.l.	Luxembourg	Ord		85	85
AMP Capital Investors (Luxembourg No. 5) S.à r.l.	Luxembourg	Ord		85	85
AMP Capital Investors (Luxembourg No. 6) S.à r.l.	Luxembourg	Ord		85	85
AMP Capital Investors (Luxembourg) S.à r.l.	Luxembourg	Ord		85	85
AMP Capital Investors (New Zealand) Limited	New Zealand	Ord		85	85
AMP Capital Investors (Property Funds Management Jersey) Limited	Jersey	Ord	2	-	85
AMP Capital Investors (Singapore) Private Property Trust Limited	Singapore	Ord		85	85
AMP Capital Investors (Singapore) Pte Ltd	Singapore	Ord		85	85
AMP Capital Investors (UK) Limited	UK	Ord		85	85
AMP Capital Investors (US) Limited	USA	Ord		85	85
AMP Capital Investors Advisory (Beijing) Limited	People's Republic of China	Ord		85	85
AMP Capital Investors International Holdings Limited	Australia	Ord		85	85
AMP Capital Investors Japan KK	Japan	Ord	2	-	85
AMP Capital Investors KK	Japan	Ord		85	85

Notes supporting the financial information

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29. Group controlled entity holdings (continued)

Operating entities Name of entity	Country of registration	Share type	Footnote	% Holdings 2014	 2013
AMP Capital Investors Limited	Australia	Ord		85	85
AMP Capital Investors Real Estate Pty Limited	Australia	Ord		85	85
AMP Capital Office & Industrial (Singapore) Pte Limited	Singapore	Ord		85	85
AMP Capital Office and Industrial Pty Limited	Australia	Ord		85	85
AMP Capital Palms Pty Limited	Australia	Ord		85	85
AMP Capital Property Nominees Ltd	Australia	Ord		85	85
AMP Capital SA Schools No. 1 Pty Limited	Australia	Ord		85	85
AMP Capital SA Schools No. 2 Pty Limited	Australia	Ord		85	85
AMP Capital Shopping Centres Pty Limited	Australia	Ord		85	85
AMP Crossroads Pty Limited	Australia	Ord		85	85
AMP Custodian Services (NZ) Limited	New Zealand	Ord		85	85
AMP Davidson Road Pty Limited	Australia	Ord		85	85
AMP Direct Pty Ltd	Australia	Ord		100	100
AMP Finance Limited	Australia	Ord		100	100
AMP Finance Services Limited	Australia	Ord		100	100
AMP Financial Investment Group Holdings Limited	Australia	Ord		100	100
AMP Financial Planning Pty Limited	Australia	Ord		100	100
AMP Financial Services Holdings Limited	Australia	Ord A		100	100
AMP Foundation Income Beneficiary Pty Ltd	Australia	Ord		100	100
AMP Foundation Limited	Australia	Ord		100	100
AMP GBS Limited	Australia	Fixed		100	100
AMP GDPF Pty Limited	Australia	Ord		85	85
AMP Group Finance Services Limited	Australia	Ord		100	100
AMP Group Holdings Limited	Australia	Ord A		100	100
AMP Group Services Limited	Australia	Ord A		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		85	85
AMP Investment Services No. 2 Pty Limited	Australia	Ord		85	85
AMP Investment Services Pty Limited	Australia	Ord		85	85
AMP Lending Services Limited	Australia	Ord		100	100
AMP Life Limited	Australia	Ord		100	100
AMP Macquarie Holding Pty Limited	Australia	Ord		85	85
AMP Macquarie Pty Limited	Australia	Ord		85	85
AMP New Ventures Holdings Pty Ltd	Australia	Ord	1	100	-
AMP New Zealand Holdings Limited	New Zealand	Ord		100	100
AMP Pacific Fair Pty Limited	Australia	Ord		85	85
AMP Personal Investment Services Pty Limited	Australia	Ord		100	100
AMP Planner Register Company Pty Limited	Australia	Ord		100	100
AMP Private Capital New Zealand Limited	New Zealand	Ord		85	85
AMP Private Capital No. 2 Pty Limited	Australia	Ord A		85	85
AMP Private Capital Pty Limited	Australia	Ord		85	85
AMP Private Investments Pty Limited	Australia	Ord		85	85
AMP Real Estate Advisory Holdings Pty Limited	Australia	Ord		100	100
AMP Remuneration Reward Plans Nominees Pty. Limited	Australia	Ord		100	100
AMP Riverside Plaza Pty Limited	Australia	Ord		85	85
AMP Royal Randwick Pty Limited	Australia	Ord		85	85
AMP Services (NZ) Limited	New Zealand	Ord		100	100
AMP Services Holdings Limited	Australia	Ord A		100	100

Notes supporting the financial information

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29. Group controlled entity holdings (continued)

Operating entities Name of entity	Country of registration	Share type	Footnote	% Holdings 2014	% Holdings 2013
AMP Services Limited	Australia	Ord A		100	100
AMP SMSF Holding Co Limited	Australia	Ord		100	100
AMP SMSF Investments No. 2 Pty Ltd	Australia	Ord		100	100
AMP SMSF Pty Ltd	Australia	Ord		100	100
AMP Superannuation Limited	Australia	Ord		100	100
AMP Warringah Mall Pty Ltd	Australia	Ord		85	85
AMP Wealth Management New Zealand Limited	New Zealand	Ord		100	100
Arrive Wealth Management Pty Limited	Australia	Ord		100	100
Associated Planners Financial Services Pty Ltd	Australia	Ord		96	96
Associated Planners Strategic Finance Pty Ltd	Australia	Ord		96	96
Auburn Mega Mall Pty Limited	Australia	Ord		85	85
Australian Mutual Provident Society Pty Limited	Australia	Ord		100	100
Australian Securities Administration Limited	Australia	Ord		100	100
AWOF New Zealand Office Pty Limited	Australia	Ord		85	85
BMRI Financial Services Pty Ltd	Australia	Ord		100	100
Carter Bax Pty Ltd	Australia	Ord		100	100
Cavendish Administration Pty Ltd	Australia	Ord		100	100
Cavendish Pty Ltd	Australia	Ord, A Class, B Class, C Class, F Class		100	100
Cavendish Superannuation Holdings Pty Ltd	Australia	Ord		100	100
Cavendish Superannuation Pty Ltd	Australia	A Class, B Class, C Class, D Class, E Class, F Class		100	100
CBD Financial Planning Pty Limited	Australia	Ord		100	100
Charter Financial Planning Limited	Australia	Ord		100	100
Clientcare Financial Planning Pty Ltd	Australia	Ord		100	100
Exford Pty Ltd	Australia	Ord, Class A , Class B, Class C		100	100
Financial Composure Pty Ltd	Australia	Ord		96	96
Financially Yours Holdings Pty Ltd	Australia	Ord, Class Z		100	100
Financially Yours Pty Ltd	Australia	Ord		100	100
First Quest Capital Pty Ltd	Australia	Ord		96	96
Forsythes Financial Services Pty Limited	Australia	Ord	1	100	-
Foundation Wealth Advisers Pty Ltd	Australia	Ord		57	57
Garrisons (Rosny) Pty Ltd	Australia	Ord		100	100
Genesys Group Holdings Pty Ltd	Australia	Ord		100	100
Genesys Group Pty Ltd	Australia	Ord		96	96
Genesys Hobart Pty Limited	Australia	Ord	1	96	-
Genesys Holdings Limited	Australia	Ord		96	96
Genesys Kew Pty Ltd	Australia	Ord		96	96
Genesys Wealth Advisers (WA) Pty Ltd	Australia	Ord		100	100
Genesys Wealth Advisers Ltd	Australia	Ord		96	96
GWM Spicers Limited	New Zealand	Ord		100	100
Hillross Alliances Pty 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 Melbourne Pty Limited	Australia	Ord		100	100
Hindmarsh Square Financial Services Pty Ltd	Australia	Ord		100	100
Hindmarsh Square Wealth Advisers Pty Ltd	Australia	Ord		86	73

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29. Group controlled entity holdings (continued)

Operating entities Name of entity	Country of registration	Share type	Footnote	% Holdings 2014	2013
INSSA Pty Limited	Australia	Ord		100	100
ipac Asset Management Limited	Australia	Ord		100	100
ipac Financial Care Pty Ltd	Australia	Ord, Bonus		100	100
ipac Group Services Pty Limited	Australia	Ord		100	100
Ipac Portfolio Management Limited	Australia	Converting Class A		85	85
ipac Securities Limited	Australia	Ord		100	100
ipac Taxation Services Pty Ltd	Australia	Ord		100	75
Jigsaw Support Services Limited	Australia	Ord		100	100
John Coombes & Company Pty Ltd	Australia	Ord		55	55
Joreki Pty Limited	Australia	Ord	1	100	-
King Financial Services Pty Ltd	Australia	Ord		100	100
LifeFX Pty Ltd	Australia	Ord		100	100
Lindwall Group Pty Ltd	Australia	Ord	2	-	100
Marrickville Metro Shopping Centre Pty Limited	Australia	Ord		85	85
Monitor Money Corporation Pty Ltd	Australia	Ord		100	100
Multiport Malaysia SDN BHD	Malaysia	Ord		100	100
Multiport Pty Ltd	Australia	Ord, Class A		100	100
Multiport Resources Pty Ltd	Australia	Ord		100	100
National Mutual Funds Management (Global) Limited	Australia	Ord		100	100
National Mutual Funds Management Limited	Australia	Ord		100	100
National Mutual Life Nominees Limited	Australia	Ord		100	100
NMMT Limited	Australia	Ord		100	100
Northstar Lending Pty Ltd	Australia	Ord		100	100
Omega (Australia) Pty Limited	Australia	Ord		85	85
Pajoda Investments Pty Ltd	Australia	Ord		55	55
Parkside Investor plus Solutions Pty Ltd	Australia	Ord	2	-	100
PPS Lifestyle Solutions Pty Ltd	Australia	Ord		100	100
PremierOne Mortgage Advice 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		100	100
Progress 2005-1 Trust	Australia		2	-	100
Progress 2005-2 Trust	Australia		2	-	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			100	100
Progress 2012-1Trust	Australia			100	100
Progress 2012-2Trust	Australia			100	100
Progress 2013-1Trust	Australia			100	100
Progress 2014-1Trust	Australia		1	100	-
Progress 2014-2Trust	Australia		1	100	-
Progress Warehouse Trust No1	Australia			100	100
Progress Warehouse Trust No3	Australia			100	100

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for the year ended 31 December 2014

29. Group controlled entity holdings (continued)

Operating entities Name of entity	Country of registration	Share type	Footnote	% Holdings 2014	2013
Prosperitus Holdings Pty Ltd	Australia	Ord	1	100	-
Prosperitus Pty Ltd	Australia	Ord	1	100	-
Quadrant Securities Pty Ltd	Australia	Ord		96	96
SMSF Advice Pty Ltd	Australia	Ord		100	100
Solar Risk Pty Limited	Australia	Ord		100	100
Spicers Portfolio Management Ltd	New Zealand	Ord		100	100
SPP No. 3A Investments Pty Limited	Australia	Ord		85	85
Strategic Planning Partners Pty Limited	Australia	Ord, Ord C, Ord D, Ord E		100	100
Strategic Wealth Solutions Pty Limited	Australia	Ord	2	-	100
Sugarland Shopping Centre Pty Limited	Australia	Ord		85	85
Sunshine West Income Pty Limited	Australia	Ord		85	85
Suwaraow Pty Limited	Australia	Ord		100	100
Synergy Capital Management Limited	Australia	Ord		96	96
TFS Financial Planning Pty Limited	Australia	Ord		100	100
The National Mutual Life Association of Australasia Limited	Australia	Ord		100	100
TM Securities Pty Limited	Australia	Ord		100	100
Total Super Solutions Pty. Ltd.	Australia	Ord	1	100	-
Trenthills Financial Planning Pty Limited	Australia	Ord	1	100	-
Trenthills Financial Services Pty Limited	Australia	Ord	1	100	-
Tynan Mackenzie Holdings Pty Limited	Australia	Ord, Class A		99	73
Tynan Mackenzie Pty Limited	Australia	Ord		99	98
Wilsanik Pty Ltd	Australia	Ord		100	100
YourSMSF Administration Pty Limited (formerly Supercorp Administration Pty Ltd)	Australia	Ord		100	100

1 Controlling interest acquired in 2014.

2 Controlling interest lost in 2014.

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29. Group controlled entity holdings (continued)

Details of significant investments in investment entities controlled by the AMP life insurance entities' statutory funds are as follows:

Investment entities controlled by the AMP life insurance entities' statutory funds Name of entity	Country of registration	Share type (where applicable)	Footnote	% Holdings 2014	2013
140 St Georges Terrace Trust	Australia			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
AAPH Australia Staff Superannuation Pty Ltd	Australia	Ord		100	100
Abbey Capital Real Estate Pty Limited	Australia	Ord		100	100
ACIT Finance Pty Limited	Australia	Ord	2	-	50
ACPP Holding Trust	Australia			100	100
Active Quant Share Fund	Australia			91	75
AFS Alternative Fund 1	Australia			100	100
AFS Australian Equity Enhanced Index Fund 1	Australia			100	100
AFS Australian Equity Growth Fund 1	Australia			100	100
AFS Australian Equity Value Plus Fund 1	Australia			100	100
AFS Australian Property Securities Fund 1	Australia			100	100
AFS Australian Share Fund 8	Australia			100	100
AFS Extended Alpha Fund (formerly AMP Capital Sustainable Extended Alpha Fund)	Australia			100	100
AFS Global Property Securities Fund 1	Australia			100	100
AFS International Fixed Interest Enhanced Index Fund	Australia			65	100
AFS International Share Fund 1	Australia			62	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
Aged Care Investment Trust No.1	Australia			81	100
Aged Care Investment Trust No.2	Australia			81	100
Aggressive Enhanced Index Fund	Australia			100	100
AHGI Martineau Fund	Australia			100	100
AHGI Martineau Galleries Fund	Australia			100	100
AIMS AMP Capital Industrial REIT Management Australia Pty Limited	Australia	Ord	3	43	85
Allmarg Corporation Limited	New Zealand	Ord, Pref		100	100
AMP Australian Property Index Fund	Australia		1,3	41	-
AMP Capital 1950s Fund	Australia			100	100
AMP Capital 1960s Fund	Australia			100	100
AMP Capital 1970s Fund	Australia			100	100
AMP Capital 1980s Fund	Australia			100	100
AMP Capital 1990s Fund	Australia			100	100
AMP Capital Absolute Return - Passive Fund	Australia			96	100
AMP Capital Alternative Defensive Fund	Australia			94	100
AMP Capital Alternative Defensive Fund - Delayed Redemption	Australia			98	84
AMP Capital Asia ex-Japan Fund	Australia			100	100
AMP Capital Asia Local Currency Bond Fund	Australia			100	100
AMP Capital Asian Equity Growth Fund	Australia			91	75
AMP Capital Australian Equity Concentrated Fund	Australia			76	100
AMP Capital Australian Equity Income Fund	Australia			85	100
AMP Capital Australian Equity Long Short Fund	Australia		2	-	100
AMP Capital Australian Equity Opportunities Fund	Australia			66	68
AMP Capital Australian Index Fund	Australia			54	54
AMP Capital Australian Small Companies Fund	Australia			58	55
AMP Capital Business Space REIT	Singapore		2	-	85
AMP Capital China Growth Fund	Australia		3	38	37
AMP Capital Corporate Bond Fund	Australia			62	70

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29. Group controlled entity holdings (continued)

Investment entities controlled by the AMP life insurance entities' statutory funds Name of entity	Country of registration	Share type (where applicable)	Footnote	% Holdings 2014	2013
AMP Capital Credit Strategies Fund	Australia			90	87
AMP Capital Direct Property Fund	Australia			100	100
AMP Capital Diversified Balanced Fund	Australia			100	100
AMP Capital Extended Multi-Asset Fund	Australia			66	69
AMP Capital Global Equities Sector Rotation Fund	Australia			59	100
AMP Capital Global Infrastructure Securities Fund (Hedged)	Australia			83	75
AMP Capital Global Infrastructure Securities Fund (Unhedged)	Australia			88	74
AMP Capital Global Resource Fund	Australia		2	-	100
AMP Capital Greater China Equity Growth Fund	Australia		1	100	-
AMP Capital Infrastructure Trust 1	Australia			100	100
AMP Capital International Equity Index Fund Hedged	Australia			96	100
AMP Capital Investments No. 14 Limited	New Zealand	Ord A & B, Pref		100	100
AMP Capital Investments No. 2 Limited	New Zealand	Ord A & B, Pref		100	100
AMP Capital Investments No. 8 Limited	New Zealand	Ord A & B, Pref		100	100
AMP Capital Investors (Angel Trains EU No.1) S.à r.l.	Luxembourg	Ord	3	27	42
AMP Capital Investors (Angel Trains EU No.2) S.à r.l.	Luxembourg	Ord	3	6	42
AMP Capital Investors (Angel Trains UK No.1) S.à r.l.	Luxembourg	Ord	3	37	42
AMP Capital Investors (Angel Trains UK No.2) S.à r.l.	Luxembourg	Ord	3	25	42
AMP Capital Investors (CLH No. 1) S.à r.l.	Luxembourg	Ord	3	7	42
AMP Capital Investors (CLH No. 2) B.V.	Luxembourg	Ord	3	22	42
AMP Capital Investors (European Infrastructure No 3)	Luxembourg			50	42
AMP Capital Investors (European Infrastructure No 4)	Luxembourg			50	42
AMP Capital Investors (Infrastructure No.1) S.à r.l.	Luxembourg	Ord	3	25	42
AMP Capital Investors (Infrastructure No.2) S.à r.l.	Luxembourg	Ord	3	25	42
AMP Capital Investors (Infrastructure No.3) S.à r.l.	Luxembourg	Ord	3	25	42
AMP Capital Investors (Infrastructure No.4) S.à r.l.	Luxembourg	Ord	3	25	42
AMP Capital Investors (Kemble Water) S.à r.l.	Luxembourg	Ord	3	33	42
AMP Capital Investors Airport S.à r.l.	Luxembourg	Ord	3	27	42
AMP Capital Investors UK Cable Limited	Luxembourg	Ord	3	27	42
AMP Capital Macro Strategies Fund	Australia			100	84
AMP Capital New Zealand Shares Index Fund	New Zealand		1,3	33	-
AMP Capital Shell Fund 3	Australia			100	100
AMP Capital Specialist Diversified Fixed Income Fund	Australia		1	91	-
AMP Capital Stable Fund	Australia			100	100
AMP Capital Strategic Infrastructure Trust of Europe No.1	Luxembourg			50	42
AMP Capital Strategic Infrastructure Trust of Europe No.2	Luxembourg			50	42
AMP Capital Sustainable Share Fund	Australia			75	69
AMP Capital Wholesale Office Fund	Australia		2	-	35
AMP CMBS No. 1 Pty Limited	Australia	Ord		100	100
AMP CMBS No. 2 Pty Limited	Australia	Ord		100	100
AMP Global Property Investments Pty Ltd	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 Cash Management Trust	Australia			100	100
AMP Private Capital Trust No.9	Australia			100	100
AMP Property Investments (Qld) Pty. Ltd.	Australia	Ord		100	100
AMP Shareholder Cash Fund	Australia			82	100
AMP Shareholder Fixed Interest Fund	Australia			73	100
AMP UK Shopping Centre Fund	Australia			100	100
AMP/ERGO Mortgage and Savings Limited	New Zealand	Ord		100	100
AMPCI FD Infrastructure Trust	Australia			99	97

29. Group controlled entity holdings (continued)

Investment entities controlled by the AMP life insurance entities' statutory funds Name of entity	Country of registration	Share type (where applicable)	Footnote	% Holdings 2014	2013
Arrow Systems Pty Limited	Australia	Ord	1,3	33	-
Australian Credit Fund	Australia			100	100
Australian Government Fixed Interest Fund	Australia			100	100
Australian Pacific Airports Fund	Australia			77	77
Australian Pacific Airports Fund No.3	Australia		3	33	33
AWOF New Zealand Office Trust	New Zealand		2	-	35
Balanced Enhanced Index Fund	Australia			100	100
BCG Finance Pty Limited	Australia	Ord		100	100
Booragoon Trust	Australia			100	100
Bourke Place Unit Trust	Australia		2	-	23
Carillon Avenue Pty Ltd	Australia	Ord	3	32	34
Cautious Enhanced Index Fund	Australia			100	100
Cavendish Administration Unit Trust	Australia		2	-	100
China Strategic Growth Fund	Australia			100	100
Collins Place No. 2 Pty Ltd	Australia	Ord		100	100
Collins Place Pty Limited	Australia	Ord		100	100
Commercial Loan Pool No. 1	Australia			100	100
Conservative Enhanced Index Fund	Australia			99	99
Core Plus Fund	Australia			100	100
Crossroads Trust	Australia			100	100
Davidson Road Trust	Australia			100	100
Didus Pty Limited	Australia	Ord		100	100
Diversified Investment Strategy No.1	Australia		1	55	-
EFM Australian Share Fund 1	Australia			96	96
EFM Australian Share Fund 2	Australia			99	99
EFM Australian Share Fund 3	Australia			98	98
EFM Australian Share Fund 4	Australia			94	94
EFM Australian Share Fund 6	Australia			98	99
EFM Australian Share Fund 7	Australia			97	98
EFM Fixed Interest Fund 2	Australia			97	97
EFM Fixed Interest Fund 3	Australia			94	95
EFM Fixed Interest Fund 4	Australia		2	-	94
EFM Infrastructure Fund 1	Australia			94	94
EFM International Share Fund 3	Australia			97	97
EFM International Share Fund 5	Australia			96	96
EFM International Share Fund 7	Australia			91	91
EFM International Share Fund 8	Australia		1	100	-
EFM Listed Property Fund 1	Australia			96	96
Enhanced Index International Share Fund	Australia			95	90
Enhanced Index Share Fund	Australia		2	-	89
Executive Share Plan Trust	Australia		2	-	100
FD Australian Share Fund 1	Australia			96	97
FD Australian Share Fund 3	Australia			95	94
FD International Share Fund 1	Australia			96	96
FD International Share Fund 3	Australia			98	98
FD International Share Fund 4	Australia			95	96
Floating Rate Income Fund	Australia			97	96
Focus Property Services Pty Limited	Australia	Ord		92	92
Future Direction Australian Bond Fund	Australia			91	96
Future Directions Australian Equity Fund	Australia		1	98	-
Future Directions Asia ex Japan Fund	Australia			96	98

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29. Group controlled entity holdings (continued)

Investment entities controlled by the AMP life insurance entities' statutory funds Name of entity	Country of registration	Share type (where applicable)	Footnote	% Holdings 2014	2013
Future Directions Australian Share Fund	Australia			84	93
Future Directions Australian Small Companies Fund	Australia			91	93
Future Directions Balanced Fund	Australia			100	98
Future Directions Conservative Fund	Australia			96	95
Future Directions Core International Share Fund 2	Australia			88	59
Future Directions Credit Opportunities Fund	Australia			96	96
Future Directions Diversified Alternatives Fund	Australia			96	98
Future Directions Enhanced Index Australian Share Fund	Australia			100	97
Future Directions Enhanced Index Global Property Securities Fund	Australia			100	97
Future Directions Enhanced Index International Bond Fund	Australia			92	95
Future Directions Geared Australian Share Fund	Australia			93	93
Future Directions Global Credit Fund (formerly FD International Bond Fund 3)	Australia			95	95
Future Directions Global Government Bond Fund	Australia			92	92
Future Directions Growth Fund	Australia			97	97
Future Directions Hedged Core International Share Fund	Australia			69	61
Future Directions High Growth Fund	Australia			96	95
Future Directions Inflation Linked Bond Fund	Australia			100	97
Future Directions Infrastructure Fund	Australia			100	97
Future Directions International Bond Fund	Australia			95	95
Future Directions International Share Fund	Australia			84	60
Future Directions International Small Companies Fund	Australia		1	100	-
Future Directions Moderately Conservative Fund	Australia			96	95
Future Directions Opportunistic Fund	Australia			99	98
Future Directions Private Equity Fund 1A	Australia			100	97
Future Directions Private Equity Fund 1B	Australia			100	100
Future Directions Private Equity Fund 2A	Australia			99	99
Future Directions Private Equity Fund 2B	Australia			100	100
Future Directions Private Equity Fund 3A	Australia			99	97
Future Directions Private Equity Fund 3B	Australia			100	100
Future Directions Private Equity Fund 4A	Australia		1	99	-
Future Directions Property (Feeder) Fund	Australia			96	96
Future Directions Real Property Fund	Australia		1	100	-
Future Directions Total Return Fund	Australia			94	96
Genesys Participation Trust	Australia		2	-	100
Glendenning Pty Limited	Australia	Ord		100	100
Global Credit Fund	Australia			100	100
Global Credit Strategies Fund	Australia		2	-	87
Global Government Fixed Interest Fund	Australia			100	100
Global Growth Opportunities Fund	Australia			96	96
Global Listed Infrastructure Fund	Australia			100	100
Global Matafion S.L.	Luxembourg	Ord	3	22	42
Greater Gabbard OFTO Ltd	Luxembourg	Ord	2	-	42
Greater Gabbard OFTO Holdings Limited	Luxembourg	Ord	2	-	42
Greater Gabbard OFTO Interm Ltd	Luxembourg	Ord	2	-	42
Henderson Global Commodities Fund	Australia		1	56	-
Hindmarsh Square Financial Services Trust	Australia		2	-	100
Honeysuckle 231 Pty Limited	Australia	Ord		60	60
IEF Reliance Rail Pty Limited	Australia	Ord	1,3	33	-
Infrastructure Equity Fund	Australia		2	-	31
International Bond Fund	Australia			92	93

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29. Group controlled entity holdings (continued)

Investment entities controlled by the AMP life insurance entities' statutory funds Name of entity	Country of registration	Share type (where applicable)	Footnote	% Holdings 2014	2013
Investment Services Unit Trust	Australia		2	-	100
ipac Diversified Investment Strategy No.4	Australia		2	-	52
Ipac Specialist Investment Strategies-Global Emerging Markets Strategy No.2	Australia		1	100	-
Ipac Specialist Investment Strategies-Passive Global Property	Australia		1	100	-
Jeminex Limited	Australia	Ord and Pref		51	51
Kent Street Investment Trust	Australia			100	100
Kent Street Pty Limited	Australia	Ord		100	100
Kent Street Unit Trust	Australia		2	-	100
Kiwi Kat Limited	New Zealand	Ord		70	70
Knox City Shopping Centre Investments (No. 2) Pty Limited	Australia	Ord		100	100
Listed Property Trusts Fund	Australia		1	52	-
Loftus Street Trust	Australia		2	-	35
Macquarie Balanced Growth Fund	Australia			86	84
Macquarie life Australian Enhanced Equities Fund	Australia		1	96	-
Managed Treasury Fund	Australia			88	88
Moderately Aggressive Enhanced Index Fund	Australia			100	100
Moderately Conservative Enhanced Index Fund	Australia			100	100
Monash House Trust	Australia			100	100
Mortgage Backed Bonds Limited	New Zealand	Ord	2	-	100
Mowla Pty. Ltd.	Australia	Ord		100	100
Multi-Manager Portfolio - Australian Equities Sector	Australia			100	100
Multi-Manager Portfolio - Balanced	Australia			100	100
Multi-Manager Portfolio - Growth	Australia			100	100
Multi-Manager Portfolio - High Growth	Australia			100	100
Multi-Manager Portfolio - International Equities Sector	Australia			100	100
Multi-Manager Portfolio - International Shares-Hedged	Australia			100	100
Multi-Manager Portfolio - Property Sector	Australia			100	100
Multi-Manager Portfolio - Secure	Australia			100	100
Multi-Manager Portfolio - Secure Growth	Australia			100	100
National Fire Holdings Pty Limited	Australia	Ord	2	-	51
NM New Zealand Nominees Limited	New Zealand	Ord		100	100
N.M. Superannuation Pty Limited	Australia	Ord		100	100
NM Computer Services Pty Ltd	Australia	Ord		100	100
NM Rural Enterprises Pty Ltd	Australia	Ord		100	100
One Group Retail Holdings Pty Limited	Australia	Ord	2	-	52
Principal Healthcare Finance No. 2 Pty Limited	Australia	Ord	2	-	50
Principal Healthcare Holdings Pty Limited	Australia	Ord		100	100
Principal Healthcare Holdings Trust	Australia			100	100
Private Equity Fund IIIA	Australia			94	94
Private Equity Fund IIIB	Australia			94	94
Quay Mining (No. 2) Limited	Bermuda	Ord, Red Pref		100	100
Quay Mining Pty Limited	Australia	Ord		100	100
Responsible Investment Leaders Conservative Fund	Australia			95	91
Responsible Investment Leaders Growth Fund	Australia			97	97
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			100	100
Silverton Securities Proprietary Ltd	Australia	Ord		100	100

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29. Group controlled entity holdings (continued)

Investment entities controlled by the AMP life insurance entities' statutory funds Name of entity	Country of registration	Share type (where applicable)	Footnote	% Holdings 2014	2013
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
Strategic Infrastructure Trust of Europe UK SPV Limited	Luxembourg	Ord	2	-	42
Student Housing Accommodation Growth Trust	Australia		3	19	34
Student Housing Accommodation Growth Trust No.2	Australia		3	19	34
Sunshine West Development Pty Limited	Australia	Ord		75	75
Sydney Cove Trust	Australia			100	100
The Glendenning Trust	Australia			100	100
The Pinnacle Fund	Australia			100	100
TOA Pty Ltd	Australia	Ord		100	100
United Equipment Holdings Pty Limited	Australia	A Pref		56	56
Warringah Mall Trust	Australia		2	-	50
Waterfront Place (No. 2) Pty. Ltd.	Australia	Ord		100	100
Waterfront Place (No. 3) Pty. Ltd.	Australia	Ord		100	100
Wholesale Australian Bond Fund	Australia			82	90
Wholesale Cash Management Trust	Australia		1	51	-
Wholesale Global Diversified Yield Fund	Australia			100	100
Wholesale Global Equity - Growth Fund (Hedged)	Australia		2	-	100
Wholesale Global Equity - Index Fund (Hedged)	Australia			100	100
Wholesale Global Equity - Index Fund (Unhedged)	Australia			100	100
Wholesale Unit Trust NZ Shares Fund	New Zealand		1	100	-
Wholesale Unit Trusts NZ Shares Fund	New Zealand			100	100

1 Controlling interest acquired in 2014.

2 Controlling interest lost in 2014.

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

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29. Group controlled entity holdings (continued)

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

The AMP group has classified operating companies, which are controlled entities of the AMP life entities' statutory funds, as disposal groups held for sale where they are subject to active sale processes at 31 December 2014 and a sale is expected to be completed within a year. These operating companies are being disposed in accordance with the investment strategy of the fund which holds the investment in these entities. Subsequent to being classified as disposal groups an impairment of $13m to the assets of disposal groups was recognised due to a decrease in their fair value. All disposal groups are held within the Australian Wealth Management operating segment.

The major classes of assets and liabilities of the disposal groups are as follows:

	2014 $m	2013 $m
Assets		
Cash	**1**	-
Receivables	**16**	11
Inventory and other assets	**24**	9
Property, plant and equipment	**58**	5
Intangibles	**1**	17
Total assets of the disposal groups	**100**	42
Liabilities		
Payables	**20**	8
Deferred tax liability	**2**	**-**
Provisions	**3**	**-**
Borrowings	**44**	**-**
Total liabilities of the disposal groups	**69**	8
Net assets of the disposal groups	**31**	34

Refer to note 23 for details regarding fair value measurement.

Notes supporting the financial information

for the year ended 31 December 2014

30. Associates

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

	Principal activities	Ownership interest 2014 %	Ownership interest 2013 %	Carrying amount 2014 $m	Carrying amount 2013 $m	Principal place of business
AIMS AMP Capital Industrial REIT [1,2]	Industrial property trust	**5**	5	**43**	33	Singapore
China Life AMP Asset Management Company Ltd [3]	Investment management	**15**	15	**17**	16	People's Republic of China
Other (each less than $10m)				**56**	64	
Total investments in associates accounted for using the equity method				**116**	113	

1 The combination of the 5% investment in AIMS AMP Capital Industrial REIT and the joint control of the manager companies result in significant influence by AMP.

2 The value of AMP's investment in AIMS AMP Capital Industrial REIT based on published quoted prices as at the reporting date is $39m (2013: $31m).

3 The combination of the 15% invested in China Life AMP Asset Management Company Ltd and rights held under a shareholders agreement result in significant influence by AMP.

Aggregated financial information extracted from the financial statements of AIMS AMP Capital Industrial REIT:	**2014 $m**	**2013 $m**
Current assets	15	14
Non-current assets	1,326	968
Current liabilities	26	19
Non-current liabilities	438	254
Revenues	52	58
Expenses - including tax	15	23
Profit / (loss)	38	35
Share of contingent liabilities incurred in relation to associates accounted for using the equity method	nil	nil

Aggregated financial information extracted from the financial statements of China Life AMP Asset Management Company Ltd	**2014 $m**	**2013 $m**
Current assets	104	108
Non-current assets	22	-
Current liabilities	12	1
Non-current liabilities	-	-
Revenues	19	1
Expenses - including tax	21	1
Profit / (loss)	(3)	-
Share of contingent liabilities incurred in relation to associates accounted for using the equity method	nil	nil

Notes supporting the financial information

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30. Associates (continued)

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

		Ownership interest		Carrying amount	
		2014	2013	2014	2013
	Principal activity[3]	%	%	$m	$m
AFS Property Enhanced Index Fund[5]	Investment trusts	**-**	43	**-**	634
AMP Australian Equity Index Fund[4]	Investment trusts	**50**	-	**121**	-
AMP Capital Diversified Property Fund[4]	Investment trusts	**25**	-	**1,011**	-
AMP Capital Balanced Growth Fund[4]	Investment trusts	**20**	-	**53**	-
AMP Capital Global Property Securities Fund	Investment trusts	**40**	38	**614**	513
AMP Capital Multi-Asset Fund	Investment trusts	**37**	49	**111**	94
AMP Capital NZ Shares Fund[4]	Investment trusts	**40**	-	**183**	-
AMP Capital NZ Shares Index Fund	Investment trusts	**-**	35	**-**	87
AMP Capital Pacific Fair and Macquarie Shopping Centre Fund	Investment trusts	**26**	26	**291**	297
AMP Capital Property Portfolio[5]	Investment trusts	**-**	40	**-**	291
AMP Capital Shopping Centre Fund	Investment trusts	**25**	31	**562**	644
AMP Capital Strategic NZ Shares Fund	Investment trusts	**45**	38	**65**	124
AMP Equity Trust	Investment trusts	**46**	42	**202**	206
Asian Giants Infrastructure	Infrastructure investment	**37**	37	**16**	18
Darling Park Property Trust[5]	Investment trusts	**-**	50	**-**	239
Diversified Investment Strategy No 2	Investment trusts	**23**	38	**120**	126
Diversified Investment Strategy No 3[4]	Investment trusts	**28**	-	**62**	-
Enhanced Index Share Fund[4]	Investment trusts	**50**	-	**199**	-
Esplanade Property Trust[5]	Investment trusts	**-**	50	**-**	159
Future Directions Emerging Markets Share Fund	Investment trusts	**49**	36	**56**	304
Gove Aluminium Finance Limited	Investment company	**30**	30	**96**	84
Hyperion Australian Growth Companies Fund	Investment trusts	**24**	23	**111**	57
K2 Australian Absolute Return Fund	Investment trusts	**28**	22	**109**	94
Listed Property Trust Fund[5]	Investment trusts	**-**	30	**-**	57
Man AHL Alpha[4]	Investment trusts	**26**	-	**53**	-
Marrickville Metro Trust[5]	Investment trusts	**-**	50	**-**	82
Pimco Diversified Fixed Interest Fund	Investment trusts	**33**	25	**145**	73
Responsible Investments Leader Balanced Fund	Investment trusts	**26**	32	**238**	272
Responsible Investments Leaders Australian Share Fund[5]	Investment trusts	**-**	46	**-**	133
Specialist Investment Strategies - Australian Strategies - Australian Cash Strategy No 1[5]	Investment trusts	**-**	24	**-**	194
Specialist Investment Strategies - Australian Strategies - Australian Share Strategy No 1[5]	Investment trusts	**-**	25	**-**	844
Specialist Investment Strategies - International Strategies - Alternative Income Strategy No 1[5]	Investment trusts	**-**	24	**-**	311
Specialist Investment Strategies - International Strategies - International Share Strategy No 2[5]	Investment trusts	**-**	24	**-**	233
Specialist Investment Strategies - International Strategies - International Smaller Companies No.1[5]	Investment trusts	**-**	27	**-**	148
Sugarland Shopping Centre Trust[5]	Investment trusts	**-**	50	**-**	55
Templeton Global Trust Fund	Investment trusts	**26**	29	**85**	65
Value Plus Australia Share Fund	Investment trusts	**29**	29	**57**	57
Wholesale Cash Management Trust[5]	Investment trusts	**-**	28	**-**	193

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

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

3 In the course of normal operating investment activities, the life statutory fund holds investments in various operating businesses. Investments in associated entities reflect investments where the life statutory fund holds between a 20% and 50% equity interest.

4 Trust became an associated entity during 2014

5 Trust ceased being an associated entity during 2014.

Notes supporting the financial information

for the year ended 31 December 2014

31. Operating lease commitments

	Consolidated		Parent	
	2014	**2013**	**2014**	**2013**
	$m	**$m**	**$m**	**$m**
Operating lease commitments (non-cancellable)				
Due within one year	**85**	85	**-**	-
Due within one year to five years	**275**	296	**-**	-
Due later than five years	**40**	97	**-**	-
Total operating lease commitments	**400**	478	**-**	**-**

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

At 31 December 2014, the total of future minimum sublease payments expected to be received under non-cancellable subleases was $39m (2013: $50m).

Notes supporting the financial information

for the year ended 31 December 2014

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 the AMP group not to disclose such information and it is the 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.