ASX Announcement

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Company Announcements Office
Australian Securities Exchange
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Wellington New Zealand

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AMP Limited (ASX/NZX: AMP)
(also for release to AMP Group Finance Services Limited (ASX: AQNHA & NZX: AQN010))

Part Four: Appendix 4E

AMP Limited (AMP) ASX Announcement
AMP Limited
Level 24, 33 Alfred Street
Sydney NSW 2000 Australia
ABN 49 079 354 519

AMP Limited
ABN 49 079 354 519

Appendix 4E – Preliminary Final Report

Year ended 31 December 2009

Content

Results for announcement to the market

for the year ended 31 December 2009

	Year ended 31 December		%
	2009	2008	movement
Financial results	**$m**	**$m**	
Revenue from ordinary activities[1]	10,915	(10,960)	N/A
Profit from ordinary activities after tax attributable to members[2]	739	580	27%
Net profit for the period attributable to members[2]	739	580	27%
Net profit before accounting mismatches[2]	740	423	75%

Notes

(1) Revenue (losses) from ordinary activities includes amounts attributable to shareholders, policyholders and external unitholders. The amount is the aggregate of premium and related revenue of $1,049m (2008: $994m), fee revenue of $1,331m (2008: $1,520m), other revenue of $285m (2008: $369m) and net investment gains of $8,250m (2008: losses of $13,843m) as detailed in Note 3 and 4 of the AMP Limited Preliminary financial report.

(2) As explained further in Note 1(d) of the AMP Limited Preliminary Final Report, accounting mismatches arise because the recognition and measurement rules for certain policyholder assets differ from the recognition and measurement rules for the actual liability to policyholders in respect of the same assets. These mismatches result in policyholder asset movements impacting the net profit for the period attributable to members and increased volatility of the reported profit.

Dividends	**Amount per security (cents)**	**Franked amount per security (cents)**
Final dividend (franked to 50% at a tax rate of 30%)		
- Final dividend	16	8.00
The record date to determine entitlements to the final dividend	1-Mar-2010	
The date the final dividend is payable	14-Apr-2010	

AMP Limited offers a Dividend Reinvestment Plan 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 issued under the plan is the weighted average price of the AMP shares over a designated period with a 2.5% discount as defined in the plan rules rounded down to the nearest one cent.

	Year ended 31 December	
	2009	2008
Net tangible assets per ordinary share	**A$**	**A$**
Net tangible assets per ordinary share	0.80	0.56

The results and the financial information included within this Preliminary Final Report have been subject to an independent audit by the external auditors.

Commentary on the results

for the year ended 31 December 2009

Review of operations and results

AMP is financially strong, with a diverse earnings base, low cost ratio and a disciplined, prudent approach to capital management. This business model is characterised by a pre-eminent brand; a relatively low-cost and scalable manufacturing platform; a large aligned planner channel; a broad-based asset management and packaging business; and cost and capital efficiency.

AMP's statutory profit attributable to shareholders of AMP Limited for the year ended 31 December 2009 was $739 million, compared to $580 million for the previous corresponding period. Basic earnings per share for the year ended 31 December 2009 on a statutory basis was 37.1 cents per share (2008: 31.1 cents per share).

Underlying profit is AMP's preferred measure of profitability as it smoothes investment market volatility. Directors use underlying profit as the primary determinant of dividend decisions. Difficult economic conditions in 2008 and 2009 have led to a 5% decrease in underlying profit to $772 million for the year ended 31 December 2009 from $810 million for the year ended 31 December 2008. On an underlying basis, earnings per share was 38.3 cents per share (2008: 42.9 cents per share).

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

- Underlying return on equity decreased by 7.3 percentage points to 31.6% impacted by the November 2008 capital raising.
- Underlying profit $772 million, down 5% on 2008, with improving earnings momentum in the second half of 2009.
- 67% of managed funds met or exceeded the benchmark over the 12 months to 31 December 2009.
- Growth measures (compared to the previous corresponding period):
  - Net cash inflows into AMP Financial Services increased to $1,661 million from $1,426 million over the 12 months to 31 December 2008, net cash external outflows from AMP Capital Investors increased to $1,077 million from $804 million over the 12 months to 31 December 2008.
  - Value of risk new business decreased 11% to $102 million, impacted by higher bond yields (Australia up 11% to $100m offset by deterioration in New Zealand)

AMP experienced overall investment gains attributable to shareholders, policyholders, external unitholders and minority interests for the year ended 31 December 2009. The vast majority of investment returns are attributable to wealth management products where the shareholders are not directly exposed to changes in asset values.

Total AMP group assets under management were $114 billion at 31 December 2009, an increase of 9% from $105 billion at 31 December 2008.

Differences between underlying profit and statutory profit

The 31 December 2009 underlying profit of $772 million excludes an investment income market adjustment loss of $13 million. The underlying profit also excludes other items of $10 million which include release of prior year tax provisions and one off and non-recurring costs. Seed pool valuation losses of $30 million are also excluded as are accounting mismatch losses of $1 million and other timing differences profit of $1 million details of which are explained in Note 2(d) of the Preliminary final report.

Capital management

Equity and reserves of the group increased to $2,571 million at 31 December 2009 from $2,037 million at 31 December 2008. This was a result of additional share capital issued under the Dividend Reinvestment Plan, profits to 31 December 2009 and other movements in reserves and contributed equity, partially offset by dividends paid up to 31 December 2009.

In April 2009 AMP raised $296 million, before issue costs, from the issue of listed AMP Notes. The Notes were issued as part of AMP group's ongoing funding and capital management strategy. The funds raised were used to improve the efficiency of AMP's capital mix, meet general funding requirements and support the refinancing of subordinated debt.

Commentary on the results

for the year ended 31 December 2009

AMP remains strongly capitalised, with $1,242 million in regulatory capital resources above minimum regulatory requirements (MRR) at 31 December 2009 ($898 million at 31 December 2008). This was 2.2 times MRR (2.1 times at 31 December 2008). The MRR coverage ratio varies throughout the year due to a range of factors, including investment market movements, dividend payments and statutory profits.

During 2009, AMP's regulatory capital resources above MRR increased by $344m despite AMP Life Statutory Fund 1 increasing its allocation to equities.

Despite improvements in markets during the second half of 2009, AMP continues to take a prudent approach to capital management and has a bias towards holding more capital rather than less.

AMP has declared a final dividend of 16 cents per share, franked to 50%. This takes AMP's dividend payout ratio to 78% of underlying profit for the year ended 31 December 2009. Directors use underlying profit as the primary determinant of dividend decisions. AMP has a target dividend payout range of between 75% and 85% of underlying profit.

AMP offers a dividend reinvestment plan (DRP) for shareholders. AMP will continue to offer a discount of 2.5% to DRP participants. The DRP will not be underwritten and new shares will be issued.

Impact of accounting mismatches on profit

During the year, the aggregate impact of accounting mismatches decreased the net profit attributable to the shareholders of AMP Limited by $1 million from $740 million to $739 million. Further details on accounting mismatches is provided in the accounting policies Note 1(d) in the Preliminary final report

The accounting mismatches arise in respect of:

- gains and losses on 'treasury shares' (2009: losses $26 million; 2008: gain $73 million),
- gains and losses on investments in controlled entities of the life statutory funds (2009: gain $21 million; 2008: gain $80 million), and
- other accounting mismatches (2009: gain $4 million; 2008: gain $4 million).

Proposal for AXA Asia Pacific Holdings Limited

On 7 November 2009, AMP and AXA SA put a proposal to AXA Asia Pacific Holdings Limited (AXA APH) pursuant to which AMP would acquire all of the shares in AXA APH and the Asian operations of AXA APH would be sold to AXA SA. On 9 November 2009, the independent directors of AXA APH announced that they had rejected the proposal.

On 11 December 2009, AMP and AXA SA put a revised proposal to AXA APH. The revised proposal was rejected by the AXA APH independent directors on 17 December 2009 in conjunction with a recommendation by the independent directors of a competing proposal received from National Australia Bank Limited (NAB) on 16 December 2009.

AMP is considering its position in relation to AXA APH and awaits determinations from the Australian Competition and Consumer Commission in relation to the proposals by each of AMP and NAB.

Events occurring after the reporting date

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

- On 18 February 2010, AMP announced a final dividend on ordinary shares of 16 cents per share. Details of the announced final dividend and dividends paid and declared during the financial year are disclosed in Note 17 of the Preliminary final report.

Financial information

for the year ended 31 December 2009

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Income statement

for the year ended 31 December 2009

	Note	Consolidated 2009 $m	Consolidated 2008 $m	Parent 2009 $m	Parent 2008 $m
Income and expenses of shareholders, policyholders, external unitholders and minority interests[1]					
Life insurance premium and related revenue	3	1,049	994	-	-
Fee revenue	3	1,331	1,520	11	5
Other revenue	3	285	369	-	5
Investment gains and (losses)	4	8,250	(13,843)	207	750
Life insurance claims and related expenses	5	(1,251)	(1,337)	-	-
Operating expenses	5	(2,132)	(2,615)	(11)	(7)
Finance costs	5	(655)	(1,090)	-	-
Share of profit or (loss) of associates accounted for using the equity method		4	-	-	-
Movement in external unitholders' liabilities		(343)	2,513	-	-
Change in policyholder liabilities					
- life insurance contracts		641	1,009	-	-
- investment contracts		(5,951)	11,392	-	-
Income tax (expense) credit	6	(505)	1,668	97	91
Profit		**723**	**580**	**304**	**844**
Profit attributable to shareholders of AMP Limited excluding impact of acounting mismatches		**740**	**423**	**304**	**844**
Unmatched changes in policyholder liabilities ('accounting mismatches') due to: [2]					
- treasury shares		(26)	73	-	-
- investment in controlled entities of statutory funds		21	80	-	-
- other		4	4	-	-
Profit attributable to shareholders of AMP Limited		**739**	**580**	**304**	**844**
Profit / (loss) attributable to minority interest		(16)	-	-	-
Profit		**723**	**580**	**304**	**844**

Footnote:

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

(2) As explained further in Note 1(d), accounting mismatches arise because the recognition and measurement rules for certain policyholder assets differ from the recognition and measurement rules for the actual liability to policyholders in respect of the same assets. These mismatches result in policyholder asset movements impacting the Profit and increased volatility of the reported profit.

Earnings per ordinary share	**cents**	**cents**
Basic before accounting mismatches	36.7	22.4
Diluted before accounting mismatches	36.5	22.3
Basic after accounting mismatches	37.1	31.1
Diluted after accounting mismatches	36.9	30.9

Statement of comprehensive income

for the year ended 31 December 2009

	Consolidated		Parent	
	2009 $m	2008 $m	2009 $m	2008 $m
Profit	723	580	304	844
Other comprehensive income recognised in retained earnings				
Defined benefit funds [(1)]				
- actuarial gains and (losses)	61	(137)	-	-
- income tax (expense)/credit	(18)	41	-	-
	43	(96)	-	-
Other comprehensive income recognised in reserves				
Owner-occupied property				
- gains (losses) in valuation of owner-occupied property	(29)	(8)	-	-
- income tax (expense)/credit	2	1	-	-
	(27)	(7)	-	-
Cash flow hedges [(2)]				
- gains and (losses) in fair value of cash flow hedges	45	(158)	-	-
- income tax (expense)/credit	(14)	47	-	-
- transferred to profit for the period - gross	55	(26)	-	-
- transferred to profit for the period - income tax (expense) credit	(17)	8		-
	69	(129)	-	-
Revaluation of hedge of net investments				
- gains and (losses) in fair value of hedges of net investments	30	(30)	-	-
- income tax (expense)/credit	(9)	9	-	-
- transferred to profit for the period - gross	3	-	-	-
- transferred to profit for the period - income tax (expense)/credit	(1)	-	-	-
	23	(21)	-	-
Exchange difference on translation of foreign operations				
- exchange gains (losses)	(65)	14	-	-
- transferred to profit for the period - gross	19	-	-	-
	(46)	14	-	-
Total comprehensive income	**785**	**341**	**304**	**844**
Total comprehensive (income)/loss attributable to minority interest	16	-	-	-
Total comprehensive income attributable to shareholders of AMP Limited	801	341	304	844

Footnote:

(1) Under accounting standards, actuarial gains and losses on AMP's employer sponsored defined benefit funds are recognised directly in retained earnings. Whilst the defined benefit funds are in a net deficit position as measured under accounting standards, under an accrued benefits calculation method, which is used to determine employer contributions, the defined benefit funds were in a satisfactory position at balance date.

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

Statement of financial position

as at 31 December 2009

	Note	Consolidated 2009 $m	Consolidated 2008 $m	Parent 2009 $m	Parent 2008 $m
Assets					
Cash and cash equivalents		2,409	2,056	1	9
Receivables	7	959	1,240	9	-
Current tax assets		32	139	32	137
Equity securities	8	32,794	26,794	-	-
Debt securities	8	30,561	32,590	836	660
Property securities	8	3,665	3,450	-	-
Other financial assets	8	9,203	8,571	-	-
Investment property	9	7,832	9,227	-	-
Property, plant and equipment	10	475	592	-	-
Deferred tax assets	6	654	970	133	86
Inventories and other assets	11	184	173	-	-
Intangibles	12	946	939	-	-
Investments in associates accounted for using the equity method	28	116	9	-	-
Investments in controlled entities	8	-	-	7,072	7,072
Total assets of shareholders of AMP Limited, policyholders, external unitholders and minority interests		**89,830**	**86,750**	**8,083**	**7,964**
Liabilities					
Payables	13	981	1,274	165	65
Current tax liabilities		40	-	-	-
Provisions	14	280	311	5	2
Borrowings	15	11,997	11,988	-	-
Deferred tax liabilities	6	629	493	-	-
Subordinated debt	16	353	388	-	-
Other financial liabilities		1,120	2,047	-	-
Defined benefit fund obligations	25	56	120	-	-
Life insurance contract liabilities	19	18,380	19,250	-	-
Investment contract liabilities	20	47,239	41,510	-	-
External unitholders' liabilities		6,121	7,252	-	-
Total liabilities of shareholders of AMP Limited, policyholders, external unitholders and minority interests		**87,196**	**84,633**	**170**	**67**
Net assets of shareholders of AMP Limited and minority interests		**2,634**	**2,117**	**7,913**	**7,897**
Equity					
Contributed equity	18	4,814	4,481	4,957	4,649
Reserves		(2,563)	(2,598)	2	(3)
Retained earnings		320	154	2,954	3,251
Total equity attributable to shareholders of AMP Limited		**2,571**	**2,037**	**7,913**	**7,897**
Minority interests		63	80	-	-
Total equity of shareholders of AMP Limited and minority interests		**2,634**	**2,117**	**7,913**	**7,897**

Statement of changes in equity

for the year ended 31 December 2009

AMP Consolidated

	Equity attributable to shareholders of AMP Limited										Minority interest $m	Total equity $m
	Contributed equity $m	Equity contribution reserve [1] $m	Share based payment reserve [2] $m	Cash flow hedge reserve [3] $m	Owner-occupied property revaluation reserve [4] $m	Foreign currency translation reserve [5] $m	Foreign operations hedge reserve [6] $m	Demerger loss reserve [7] $m	Retained earnings [8] $m	Total shareholder equity $m		
31 December 2009												
Balance at the beginning of the period	4,481	1,019	(15)	(88)	94	(2)	(21)	(3,585)	154	2,037	80	2,117
Total comprehensive income	-	-	-	69	(27)	(46)	23	-	782	801	(16)	785
Share based payment expense	-	-	17	-	-	-	-	-	-	17	-	17
Share purchases	-	-	(1)	-	-	-	-	-	-	(1)	-	(1)
Loss on sale of 'treasury shares' recognised directly in retained earnings	-	-	-	-	-	-	-	-	(22)	(22)	-	(22)
Dividends paid [9]	-	-	-	-	-	-	-	-	(601)	(601)	-	(601)
Sale of 'treasury shares' and dividends paid on 'treasury shares'	25	-	-	-	-	-	-	-	7	32	-	32
New capital from shares issued	308	-	-	-	-	-	-	-	-	308	-	308
Minority interest on sales and acquisitions	-	-	-	-	-	-	-	-	-	-	(1)	(1)
Balance at the end of the period	**4,814**	**1,019**	**1**	**(19)**	**67**	**(48)**	**2**	**(3,585)**	**320**	**2,571**	**63**	**2,634**
31 December 2008												
Balance at the beginning of the period	3,827	1,019	(6)	41	101	(16)	-	(3,585)	546	1,927	87	2,014
Total comprehensive income	-	-	-	(129)	(7)	14	(21)	-	484	341	-	341
Share based payment expense	-	-	15	-	-	-	-	-	-	15	-	15
Share purchases	-	-	(24)	-	-	-	-	-	-	(24)	-	(24)
Gain on sale of 'treasury shares' recognised directly in retained earnings	-	-	-	-	-	-	-	-	15	15	-	15
Dividends paid [9]	-	-	-	-	-	-	-	-	(900)	(900)	-	(900)
Sale of 'treasury shares' and dividends paid on 'treasury shares'	17	-	-	-	-	-	-	-	9	26	-	26
New capital from shares issued	637	-	-	-	-	-	-	-	-	637	-	637
Minority interest on sales and acquisitions	-	-	-	-	-	-	-	-	-	-	(7)	(7)
Balance at the end of the period	**4,481**	**1,019**	**(15)**	**(88)**	**94**	**(2)**	**(21)**	**(3,585)**	**154**	**2,037**	**80**	**2,117**

Statement of changes in equity (continued)

for the year ended 31 December 2009

AMP Parent

	Contributed equity $m	Share based payment reserve[2] $m	Retained earnings $m	Total shareholder equity $m
31 December 2009				
Balance at the beginning of the period	4,649	(3)	3,251	7,897
Total comprehensive income	-	-	304	304
Share based payment expense	-	6	-	6
Share purchases	-	(1)	-	(1)
Dividends paid [9]	-	-	(601)	(601)
New capital from shares issued under dividend reinvestment plan	308	-	-	308
Balance at the end of the period	**4,957**	**2**	**2,954**	**7,913**
31 December 2008				
Balance at the beginning of the period	4,012	(1)	3,307	7,318
Total comprehensive income	-	-	844	844
Share based payment expense	-	-	-	-
Share purchases	-	(2)	-	(2)
Dividends paid [9]	-	-	(900)	(900)
New capital from shares issued	637	-	-	637
Balance at the end of the period	**4,649**	**(3)**	**3,251**	**7,897**

Footnote:

(1) The Equity contribution reserve recognises the additional loss on the demerger of AMP's UK operations in December 2003. The additional loss is the difference between: the pro-forma loss on demerger based upon directors' valuation of the UK operations and the estimated net assets to be demerged, and the market based fair value of the UK operations based upon the share price of the restructured UK operations on listing and the actual net assets of the UK operations on demerger.

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

(3) The Cash flow hedge reserve represents the cumulative impact of changes in the fair value of derivatives designated as cash flow hedges.

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

(5) Exchange differences arising on translation of foreign controlled entities within the AMP group are taken to the Foreign currency translation reserve.

(6) The Foreign operations hedge 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 operations.

(7) The Demerger loss reserve represents the transfer from Shareholders' retained earnings of the total loss on demerger.

(8) Movements in total comprehensive income recognised in retained earnings include profit attributable to shareholders of AMP Limited $739m (2008: $580m) and movements in actuarial gains and losses net of tax in AMP's defined benefit funds $43m (2008: loss $96m).

(9) 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.

Statement of cash flows

for the year ended 31 December 2009

		Consolidated		Parent	
		2009	2008	2009	2008
	Note	$m	$m	$m	$m
Cash flows from operating activities	23(a)				
Cash receipts in the course of operations		11,751	13,887	4	10
Interest and other items of a similar nature received		1,843	2,693	2	3
Dividends and distributions received		1,151	2,870	200	747
Cash payments in the course of operations		(12,358)	(13,656)	(3)	(8)
Finance costs		(552)	(1,136)	-	-
Income tax refunded (paid)		72	(708)	254	24
Cash flows from (used in) operating activities		**1,907**	**3,950**	**457**	**776**
Cash flows from investing activities					
Net proceeds from sale of/(payments to acquire):					
- investment property		306	(155)	-	-
- equity securities and unit trusts		(4,166)	(2,956)	-	-
- interest bearing securities		1,035	270	-	-
- loans		338	(1,869)	-	-
- other investments		17	(291)	-	-
Loan to controlled entities		-	-	(172)	(455)
Proceeds from disposal of controlled and associated entities[1]		46	45	-	-
Additional investment in controlled entities		-	-	-	(50)
Payments to acquire controlled and associated entities[1]		(14)	(46)	-	-
Cash flows from (used in) investing activities		**(2,438)**	**(5,002)**	**(172)**	**(505)**
Cash flows from financing activities					
Proceeds from borrowings - non Banking operations		1,643	432	-	-
Proceeds from A$ and NZ$ AMP Notes		287	-	-	-
Net movement in deposits from customers		473	313	-	-
Repayment of borrowings - non Banking operations		(1,324)	(337)	-	-
Net movement in borrowings - Banking operations		(220)	(189)	-	-
Repayment of subordinated Floating Rate Note		(100)	-	-	-
Repayment of subordinated Guaranteed Set-up Bonds		(223)	-	-	-
Proceeds from issue of shares		-	552	-	552
Dividends paid[2]		(286)	(806)	(293)	(815)
Cash flows from (used in) financing activities		**250**	**(35)**	**(293)**	**(263)**
Net increase (decrease) in cash and cash equivalents		**(281)**	**(1,087)**	**(8)**	**8**
Cash and cash equivalents at the beginning of the period		5,398	6,486	9	1
Effect of exchange rate changes on cash and cash equivalents		(5)	(1)	-	-
Cash and cash equivalents at the end of the period	23(b)	**5,112**	**5,398**	**1**	**9**

Footnote:

(1) Cash flows are in respect of acquisitions and disposals of operating companies controlled by the life statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group net of cash acquired or disposed of.

(2) Dividends paid is presented net of dividends on 'treasury shares'. See Statement of changes in equity for further information.

Notes supporting the financial information

for the year ended 31 December 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated economic entity (the AMP group) comprises AMP Limited (the parent entity), a company limited by shares, 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 the measurement and recognition criteria of Australian accounting standards and International financial reporting standards (IFRS), other authoritative pronouncements of the Australian accounting standards board (AASB), and the *Corporations Act 2001*.

The principal 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 disclosures.

The AMP group is predominantly a wealth-management business conducting operations through AMP Life Limited (AMP Life), a registered life insurance company, and other entities. As described in Note 1(c) below, the assets and liabilities arising from investment contracts and life insurance contracts are measured predominantly on the basis of fair value. Subject to the exceptions noted in the accounting policies below, other assets and liabilities in this Preliminary final report are also measured on a fair value 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 have been provided in Note 20 (for life statutory funds). Details of other 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.

Significant judgements, estimates and assumptions
The preparation of the Preliminary final report requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Assumptions made at each reporting date (for example, the calculation of insurance contracts liabilities, fair value measurements, provisions and impairment testing of intangibles) are based on best estimates at that date. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Changes in accounting policy
Since 1 January 2009, the AMP group has adopted a number of Australian accounting standards and interpretations which are mandatory for annual periods beginning on or after 1 January 2009. Adoption of these standards and interpretations has not had any material effect on the financial position or performance of the AMP group.

The main standards adopted since 1 January 2009 are as follows:

- AASB101 (Revised) "*Presentation of Financial statements*": This revised standard introduces a number of amendments that impact the presentation of the AMP group's primary financial statements and notes to the financial statements. The revised standard includes presentation changes for the "Statement of comprehensive income" (previously the "Statement of recognised income and expenses"), the addition of the "Statement of changes in equity" and the renaming of the "Balance sheet" as the "Statement of financial position". The revised standard does not impact the measurement or recognition of amounts disclosed in the AMP group's Preliminary final report.

- AASB8 "*Operating Segments*": This new standard requires the 'management approach' to disclosing information about reportable segments. The financial information is required to be reported on the same basis as is used internally by the Chief operating decision maker (CODM) for evaluating operating segment performance and on deciding how to allocate resources to operating segments. Such information may be provided using different measures to that used in preparing the Income statement and Statement of financial position.

- AASB 2009 - 2 "*Amendments to Accounting standards – Improving disclosures about Financial instruments*": The amended standard requires enhanced disclosures of fair value measurements, liquidity risk and various other disclosures relating to Financial instruments. This standard did not impact the measurement or recognition of amounts disclosed in the AMP group's Financial statements.

Notes supporting the financial information

for the year ended 31 December 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Australian accounting standards issued but not yet effective/Early adoption of Australian accounting standards

A number of new accounting standards have been issued but not yet effective during 2009. The AMP group has not elected to early adopt any new standards or amendments other than:

- AASB 2009-5 "*Further amendments to Australian accounting standards arising from the annual improvements project*" (amendments to AASB8): This amendment removes the requirement for the AMP group to report a measure of total assets if the measure is not regularly provided to the Chief operating decision maker (CODM). This does not have any impact on the measurement or recognition of amounts disclosed in the AMP group's Preliminary final report.

The remaining accounting standards not early adopted, when applied in future periods, are not expected to have a material impact on the financial position or performance of the AMP group other then the following:

- AASB 3 (revised) "*Business combinations*" and AASB 127 "*Consolidated and separate financial statements*": The revised standards introduce significant changes to accounting for business combinations and consolidation. The major impacts includes:
  - The requirement for acquisition costs to be recognised as expenses during the period in which they occur;
  - Revaluation of investments in an entity prior to gaining control, to fair value, upon gaining control of that entity; and
  - Whilst in control of an entity, transactions with minority interest shall be recognised as equity transactions.

  These changes will only impact business combinations that occur after the revised Accounting standards become applicable to the AMP group from 1 January 2010.

- AASB 9 "*Financial instruments: Classification and measurement*": This standard makes significant changes to the way that financial assets are classified for the purpose of determining their measurement basis and also to the amounts relating to fair value changes which are to be taken directly to equity.

  AASB 9 is mandatory for adoption by the AMP Group in the year ending 31 December 2013. The financial impact to the AMP Group of adopting this standard has not yet been quantified.

(b) Principles of consolidation

This Preliminary final report consolidates the financial information of controlled entities. Control is determined as the power to govern the financial and operating policies of an entity or business so as to obtain benefits from its activities.

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

AMP Life conducts wealth-management business (see Note 1(c) below) through separate life statutory funds. Transactions in respect of policyholder activities within the life statutory funds are consolidated into the AMP group Preliminary final report, along with all activities attributable to the shareholders of the parent entity.

The life statutory funds include controlling interests in unit trusts and companies. The total amounts of each underlying asset, liability, income and expense of the controlled entities are recognised in the consolidated financial statements.

When a controlled unit trust is consolidated, the share of the unitholder liability attributable to the AMP group is eliminated but amounts due to external unitholders remain as liabilities in the consolidated Statement of financial position.

The share of the net assets of controlled companies attributable to minority interests is disclosed separately on the Statement of financial position. In the Income statement, the net profit or loss of the AMP group is allocated between profit or loss attributable to minority interests and profit or loss attributable to the parent entity.

Controlled entities that are acquired are accounted for using the purchase method of accounting. Information from the Financial reports 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 includes the results for the part of the reporting date during which the parent entity had control. All inter-company balances and transactions are eliminated in full, including unrealised profits arising from intra-group transactions.

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

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

Certain controlled entities of the life statutory funds are operating companies which carry out business operations unrelated to the core wealth management operations of the AMP group. There were no significant acquisitions or disposals of controlled operating companies during the period and the comparative period.

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 deemed by accounting standards to be controlled by the AMP group and are therefore consolidated.

Associated entities

Associated entities are defined as those entities over which the AMP group has significant influence but there is no capacity to control. Investments in associates, other then those backing investment contract and life insurance contracts are measured at cost less impairment plus AMP group's share of post acquisition profit or loss and reserves. AMP group's share of profit or loss of associates is included in the consolidated income statement. Investments in associates that back investment contract and life insurance contract liabilities are accounted for as equity securities in accordance with Note 1(g).

Notes supporting the financial information

for the year ended 31 December 2009

1. 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.

The other transactions of the AMP group, not covered by the areas listed above, are predominantly investment management services and banking.

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

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

Under accounting standards, such contracts are defined as *life insurance contracts*.

Assets backing investment contract and life insurance contract liabilities

These assets are measured on a basis that is consistent with the measurement of the liabilities, to the extent permitted under accounting standards.

Life insurance contract liabilities are measured as described in Note 1(w) and investment contract liabilities are measured at fair value as described in Note 1(v). Assets backing such liabilities are measured at fair value, to the extent permitted under 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 accounting standards. The accounting policies for individual asset classes, and any restrictions on application of fair value, are described below.

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

Assets not backing investment and insurance contract liabilities

To ensure consistency across the AMP group, and except where specifically stated otherwise, all financial assets and all non-financial assets, including those not backing investment or insurance contract liabilities, are recognised at fair value to the extent permitted under accounting standards. Similarly, adjustments to the value of such assets are recognised in the Income statement when the corresponding accounting standards allow such treatment. The accounting policy for the parent entity's investments in controlled entities is set out in Note 1(k).

(d) Accounting mismatches

Under IFRS, accounting mismatches arise from some of the life statutory funds' transactions because the recognition and measurement rules for certain policyholder assets differ from the recognition and measurement rules for the liability to policyholders in respect of the same assets. These mismatches result in policyholder asset movements impacting the profit attributable to shareholders and increases volatility of the reported profit. Accounting mismatches primarily arise in respect of gains and losses on:

- 'treasury shares'
- investments in controlled entities of the life statutory funds
- owner-occupied properties
- AMP Life products invested in AMP Bank assets

'Treasury shares'

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

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

However, the corresponding investment contract and insurance contract liabilities, and related Income statement change in the liabilities, remain upon consolidation. At the AMP group consolidated level, this mismatch results in policyholder asset movements decreasing the profit attributable to shareholder of AMP Limited by $26m (2008: increase of $73m).

Notes supporting the financial information

for the year ended 31 December 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in controlled entities of the life statutory funds

The majority of the life statutory funds' investments are held through controlling interests in a number of separate entities and these investments are measured at fair value. These investment assets are held on behalf of policyholders, and, as a result, the life statutory funds also recognise a corresponding liability to the policyholder.

Consolidation principles require the underlying net assets of the controlled entities to be recognised in the consolidated financial statements. The value of the underlying assets recognised will not necessarily be the same value as the life statutory funds' value of investments in the controlled entities.

However, the corresponding investment contract and insurance contract liabilities, and related Income statement change in the liabilities, remain upon consolidation. At the AMP group consolidated level, this mismatch results in policyholder asset movements increasing the profit attributable to shareholder of AMP Limited by $21m (2008: $80m).

Owner-occupied property

Under IFRS, property owned by the AMP group which is also occupied by the AMP group is considered property, plant and equipment in the consolidated Statement of financial position. Upward revaluations of owner-occupied property are recognised in equity. Downward revaluations are recognised in the Income statement to the extent that they exceed previous upward revaluations of the same property.

However, to the extent any such property is held by the AMP life statutory funds, investment contract and life insurance contract liabilities are required to reflect owner-occupied property at fair value, with movements in those liabilities recognised in the Income statement. This mismatch can result in policyholder asset movements impacting the profit attributable to shareholders of AMP Limited. At the AMP group consolidated level, this mismatch results in policyholder asset movements increasing the profit attributable to shareholder of AMP Limited by $10m (2008: $4m).

AMP Life statutory funds' superannuation products invested in AMP Bank assets

Under IFRS, AMP Bank assets are valued at amortised cost with changes in amortised cost recognised in the Income statement.

However, to the extent any such assets are funded by policyholder investments made via AMP life statutory funds, investment contract and life insurance contract liabilities are required to measure the investments at fair value, with movements in the liabilities recognised in the Income statement. This mismatch can result in policyholder asset movements impacting the profit attributable to shareholder of AMP Limited. At the AMP group consolidated level, this mismatch results in policyholder asset movements decreasing the profit attributable to shareholder of AMP Limited by $6m (2008: nil).

(e) 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 cash flow statement, cash also includes other highly liquid investments not subject to significant risk of change in value, with short periods to maturity, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in the Statement of financial position.

(f) Receivables

Receivables that back investment contract and life insurance contract liabilities are financial assets and are measured at fair value. Reinsurance and other recoveries are discounted to present value. Receivables that do not back investment contract and life insurance contract liabilities are carried 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.

(g) Equity securities

Equity securities are financial assets and are initially recognised at fair value. Initial fair value is determined as the purchase cost of the asset, exclusive of any transaction costs. Equity securities are subsequently measured at fair value with any realised and unrealised gains or losses arising from changes in the fair value being recognised in the Income statement in the period in which they arise.

The fair value of a quoted equity security reflects the quoted bid price at the reporting date. In the case of certain assets backing investment contract and life insurance contract liabilities there is no active market for these equity securities. A fair value is established using valuation techniques including the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option-pricing models. There is no reduction for realisation costs in the value of an equity security.

Investments in associates

Investments in associated entities that back investment contract and life insurance contract liabilities are treated as financial assets. These are valued in the same manner as equity securities described above.

Notes supporting the financial information

for the year ended 31 December 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Debt securities

Debt securities are financial assets and are initially recognised at fair value. Initial fair value is determined as the purchase cost of the asset exclusive of any transaction costs, plus in the case of debt securities held by AMP's banking operations, initial fair value is determined as the purchase cost of the asset inclusive of any directly attributable transaction costs.

Debt securities, except for those held by AMP's banking operations, are subsequently measured at fair value, with any realised and unrealised gains or losses arising from changes in the fair value being recognised in the Income statement for the period in which they arise. The fair value of a traded interest-bearing security reflects the bid price at the reporting date. Interest-bearing securities that are not frequently traded are valued by discounting the estimated recoverable amounts, using prevailing interest rates. There is no reduction for realisation costs in the value of a debt security. Unlisted interest-bearing securities are valued using interest rate yields obtainable on comparable listed investments. The fair value of loans is established by discounting the estimated recoverable amount using prevailing interest rates. There is no reduction for realisation costs in the value of a debt security.

Debt securities held by AMP's banking operations are subsequently carried at amortised cost using the effective interest rate method.

(i) Property securities

Property securities, comprising investments in property trusts, are financial assets and are initially recognised at fair value. Initial fair value is determined as the purchase cost of the asset exclusive of any transaction costs. Property securities are subsequently measured at fair value with any realised and unrealised gains or losses arising from changes in the fair value being recognised in the Income statement for the period in which they arise.

The fair value of a listed property security reflects the bid price at the reporting date. If there is no active market for a property security, a fair value is established using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models. There is no reduction for realisation costs in the value of a property security.

The accounting policies for directly held investment property and owner-occupied property are described in Notes 1(l) and (m) respectively.

(j) Other financial assets

Other financial assets include investments in joint ventures and partnerships, units held in cash trusts and diversified trusts, and derivatives. See Note 1(t).

Investments in joint ventures and partnerships

Investments in joint ventures and partnerships that back investment contract and life insurance contract liabilities are treated as financial assets and are valued in the same manner as previously described above for equity securities. See Note 1(g).

Cash trusts and diversified trusts

The fair value of units in a listed cash trust or diversified trust reflects the quoted bid price at the reporting date. There is no reduction for realisation costs in the value of units in a cash trust.

(k) Investments in controlled entities

Investments by AMP Limited in controlled entities are recorded 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.

(l) 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(m) below.

Investment property is initially recognised at cost, including transaction costs. Expenditure capitalised to investment property also comprises capital and refurbishment additions, and during development includes finance costs, related professional fees incurred and other directly attributable costs. Subsequent to initial recognition, investment property is measured at fair value at each reporting date.

Independent fair value appraisals of the group's properties are obtained regularly, and at a minimum 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 asset 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.

Fair value represents the amount at which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction. Fair value is determined by independent registered valuers applying 'comparable sales analysis' and the 'capitalised income approach'. This is done by reference to annual net market income, comparable capitalisation rates and other property-specific adjustments as well as 'discounted cash flow analysis' where the expected net cash flows are discounted to their present value using a market determined risk adjusted discount rate.

The carrying value of each investment property at each reporting date does not materially differ from its fair value.

Notes supporting the financial information

for the year ended 31 December 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Property, plant and equipment

Owner-occupied property

Where the whole or a significant portion of a property owned by the AMP group is held for use by the 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.

Owner-occupied property is initially recognised at cost, including transaction costs. It is subsequently measured at the revalued amount, being its fair value at the date of the revaluation, less any subsequent accumulated depreciation and accumulated impairment losses. Fair value is determined on the same basis as investment property in Note 1(l) above.

When a revaluation increases the carrying value of a property, the increase is recognised directly in equity in the owner-occupied property revaluation reserve. However, an increase is recognised in the Income statement to the extent that it 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 determined by comparing proceeds with the carrying amount and are recognised in the Income statement. The balance of the 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.

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.

(n) Intangible assets

Goodwill

Goodwill is initially recognised as the excess of the cost of a business combination over the acquirer's interest in the fair value of the identifiable net assets acquired at the date of acquisition. Subsequently, goodwill is carried at cost less any accumulated impairment losses.

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

Management rights

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

Capitalised costs

Costs are capitalised and carried forward only where the costs relate to the creation of an asset with expected future economic benefits which are capable of reliable measurement. Otherwise, all costs are recognised as expenses in the period in which they are incurred. Capitalised costs are amortised over the estimated useful life of the asset, being a period not exceeding five years, commencing at the time the asset is first put into use or held ready for use (whichever is the earlier).

Other intangible assets

Other intangible assets comprise acquired customer relationships. These intangible assets are a result of business combinations and are recognised when they can be separately identified, reliably measured and it is probable that the expected benefits will flow to the AMP group. These intangible assets are initially measured at cost and are subsequently amortised over their estimated useful life.

(o) Impairment of assets

Assets measured at fair value, where changes in value are reflected in the Income statement, are not subject to impairment testing. As a result, all financial assets, except debt securities held by AMP's banking operations, and investment properties are not subject to impairment testing. Other assets such as property, plant and equipment, goodwill, intangibles, borrowings and debt securities held by AMP's banking operations are subject to impairment testing.

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

An impairment loss is recognised in the Income statement, being 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 (including realisation costs) and its value in use.

Notes supporting the financial information

for the year ended 31 December 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Taxes

Tax consolidation

AMP Limited and wholly-owned controlled entities of AMP Limited comprise a tax-consolidated group of which AMP Limited is the head entity. The implementation date for the tax-consolidated group was 30 June 2003.

Under tax consolidation, AMP Limited, as head entity, assumes the following balances from subsidiaries 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. Controlled 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 recognised by the head entity, described in the points above. The contributions are calculated in accordance with the tax funding agreement. The contributions are payable as set out in the agreement and reflect the timing of AMP Limited's obligations to make payments to the relevant tax authorities.

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

Income tax for investment contracts and life insurance contracts business

The income tax expense recognised in the Income statement arising in AMP Life reflects tax imposed on shareholders as well as policyholders.

Investment contracts and life insurance contracts liabilities are established net in Australia and gross in New Zealand 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 AMP Life making payments to the Australian Taxation Office in relation to contributions tax arising in those funds. The amounts paid are treated as withdrawals and not classified as income tax expense.

Income tax for other business

The income tax expense for all other business is the tax payable on taxable income for the current period, based on the income tax rate for each jurisdiction and adjusted for changes in deferred tax assets and liabilities attributable to:

- temporary differences between the tax bases of assets and liabilities and their Statement of financial position carrying amounts
- unused tax losses.

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.

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

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 particular expense.

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

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

Notes supporting the financial information

for the year ended 31 December 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Payables

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

(r) 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.
- A reliable estimate can be made of the amount of the obligation.

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

If the effect of the time-value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate. This rate reflects the current market assessments of the time-value of money and, where appropriate, the risks specific to the liability.

Employee entitlements

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

Restructuring

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

(s) 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 life statutory funds, are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income statement over the period of the contract using the *effective interest rate method*. It is AMP's policy to hedge currency and interest rate risk arising on issued bonds and subordinated debt. When fair value hedge accounting is applied to borrowings and subordinated debt, the carrying values of borrowings and subordinated debt are adjusted for changes in fair value for the period that the fair value hedge relationship remains effective. See Note 1(t).

Where the borrowings of a controlled unit trust of the life statutory funds are measured at amortised cost for the purpose of determining the unit price of that trust, these borrowings are also measured at amortised cost in this 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 life statutory funds are subsequently measured at fair value with movements recognised in the Income statement.

(t) Derivatives and hedging

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

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently measured at their fair value. 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), or
- 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 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, or will continue to be, highly effective in offsetting changes in fair values or cash flows of hedged items. This assessment is carried out at both hedge inception and on an ongoing basis.

Notes supporting the financial information

for the year ended 31 December 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting for hedges

(i) Fair value hedges:

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

(ii) Cash flow hedges:

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

(iii) Net investment hedges:

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

Derivatives that do not qualify for hedge accounting

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

Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the AMP group is the current bid price; the quoted market price for financial liabilities is the current offer price.

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

(u) Recognition and derecognition of financial assets and liabilities

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

(v) Investment contract liabilities

Investment contracts consist 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 with the exception of the impact of the accounting mismatch items. See Note 1(d).

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

(w) Life insurance contract liabilities

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

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

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

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

The accumulation method may be adjusted to the extent that acquisition expenses are to be recovered from future margins between fees and expenses.

Notes supporting the financial information

for the year ended 31 December 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

(ii) Other MoS profits arising from discretionary participating business (excluding the additional tax attributable to shareholders in respect of Australian superannuation business) are allocated 80% 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.

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

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

Allocation of expenses within the life 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 other operating expenses. See Note 1(dd).

(x) 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.

(y) Foreign currency transactions

Functional and presentation currency
Items included in the financial statements for each of the AMP group entities are measured using the currency of the primary economic environment in which that entity operates (the functional currency).

The presentation currency of this Preliminary final report, and 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 presentational currency, the transactions and balances of that entity are translated as follows:

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

When a foreign operation is sold, a proportionate share of such exchange differences is recognised in the Income statement as part of the gain or loss on sale.

Notes supporting the financial information

for the year ended 31 December 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) 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 and ongoing investment management fees. See Note 1(aa).
- amounts credited directly to investment contract liabilities. See Note 1(v).

(aa) 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.

Investment contracts consist 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 commission 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(v).

The revenue that can be attributed to the origination service is recognised at inception. Any commission paid related to that fee is also recognised as an expense at that time. See Note 1(dd).

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.

(bb) 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.

Realised and unrealised gains and losses represent the change in value between the previously reported value and the amount received on sale of the asset as well as changes in the fair value of financial assets and investment property recognised in the period.

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

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

(cc) Insurance claims and related expense

Life insurance contracts

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

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

Investment contracts

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

(dd) Operating expenses

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

Expenses of controlled entities of the life 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 commissions and other 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(aa).

Operating lease payments are recognised as an expense in the Statement of comprehensive income 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.

Notes supporting the financial information

for the year ended 31 December 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ee) Finance costs

Finance costs include:

(i) borrowing costs:
- interest on bank overdrafts, borrowings and subordinated debt
- amortisation of discounts or premiums related to borrowings
- finance charges in relation to finance leases

(ii) exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs

(iii) changes in the fair value of derivative hedges together with any change in the fair value of the hedged asset or liabilities that are designated and qualify as fair value hedges, foreign exchange gains and losses and other financing related amounts.

Borrowing costs are recognised as expenses when incurred. The accounting policy for derivatives is set out in Note 1(t).

(ff) 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 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, then 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.

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

(gg) Superannuation funds

The AMP group operates two 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. New employees are only offered defined contribution benefits. AMP also makes contributions to multiple superannuation funds in respect of employees who are not members of AMP operated funds. These contributions are made on a defined contribution basis.

For the defined contribution sections, the AMP group pays contributions to the funds on a mandatory basis. The AMP group has no further payment obligations once the contributions have been paid. The contributions 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, the AMP group recognises the net deficit or surplus position of each fund in the Statement of financial position. 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 a government bond yield as the discount rate. The defined-benefit obligation is calculated annually, with half-yearly reviews, by independent actuaries.

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

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

(hh) Earnings per share

Basic and diluted earnings per share before accounting mismatches, is calculated by dividing the consolidated profit attributable to shareholders before accounting mismatches 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 included in calculating the weighted average number of ordinary shares outstanding.

Basic earnings per share after accounting mismatches, is calculated by dividing the consolidated profit attributable to shareholders after accounting mismatches of AMP Limited, by the weighted average number of ordinary shares outstanding during the period excluding the weighted average number of 'treasury shares'.

Diluted earnings per share after accounting mismatches 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.

Notes supporting the financial information

for the year ended 31 December 2009

2. SEGMENT INFORMATION

(a) Segments - background

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

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

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

(b) Description of segments

Australian Contemporary Wealth Management (CWM) – unit linked superannuation, retirement income and managed investment products business including financial planning and advice services and banking operations.

Australian Contemporary Wealth Protection (CWP) – includes personal term, disability and income protection insurance products which can be either bundled with a superannuation product or held independent of a superannuation contract.

Australian Mature – a business comprising primarily closed products which are in run-off. Closed products include whole of life, endowment, investment linked, investment account and annuities.

AMP Financial Services New Zealand (AFS NZ) – a risk insurance business and mature book with a growing unit-linked superannuation and investment business.

AMP Capital Investors (AMPCI) – manages investments across all the major asset classes including equities, fixed interest, infrastructure, property, diversified funds and multi-manager funds and also provides commercial, industrial and retail property management services. AMPCI also acquires assets to seed new funds or opportunities (Seed pool).

Notes supporting the financial information

for the year ended 31 December 2009

2. SEGMENT INFORMATION (CONTINUED)

(c) Segment profit

31 December 2009	Australian Contemporary Wealth Management $m	Australian Contemporary Wealth Protection(2) $m	Australian Mature(2) $m	AMP Financial Services New Zealand(2) $m	AMP Capital Investors(3) $m	Total Operating Segments $m
Segment profit after income tax (1)	**278**	**164**	**151**	**54**	**91**	**738**
Other segment information						
External customer revenue	1,009	164	151	54	216	**1,594**
Intersegment revenue(4)	80	-	-	-	163	**243**
Income tax expense	119	70	65	23	31	**308**
Depreciation and amortisation	15	6	-	-	1	**22**
31 December 2008						
Segment profit after income tax (1)	**266**	**154**	**161**	**56**	**136**	**773**
Other segment information						
External customer revenue	1,071	154	161	56	297	**1,739**
Intersegment revenue(4)	60	-	-	-	176	**236**
Income tax expense	114	66	69	24	59	**332**
Depreciation and amortisation	10	7	-	-	1	**18**

(1) Segment profit after income tax differs from profit attributable to shareholders of AMP Limited due to the exclusion of the following items:

i) Revenue, expenses and tax relating to assets backing policyholder liabilities.

ii) Group office costs.

iii) Results of investment activity, including interest revenue, related to the management of the capital resources of the group and not specifically related to the operating segments.

iv) Interest on AMP Corporate debt.

v) The effects of non-recurring items such as: restructuring costs, impairment of intangible assets, valuation adjustments and annuities being items which do not reflect the underlying operating performance of the operating segments.

vi) Differences between tax effect attributed to segment revenue and expense using a nominal rate of 30% and the actual tax expense (credit) recognised in the Income statement.

(2) Statutory reporting revenue for Australian Contemporary Wealth Protection, Australian Mature and AFS NZ businesses 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) AMPCI segment revenue is reported net of external investment manager fees paid in respect of certain assets under management. AMPCI segment profit after income tax excludes Seed pool valuation adjustments.

(4) 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 2009

2. SEGMENT INFORMATION (CONTINUED)

(d) Reconciliation of segment profit after tax	2009 $m	2008 $m
Segment profit after income tax (BU Operating Earnings)	738	773
Group office costs	(37)	(36)
Total operating earnings	701	737
Underlying investment income(1)	126	140
Interest expense on Corporate debt	(71)	(82)
AMP Limited tax loss recognition	16	15
Underlying Profit	772	810
Market adjustment - investment income(1)	(13)	(266)
Other items(2)	10	73
Seed pool valuation adjustments	(30)	(42)
Profit after income tax before timing differences	739	575
Timing differences - annuity fair value, risk products and loan hedge revaluations(3)	1	(152)
Accounting mismatches	(1)	157
Profit attributable to shareholders of AMP Limited	739	580
Analysis of investment gains (losses) attributable to shareholders		
Underlying investment income(1)	126	140
Market adjustment - investment income(1)	(13)	(266)
Investment gains (losses) attributable to shareholders	113	(126)

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

(2) Other items comprise release of prior year tax provisions, offset by one off and non-recurring costs including restrucutre and redundancy costs, and merger and acquisition related costs.

(3) Timing differences of $1 million profit arising from net impact of changes in market economic variables (bond yields and CPI) on the valuation of risk insurance liabilities of $14m loss (2008: $6m gain), annuity fair value gains $20m (2008: $117m loss) and loan hedge revaluations loss of $5m (2008: loss $41m). These losses or gains are expected to reverse over time.

(e) Reconciliation of segment revenue	2009 $m	2008 $m
Total segment revenue	1,837	1,975
Add revenues excluded from segment revenue		
Investment gains and (losses) - shareholders and policyholders (excluding bank interest revenue)	7,524	(14,672)
Revenues of investment entities controlled by the life statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP Group	262	335
Other revenue	23	34
Add back expenses netted against segment revenue		
Claims, expenses, movement in insurance contract liabilities and tax relating to Australian Contemporary Wealth Protection, Australian Mature and AFS NZ businesses	680	623
Interest expense related to AMP Bank	590	712
External investment manager fees paid in respect of certain assets under management	241	268
Remove intersegment revenue	(243)	(236)
Total revenue (1)	10,915	(10,960)

(1) Revenue as per the Income Statement of $10,915m (2008: loss of $10,960m) comprises Premiums $1,049m (2008: $994m), Fee revenue $1,331m (2008: $1,520m), Other revenue $285m (2008: $369m) and Investment gains of $8,250m (2008: losses of $13,843m).

Notes supporting the financial information

for the year ended 31 December 2009

3. INCOME

	Note	Consolidated 2009 $m	Consolidated 2008 $m	Parent 2009 $m	Parent 2008 $m
(a) Life insurance premium and related revenue					
Life insurance contract premium revenue		1,017	958	-	-
Reinsurance recoveries		32	36	-	-
Total life insurance premium and related revenue		**1,049**	**994**	**-**	**-**
(b) Fee revenue					
Investment management and origination fees		1,163	1,346	-	-
Financial advisory fees		150	157	-	-
Banking business fees		17	16	-	-
Service fees					
- subsidiaries		-	-	11	5
- other entities		1	1	-	-
Total fee revenue [1]		**1,331**	**1,520**	**11**	**5**
(c) Other revenue					
Defined benefit fund income		-	8	-	-
Other revenue[2]		285	361	-	5
Total other revenue		**285**	**369**	**-**	**5**

Footnote:

(1) The consolidated balances include fee income from trust and fiduciary activities that result in the holding or investing of assets on behalf of individuals, trusts, retirement benefit plans, and other institutions, with the exception of $16m (2008: $16m) fees from banking operations, which are fees from financial assets that are not measured at fair value through profit or loss.

(2) The consolidated balances include trading revenue of investment entities controlled by the life 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 2009

4. INVESTMENT GAINS AND LOSSES

	Consolidated		Parent	
	2009 $m	2008 $m	2009 $m	2008 $m
Investment gains and losses				
Interest				
- subsidiaries	-	-	-	1
- other entities [1]	1,835	2,636	2	2
Dividends and distributions				
- subsidiaries	-	-	200	747
- associated entities	62	115	-	-
- other entities	1,306	3,132	-	-
Rental income	764	721	-	-
Net realised and unrealised gains and losses [2]	4,229	(20,473)	-	-
Other investment income	54	26	5	-
Total investment gains and losses	**8,250**	**(13,843)**	**207**	**750**

Footnote:

(1) The consolidated balances include interest income from financial assets measured at fair value through profit or loss, designated as such upon initial recognition, with the exception of $593m (2008: $801m) interest income from held to maturity investments and loans and receivables in banking operations, which are measured at amortised cost.

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

Notes supporting the financial information

for the year ended 31 December 2009

5. EXPENSES

	Consolidated		Parent	
	2009	2008	2009	2008
	$m	$m	$m	$m
(a) Life insurance claims and related expenses				
Life insurance contract claims and related expenses	(1,203)	(1,292)	-	-
Outwards reinsurance expense	(48)	(45)	-	-
Total life insurance claims and related expenses	**(1,251)**	**(1,337)**	**-**	**-**
(b) Operating expenses				
Commission expense	(491)	(557)	-	-
Investment management expenses	(173)	(224)	-	-
Fee expense on banking business	(12)	(14)	-	-
Fee and commission expenses (1)	**(676)**	**(795)**	**-**	**-**
Wages and salaries	(576)	(543)	(6)	(3)
Contributions to defined contribution funds	(52)	(54)	-	-
Share based payments expense	(17)	(15)	(3)	-
Other staff costs	(46)	(57)	-	-
Staff and related expenses	**(691)**	**(669)**	**(9)**	**(3)**
Occupancy and property maintenance expenses	(279)	(284)	-	-
Information technology and communication	(104)	(104)	-	-
Professional fees	(74)	(95)	-	-
Advertising and marketing	(37)	(39)	-	-
Travel and entertainment	(23)	(27)	-	-
Impairment of intangibles	(3)	(242)	-	-
Other expenses (2)	(245)	(360)	(2)	(4)
Other operating expenses	**(765)**	**(1,151)**	**(2)**	**(4)**
Total operating expenses	**(2,132)**	**(2,615)**	**(11)**	**(7)**
(c) Finance costs				
Interest expense on borrowings and subordinated debt	(599)	(838)	-	-
Other finance costs	(56)	(252)	-	-
Total finance costs (3)	**(655)**	**(1,090)**	**-**	**-**

Footnote:

(1) The consolidated balances include fee expenses from trust and other fiduciary activities that result in the holding or investing of assets on behalf of individuals, trusts, retirement benefit plans, and other institutions, with the exception of $12m (2008: $14m) fees expense on banking business, which are fees from financial liabilities that are not measured at fair value through profit or loss.

(2) The consolidated balances include trading expenses of investment entities controlled by the life statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group.

(3) The consolidated balances include $342m (2008: $630m) interest expense on borrowings and subordinated debt in banking operations, and $172m (2008: $237m) interest expense on borrowings in controlled entities of the life statutory funds, which are measured at amortised cost.

Notes supporting the financial information

for the year ended 31 December 2009

6. INCOME TAX

	Consolidated		Parent	
	2009 $m	2008 $m	2009 $m	2008 $m
(a) Analysis of income tax (expense) credit				
Current tax	(42)	(458)	(1)	1
(Decrease) increase in deferred tax assets	(307)	712	16	46
Decrease (increase) in deferred tax liabilities	(254)	1,177	-	-
Over (under) provided in previous years	98	237	82	44
Income tax (expense) credit	**(505)**	**1,668**	**97**	**91**

(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 period and the actual income tax expense recognised in the Income statement for the period. The income tax expense amount reflects the impact of both income tax attributable to shareholders as well as income tax attributable to policyholders.

In respect of income tax expense attributable to shareholders, the tax rate which applies in both Australia and New Zealand is 30%. There are certain differences between the amounts of income and expenses recognised in the Preliminary final report and the amounts recognised for income tax purposes.

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

	Consolidated		Parent	
	2009 $m	2008 $m	2009 $m	2008 $m
Profit (loss) before income tax	1,228	(1,088)	207	753
Policyholder tax credit (expense) recognised as a charge to policyholders in determining profit before income tax	(441)	1,421	-	-
Profit before income tax excluding tax charged to policyholders	**787**	**333**	**207**	**753**
Prima facie tax at the rate of 30%	(236)	(100)	(62)	(226)
Tax effect of differences between amounts of income and expenses recognised for accounting and the amounts deductible/taxable in calculating taxable income:				
Shareholder impact of par-business tax treatment	37	30	-	-
Non-deductible expenses	(11)	(31)	-	-
Non-taxable income	7	33	-	-
Tax offsets and credits	6	11	1	1
Dividend income from controlled entities	-	-	60	224
Other items	20	20	-	-
Over provided in previous years after excluding amounts attributable to policyholders [(1)]	98	236	82	44
Benefit arising from previously unrecognised tax losses	16	51	16	48
Difference in overseas tax rates	(1)	(3)	-	-
Income tax (expense) credit attributable to shareholders	(64)	247	97	91
Income tax (expense) credit attributable to policyholders	(441)	1,421	-	-
Income tax (expense) credit per Income statement	**(505)**	**1,668**	**97**	**91**

Footnote:

(1) The over provision in 2009 mainly relates to benefits of entering the tax consolidation regime in 2003 not recognised at that time.

Notes supporting the financial information

for the year ended 31 December 2009

6. INCOME TAX (CONTINUED)

	Consolidated		Parent	
	2009 $m	2008 $m	2009 $m	2008 $m
(c) Analysis of deferred tax asset				
Expenses deductible and income recognisable in future years	138	162	1	3
Unrealised movements on borrowings and derivatives	45	90	-	-
Unrealised investment losses	98	577	-	-
Losses available for offset against future taxable income	317	64	128	81
Other	56	77	4	2
Total deferred tax assets	**654**	**970**	**133**	**86**
(d) Analysis of deferred tax liability				
Unrealised investment gains	422	269	-	-
Unrealised movements on borrowings and derivatives	42	63	-	-
Other	165	161	-	-
Total deferred tax liability	**629**	**493**	**-**	**-**
(e) Amounts recognised directly in equity				
Deferred income tax (expense) credit related to items taken directly to equity during the current year	(57)	106	-	-
(f) Unused tax losses and deductible temporary differences not recognised				
Revenue losses	154	209	139	189
Capital losses	359	556	359	556

Notes supporting the financial information

for the year ended 31 December 2009

7. RECEIVABLES

	Consolidated		Parent	
	2009 $m	2008 $m	2009 $m	2008 $m
Investment income and sales proceeds receivable	271	500	-	-
Life insurance contract premiums receivable	284	283	-	-
Reinsurance and other recoveries receivable	4	-	-	-
Reinsurers' share of life insurance contract liabilities	44	58	-	-
Trade debtors(1)	208	230	9	-
Other receivables				
- associated entities	-	-	-	-
- other entities	148	169	-	-
Total receivables (2)	**959**	**1,240**	**9**	**-**

Footnote:

(1) The consolidated balances include trade debtors of investment entities controlled by the life statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group.

(2) $4m (2008: $9m) of total receivables is expected to be realised 12 months or more from reporting date.

Notes supporting the financial information

for the year ended 31 December 2009

8. EQUITY, DEBT AND PROPERTY SECURITIES AND OTHER FINANCIAL ASSETS

	Consolidated		Parent	
	2009 $m	2008 $m	2009 $m	2008 $m
Equity securities				
Directly held				
- associated entities	349	352	-	-
- other entities	24,678	20,421	-	-
Held via unit trusts				
- associated entities	1,849	1,340	-	-
- other entities	5,918	4,681	-	-
Total equity securities (1)	**32,794**	**26,794**	**-**	**-**
Debt securities(2)				
Interest bearing securities directly held	17,072	18,329	-	-
Interest bearing securities held via unit trusts				
- associated entities	-	3	-	-
- other entities	2,614	2,958	-	-
Loans				
- subsidiaries	-	-	836	659
- associated entities	2	62	-	-
- other entities	10,865	11,201	-	1
Convertible notes	8	37	-	-
Total debt securities(3)	**30,561**	**32,590**	**836**	**660**
Property securities				
Held via unit trusts				
- associated entities	2,438	2,315	-	-
- other entities	1,227	1,135	-	-
Total property securities (1)	**3,665**	**3,450**	**-**	**-**
Other financial assets				
Cash securities held via unit trusts	896	1,063	-	-
Other financial assets(4)	8,307	7,508	-	-
Total other financial assets (1)	**9,203**	**8,571**	**-**	**-**
Investments in controlled entities	**-**	**-**	**7,072**	**7,072**

Footnote:

(1) All equity and property securities, and other financial assets are designated at fair value through profit or loss.

(2) Debt securities of $19,911m (2008: $22,436m) are measured at fair value. The remaining amount of $10,650m (2008: $10,154m) represents interest bearing securities and secured loans held by banking operations which are measured at amortised cost and are subject to impairment testing.

(3) Total debt securities includes $5,859m (2008: $6,863m) of debt securities in consolidated securitisation vehicles.

(4) The other financial assets category includes mainly balanced trusts and derivative financial assets.

Notes supporting the financial information

for the year ended 31 December 2009

9. INVESTMENT PROPERTY

	Consolidated		Parent	
	2009 $m	2008 $m	2009 $m	2008 $m
Investment property				
Directly held	7,832	9,227	-	-
Total investment property	**7,832**	**9,227**	**-**	**-**
Movements in investment property				
Balance at the beginning of the period	9,227	9,333	-	-
Additions				
- through direct acquisitions[1]	-	160	-	-
- subsequent expenditure recognised in carrying amount	176	90	-	-
Acquisitions through business combinations	421	17	-	-
Disposals[1]	(812)	(111)	-	-
Net gains (losses) from fair value adjustments[2]	(1,113)	(284)	-	-
Foreign currency exchange differences	(67)	22	-	-
Balance at the end of the period	**7,832**	**9,227**	**-**	**-**

Footnote:

(1) Additions through direct acquisitions and disposals include amounts for investment entities in which the life statutory funds hold a controlling equity interest.

(2) Investment property is measured at fair value with changes in value recognised through profit or loss.

Notes supporting the financial information

for the year ended 31 December 2009

10. PROPERTY, PLANT AND EQUIPMENT

31 December 2009	Owner-occupied property (1) $m	Leasehold improvements $m	Plant & equipment(2) $m	Total $m
Property, plant and equipment				
Gross carrying amount	301	71	299	671
Less: accumulated depreciation and impairment losses	-	(51)	(145)	(196)
Property, plant and equipment at written down value	**301**	**20**	**154**	**475**
Movements in property, plant and equipment				
Balance at the beginning of the period	332	24	236	592
Additions				
- through direct acquisitions	-	-	34	34
- subsequent expenditure recognised in carrying amount	2	-	-	2
Disposals	-	-	(67)	(67)
Increases(decreases) from revaluations recognised directly in equity	(29)	-	-	(29)
Depreciation expense for the period	(4)	(4)	(49)	(57)
Foreign currency exchange differences	-	-	-	-
Balance at the end of the period	**301**	**20**	**154**	**475**

31 December 2008	Owner-occupied property (1) $m	Leasehold improvements $m	Plant & equipment(2) $m	Total $m
Property, plant and equipment				
Gross carrying amount	332	71	389	792
Less: accumulated depreciation and impairment losses	-	(47)	(153)	(200)
Property, plant and equipment at written down value	**332**	**24**	**236**	**592**
Movements in property, plant and equipment				
Balance at the beginning of the period	342	29	215	586
Additions				
- through direct acquisitions	-	-	33	33
- subsequent expenditure recognised in carrying amount	3	-	-	3
Acquisitions through business combinations	-	-	11	11
Disposals	-	-	(5)	(5)
Increases from revaluations recognised directly in equity	(7)	-	-	(7)
Depreciation expense for the period	(6)	(5)	(17)	(28)
Foreign currency exchange differences	-	-	(1)	(1)
Balance at the end of the period	**332**	**24**	**236**	**592**

Footnote:

(1) Owner-occupied property is measured at fair value; had the asset been measured at historic cost the amortised carrying value would have been $198m (2008: $200m).

(2) The consolidated balances include operating assets of investment entities controlled by the life 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 2009

11. INVENTORIES AND OTHER ASSETS

	Consolidated		Parent	
	2009 $m	2008 $m	2009 $m	2008 $m
Inventories	75	105	-	-
Prepayments	95	51	-	-
Other assets	14	17	-	-
Total inventories and other assets(1)(2)	**184**	**173**	**-**	**-**

Footnote:

(1) $51m (2008: $32m) of inventories and other assets is expected to be realised 12 months or more from the reporting date.

(2) The consolidated balances include inventories and other assets of investment entities controlled by the life 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 2009

12. INTANGIBLES

31 December 2009	Goodwill (1) (2) $m	Capitalised costs (3) $m	Management rights $m	Other intangibles $m	Total $m
Intangibles					
Gross carrying amount	786	500	22	63	1,371
Less: accumulated amortisation and / or impairment losses	(56)	(341)	(2)	(26)	(425)
Intangibles at written down value	**730**	**159**	**20**	**37**	**946**
Movements in intangibles					
Balance at the beginning of the period	759	111	20	49	939
Additions (reductions) through acquisitions (disposal) of controlled entities (2)	(29)	-	-	-	(29)
Additions through internal development	-	118	-	-	118
Disposals	-	-	-	(4)	(4)
Amortisation expense for the period (4)	-	(47)	-	(9)	(56)
Impairment losses (recognised) or reversed in profit	-	(4)	-	1	(3)
Other movements	-	(19)	-	-	(19)
Balance at the end of the period	**730**	**159**	**20**	**37**	**946**

31 December 2008	Goodwill (1) $m	Capitalised costs (3) $m	Management rights $m	Other intangibles $m	Total $m
Intangibles					
Gross carrying amount	825	483	23	66	1,397
Less: accumulated amortisation and / or impairment losses	(66)	(372)	(3)	(17)	(458)
Intangibles at written down value	**759**	**111**	**20**	**49**	**939**
Movements in intangibles					
Balance at the beginning of the period	793	156	24	32	1,005
Additions (reductions) through acquisitions (disposal) of controlled entities (2)	54	-	-	23	77
Additions through separate acquisition	-	-	-	1	1
Additions through internal development	-	159	-	-	159
Amortisation expense for the period (4)	-	(50)	(1)	(9)	(60)
Impairment losses (recognised) or reversed in profit	(85)	(154)	(2)	(1)	(242)
Foreign currency exchange differences	(3)	(1)	(1)	-	(5)
Other movements	-	1	-	3	4
Balance at the end of the period	**759**	**111**	**20**	**49**	**939**

Footnote:

(1) Total goodwill at 31 December 2009 comprises amounts attributable to shareholders of $517m (2008: $517m), attributable to policyholders of $213m (2008: $213m) and amounts within entities in which shareholders and policyholders are co-investors of nil (2008: $29m).

(2) The disposals of goodwill during 2009 $29m relate to the deconsolidation of New Zealand retirement property business. Acquisitions in 2009 nil (2008: $54m) arose on acquisitions of investment entities controlled by the life statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group.

(3) Capitalised costs are required to be amortised over their estimated useful lives as well as being assessed for indicators of impairment at each reporting date. Impairment testing carried out during the period indicated that the carrying value of some capitalised costs exceeded their recoverable amount. Consequently these capitalised costs were written down to their recoverable amount.

(4) Amortisation expense for the period is included in Operating expenses in the Income statement.

Notes supporting the financial information

for the year ended 31 December 2009

12. INTANGIBLES (CONTINUED)

Impairment testing of goodwill

Goodwill includes balances attributable to shareholders and balances attributable to policyholders in investment entities controlled by the life statutory funds.

Goodwill attributable to shareholders

$517m (2008: $517m) of the Goodwill arose from a Life Act Part 9 transfer of life insurance business into the statutory funds of AMP Life. The initial amount recognised represented the value of in force business, the value of new business and the benefits of cost synergies obtained as a result of the integration of the business into AMP Life.

Under IFRS transition rules, the amortised cost value of $517 million at 1 January 2004 was deemed to be the value carried forward and tested annually for impairment. The cash-generating units for the purposes of impairment testing are the following segments defined in Note 2:

- Australian CWM – goodwill attributable: $387m (2008: $387m);
- Australian CWP – goodwill attributable: $65m (2008: $65m); and
- Australian Mature – goodwill attributable: $65m (2008: $65m).

When testing goodwill for impairment, the key financial indicators considered include estimates of future cash flows, relevant product profit margins and the embedded value of the businesses. The embedded value calculation uses a risk discount rate of the annualised 10 year bond yield of 5.7% in Australia (31 December 2008: 4.0%) and 6.2% in New Zealand (31 December: 3.7%) with a 3.0% margin (31 December 2008: 3.0%). With the exception of the application of this risk discount rate, assumptions applied in estimating the embedded value are consistent with the best estimate assumptions used in calculating the policy liabilities of AMP Life. See Note 1(w) and Note 19 for more details.

In each cash-generating unit, the surplus discounted present value of future profits (being embedded value less shareholder capital), is significantly higher than the goodwill held and there has been no impairment recognised.

Goodwill attributable to both shareholders and policyholders

The goodwill arising on acquisition of a New Zealand retirement property business represented the commercial value of future development potential of the acquired businesses. The investment in this business was deconsolidated during the year.

Goodwill attributable to policyholders

The policyholder goodwill has arisen on acquisitions of operating subsidiaries controlled by the life statutory funds, which carry out business operations unrelated to the core wealth management operations of the AMP group.

Impairment reviews performed at 31 December 2009 identified no impairments in the value of goodwill in the operating subsidiaries of policyholder controlled private equity fund. The goodwill held within this fund represents the future value of cash flows expected to be derived from numerous subsidiary entities which have been acquired by the fund since inception. Impairment testing of these goodwill balances is based on each asset's value in use, calculated as the present value of forecast future cash flows from those assets using discount rates of between 13% and 17%.

The forecast cash flows used in the impairment testing for operating subsidiaries are based on assumptions as to the level of profitability for each business over the forecast period. Forecasts for the following 12 months have in each case been extrapolated out based on revenue growth rates of between 2-5% pa, with profitability margins held constant.

Forecast revenue levels have been based on a number of assumptions within the different operating subsidiaries, with key assumptions being:

- Take-up of new shop space by major retailers,
- Activity levels and demand for new equipment in the resources, construction and infrastructure industries.

Shareholders have no direct exposure to movements in goodwill attributable to policyholders. However, due to the impact of accounting mismatches on investments in controlled entities of the life statutory funds (see Note 1(d)), 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.

Impairment testing of capitalised costs

Capitalised costs mainly include capitalised project costs in respect of the development of various internal software assets as well as finance, funds management, product, planner and customer related information management systems. Costs are capitalised when they meet the criteria specified in AASB 138 Intangible Assets referring to the creation of an asset with expected future economic benefits to the organisation. Capitalised costs are amortised over the estimated useful life of the asset.

As required under accounting standards, at each reporting date the AMP group assesses whether there is any indication that capitalised costs may be impaired. After considering various external and internal sources of information such as current economic conditions and anticipated future cash flows to be generated from these assets, it was assessed that sufficient indicators of impairment existed such that an assessment of the carrying value of capitalised costs was necessary. As a result of this review, impairment losses of $4m (2008: $154m) were recognised.

Notes supporting the financial information

for the year ended 31 December 2009

13. PAYABLES

	Consolidated		Parent	
	2009	**2008**	**2009**	**2008**
	$m	**$m**	**$m**	**$m**
Investment purchases payable	78	247	-	-
Life insurance and investment contracts in process of settlement	172	212	-	-
Accrued expenses	110	90	-	-
Interest payable	68	78	-	-
Trade creditors	94	154	-	-
Other payables				
- subsidiaries - tax related amounts	-	-	164	64
- other entities	459	493	1	1
Total payables (1)(2)	**981**	**1,274**	**165**	**65**

Footnote:

(1) The consolidated balances include Trade creditors of investment entities controlled by the life statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group.

(2) $42m (2008: $171m) of Total payables of the AMP group is expected to be settled 12 months or more from the reporting date and nil (2008: nil) of Total payables of the parent is expected to be settled 12 months or more from reporting date.

Notes supporting the financial information

for the year ended 31 December 2009

14. PROVISIONS

	Consolidated		Parent	
	2009 $m	2008 $m	2009 $m	2008 $m
(a) Provisions				
Employee entitlements[(1)]	190	179	5	2
Other[(2)]	90	132	-	-
Total provisions	**280**	**311**	**5**	**2**

	Employee entitlements $m	Other $m	Total $m
(b) Movements in provisions - consolidated			
Balance at the beginning of the period	179	132	311
Additions (reductions) through acquisitions (disposal) of controlled entities	1	2	3
Additional provisions made during the period	77	62	139
Unused amounts reversed during the period	(13)	(41)	(54)
Provisions used during the period	(54)	(64)	(118)
Foreign exchange movements	-	(1)	(1)
Balance at the end of the period	**190**	**90**	**280**

	Employee entitlements $m	Other $m	Total $m
(c) Movements in provisions - parent			
Balance at the beginning of the period	2	-	2
Additional provisions made during the period	3	-	3
Balance at the end of the period	**5**	**-**	**5**

Footnote:

(1) Provisions for employee entitlements are in respect of amounts accumulated as a result of employees rendering services up to the reporting date. These entitlements include salaries, wages, bonuses, annual leave and long service leave, but exclude share-based payments. $6m (2008: $6m) is expected to be settled 12 months or more from the reporting date.

(2) Other provisions are in respect of probable outgoings on data quality and integrity projects, settlements, and various other operational provisions. $1m (2008: $10m) is expected to be settled 12 months or more from the reporting date.

Notes supporting the financial information

for the year ended 31 December 2009

15. BORROWINGS

	Consolidated		Parent	
	2009 $m	2008 $m	2009 $m	2008 $m
Bank overdrafts	6	15	-	-
Bank loans	1,694	2,122	-	-
Bonds and notes	7,602	7,347	-	-
Deposits(1)	2,525	2,052	-	-
Other loans	170	452		
Total borrowings(2)	**11,997**	**11,988**	**-**	**-**

Footnote:

(1) Deposits mainly comprise at call cash on deposit and term deposits at variable interest rates within the AMP group's banking operations.

(2) Total borrowings comprise amounts to fund:

i) Corporate and other shareholder activities of AMP of $1,115m (2008: $1,364m). Of the balance at 31 December 2009, $300m (2008: $176m) is expected to be settled within 12 months of the reporting date.

ii) $4,305m (2008: $4,700m) relating to AMP Bank, including $2,370m (2008: $1,814m) of deposits in AMP Bank that are contractually at call customer savings accounts, is expected to be settled within 12 months of the reporting date.

. *iii) $727m (2008: $528m)relating to operating businesses in which the life statutory funds hold a controlling equity interest is expected to be settled within 12 months of the reporting date*

Notes supporting the financial information
for the year ended 31 December 2009

16. SUBORDINATED DEBT

	Consolidated		Parent	
	2009 $m	2008 $m	2009 $m	2008 $m
Subordinated Floating Rate Note (3 month BBSW + 0.56%, maturity April 2014)(1)	-	100	-	-
7.125% GBP Subordinated Guaranteed Step-Up Bonds (maturity 2019)(1)	-	205	-	-
6.875% GBP Subordinated Guaranteed Bonds (maturity 2022)	65	83	-	-
A$ AMP Notes (maturity 2019)(2)	197	-	-	-
NZ$ AMP Notes (maturity 2019)(2)	91	-	-	-
Total subordinated debt (3)	**353**	**388**	**-**	**-**

Footnote:

(1) During the period, AMP repaid subordinated debts of $305m early including $100m Subordinated Floating Rate Note and $205m of 7.125% GBP Subordinated Guaranteed Step-Up Bonds.

(2) New issues of subordinated debt comprises $202m A$ AMP Notes and $94m NZ$ AMP Notes. The balance at 31 December 2009 is net of capitalised borrowing costs and is converted at reporting date exchage rate.

(3) Subordinated debt comprises amounts to fund:
i) AMP Bank – subordinated debt of nil (2008: $100m).
ii) Corporate activities of AMP – subordinated debt of $353m (2008: $288m). Of the balance at 31 December 2009, nil (2008: $305m) is expected to be settled within 12 months of the reporting date.

Notes supporting the financial information
for the year ended 31 December 2009

17. DIVIDENDS

	Consolidated		Parent	
	2009	**2008**	**2009**	**2008**
	$m	**$m**	**$m**	**$m**
Final dividends paid				
2008 final dividend paid in 2009: 16 cents per ordinary share franked to 85% (2007 final dividend paid in 2008: 22 cents per ordinary share and additional 2 cents per ordinary share for proceeds of Cobalt/Gordian sale franked to 85%)	319	450	319	450
Interim dividends paid				
2009: 14 cents per ordinary share franked to 50% (2008: 22 cents per ordinary share and additional 2 cents per ordinary share from proceeds of Cobalt/Gordian sale franked to 85%)	282	450	282	450
Total dividends paid(1) (2)	**601**	**900**	**601**	**900**
Final dividends proposed but not recognised (2)				
2009: 16 cents per ordinary share franked to 50%	328	n/a	328	n/a

	Consolidated		Parent	
	2009	**2008**	**2009**	**2008**
	$m	**$m**	**$m**	**$m**
Dividend franking account(3)(4)				
Franking credits available to shareholders of AMP Limited (at 30%)	86	133	86	133

Footnote:

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

(2) All dividends are franked at a tax rate of 30%.

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

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

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

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

d) franking credits that the entity may be prevented from distributing in subsequent years.

(4) The company's ability to utilise the franking account credits depends on there being sufficient available profits to declare dividends. The impact of the proposed dividend will be to reduce the balance of the franking credit account by $70m.

Notes supporting the financial information

for the year ended 31 December 2009

18. CONTRIBUTED EQUITY

	Consolidated		Parent	
	2009 $m	2008 $m	2009 $m	2008 $m
Movements in issued capital				
Balance at the beginning of the period	4,649	4,012	4,649	4,012
Nil (2008:84,905,660) shares issued under institutional placement [(1)]	-	444		444
Nil (2008: 21,042,467) shares issued under share purchase plan [(1)]	-	108		108
55,753,874 (2008: 12,089,606) shares issued under dividend reinvestment plan [(2)]	308	85	308	85
Nil (2008: 611) shares issued to former members of the AMP Society[(3)]	-	-	-	-
Balance at the end of the period	**4,957**	**4,649**	**4,957**	**4,649**
Total issued capital				
2,048,645,162 (2008: 1,992,891,288) ordinary shares fully paid	**4,957**	**4,649**	**4,957**	**4,649**
Movements in 'treasury shares' [(4)]				
Balance at the beginning of the period	(168)	(185)	-	-
Decrease in cost of 'treasury shares' due to sales less purchases during the period	25	17	-	-
Balance at the end of the period	**(143)**	**(168)**	**-**	**-**
Total contributed equity				
2,025,868,826 (2008: 1,967,430,642) ordinary shares fully paid[(4)]	**4,814**	**4,481**	**4,957**	**4,649**

Ordinary shares have the right to receive dividends as declared and, in the event of the w inding up of the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares have no par value.

Footnote:

(1) As part of the capital raising announced on 5 November 2008 to enhance AMP's capital position and increase business flexibility through the ongoing market turbulence:

(i) shares were placed under Institutional Placement at a price of $5.30 per share. Issue costs amounting to $6m (net of tax) have been deducted from the proceeds; and

(ii) shares were issued on 11 December 2008 to eligible shareholders under a Share Purchase Plan. These shares were issued at a price of $5.16. Issue costs amounting to $1m (net of tax) have been deducted from the proceeds.

(2) Under the terms of the Dividend Reinvestment Plan (DRP), shareholders may elect to have all or part of their dividend entitlements satisfied by the issue of new shares rather than being paid cash. Shares were issued under the DRP for the 2008 final dividend (paid in April 2009) at $4.46 per share and 2009 interim dividend (paid in October 2009) at $6.13 per share.

(3) The former members of AMP Society exchanged their membership rights for shares in AMP Limited on demutualisation. 1,043,357,051 (2008: 1,043,357,051) shares have been issued since demutualisation to former members at an issue price of $3.00 per share. Ongoing minor adjustments represent shares issued to former members from the Capital reserve up until the point of the transfer of the reserve to issued capital.

(4) Of the ordinary shares on issue, AMP Life Limited (a wholly owned controlled entity) holds 22,776,336 (2008: 25,460,646) shares in AMP Limited on behalf of policyholders. ASIC has granted relief from restrictions in the Corporations Act 2001 to allow AMP Life Limited 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 2009

19. LIFE INSURANCE CONTRACTS

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

Life insurance contract liabilities, and hence the net profit from life insurance contracts, are calculated by applying the principles of Margin on Services (MoS). Refer to note 1(x) 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
Risk	Projection / Accumulation	Expected premiums
Participating Allocated Annuities	Accumulation / 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	31 December 2009		31 December 2008	
			Australia	New Zealand	Australia	New Zealand
Retail risk		10 year government bond rate	5.7%	6.2%	4.0%	4.7%
Group risk	Outstanding claims	2 year government bond rate	4.6%	4.3%	2.8%	n/a
Life annuities	Non-CPI	Zero coupon inter-bank swap curve	4.1% - 6.5%	2.7% - 6.6%	3.2% - 4.4%	4.2% - 5.4%
	CPI	Commonwealth Indexed Bond curve + 20 bps	1.9% - 3.1%	3.0%	2.2% - 2.7%	3.8%

(ii) Participating business discount rates

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

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

	Local equities	International equities	Property	Corporate bonds	Other fixed interest	Cash
Australia						
31 December 2009	3.0%	2.5%	2.0%	0.5%	0.0%	(0.5%)
31 December 2008	3.0%	2.5%	2.0%	0.5%	0.0%	(0.5%)
New Zealand						
31 December 2009	3.0%	2.5%	2.0%	0.5%	0.0%	(0.5%)
31 December 2008	3.0%	2.5%	2.0%	0.5%	0.0%	(0.5%)

These risk premia do not include any allowance for imputation credits as they are explicitly allowed for in deriving net of tax investment earning assumptions.

Notes supporting the financial information

for the year ended 31 December 2009

19. LIFE INSURANCE CONTRACTS (CONTINUED)

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. These asset mixes are not necessarily the same as the actual asset mix at the valuation date as they reflect long-term assumptions.

	Equities	Property	Fixed interest	Cash
Australia				
31 December 2009	30%	11%	40%	19%
31 December 2008	31%	11%	40%	18%
New Zealand				
31 December 2009	40%	17%	37%	6%
31 December 2008	40%	17%	37%	6%

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

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

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

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

Typical supportable bonus rates on major product lines are as follows (31 December 2008 in parentheses).

Reversionary bonus	Bonus on sum insured	Bonus on existing bonuses
Australia	0.9% - 1.3% (0.7% - 1.0%)	1.3% - 1.7% (1.0% - 1.6 %)
New Zealand	0.7% - 1.0% (0.5% - 0.8%)	0.7% - 1.0% (0.5% - 0.8%)

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

Crediting rates (investment account)	
Australia	3.3% - 8.9% (1.5% - 4.8%)
New Zealand	3.3% - 4.2% (2.8% - 3.6%)

(iv) Future maintenance and investment expenses
Unit maintenance costs are based on budgeted expenses in the year following the balance 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's own experience with the annual CPI rates derived from the difference between long-term government bonds and indexed government bonds.

The assumptions for expense inflation have regard to these rates, recent expense performance, AMP Life'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 as follows:

	Australia	New Zealand
31 December 2009	2.8% CPI, 3.0% Expense	3.4% CPI, 3.0% Expense
31 December 2008	1.5% CPI, 3.0% Expenses	1.0% CPI, 3.0% Expenses

Notes supporting the financial information

for the year ended 31 December 2009

19. LIFE INSURANCE CONTRACTS (CONTINUED)

(vi) Bases of taxation

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

(vii) Voluntary discontinuance

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

Future rates of discontinuance used at 31 December 2009 are unchanged from those assumed at 31 December 2008 except for:

- Australia – changes to lapse rates for stand alone disability income to reflect experience, resulting in 5% increase in the overall lapse rate.
- New Zealand – higher withdrawal rates on lump sum risk, disability business and conventional business.

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

	31 December 2009		31 December 2008	
Business type	**Australia**	**New Zealand**	**Australia**	**New Zealand**
Conventional	3.2% - 4.0%	2.5% - 2.6%	3.2% - 4.0%	2.3% - 2.4%
Investment account	n/a	n/a	n/a	n/a
Retail risk	10.5% - 11.0%	9.5% - 12.0%	10.5% - 11.0%	7.5% - 9.0%
FLS risk business (ultimate rate)	7.5% - 9.0%	N/a	7.5% - 9.0%	N/a

(viii) Surrender values

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

(ix) Mortality and morbidity

Standard mortality tables, based on national or industry wide data, are used (e.g. IA95-97 and IM(F)80 in Australia and New Zealand). These are then adjusted by factors that take account of AMP Life's own experience, primarily over the past three years. For annuity business, adjustment is also made for mortality improvements prior to and after the valuation date.

Rates of mortality assumed at 31 December 2009 are unchanged from those assumed at 31 December 2008 in Australia and New Zealand, except for a 10% improvement for FLS risk business. Rates of annuitant mortality are unchanged.

Typical mortality assumptions, in aggregate, are as follows:

	Conventional - % of IA95-97		Term - % of IA95-97		FLS Risk - % of IA95-97	
Risk products	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
Australia	80%	80%	63%	63%	63%	63%
New Zealand	76%	76%	63%	63%	63%	63%

Annuities	**Male - % of IM80***	**Female - % of IF80***
Australia and New Zealand	72%	61%

For disability income business, the claim assumptions are currently based on CIDA85, which is derived from North American experience. It is adjusted for AMP Life's experience, with the adjustment dependent on age, sex, waiting period, occupation, smoking status and claim duration. Incidence rates were increased by 10% for 31 December 2009 compared to those at 31 December 2008 with a reduction in termination rates at early durations.

For trauma cover, standard tables are not available and so assumptions are mostly based on Australian population statistics, with adjustment for smoking status as well as AMP Life's recent claim experience. Assumptions at 31 December 2009 are unchanged from those used at 31 December 2008.

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.
IM80* / IF80*	IM80 and IF80 are mortality tables developed by the Institute of Actuaries and the Faculty of Actuaries based on United Kingdom annuitant lives experience from 1979–1982. The tables refer to male and female lives respectively and incorporate factors that allow for mortality improvements since the date of the investigation. IM80* and IF80* are these published tables amended for some specific AMP experience.
CIDA85	A disability table developed by the Society of Actuaries based on North American disability income experience from 1973–1979.

Notes supporting the financial information

for the year ended 31 December 2009

19. LIFE INSURANCE CONTRACTS (CONTINUED)

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

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

The impact on future profit margins of changes in actuarial assumptions from 31 December 2008 to 31 December 2009 in respect of life insurance contracts (excluding new business contracts which are measured using assumptions at balance date) is as shown in the table below.

Assumption change	Change in future profit margins $m	Change in life insurance contract liabilities $m	Change in shareholders' profit & equity $m
Non-market related changes to discount rates	-	-	-
Mortality and morbidity	55	-	-
Discontinuance rates	(176)	-	-
Maintenance expenses	(20)	-	-
Other assumptions	(236)	-	-

In most cases, the overall amount of life insurance contract liabilities and the current period profit are not affected by changes in assumptions.

However, where in the case of a particular related product group, the changes in assumptions at the end of a period eliminate any future profit margins for the related product group, and results in negative future profit margins, this negative balance is recognised as a loss in the current period. If the changes in assumptions in a period are favourable for a product group currently in loss recognition, then the previously recognised losses are reversed in the period.

(b) Insurance risk sensitivity analysis – life insurance contracts

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

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

		Change in life insurance contract liabilities		Change in shareholder profit after income tax, and equity	
Variable	Change in variable	Gross of reinsurance $m	Net of reinsurance $m	Gross of reinsurance $m	Net of reinsurance $m
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	20% increase in incidence rates and decrease in recovery rates	-	-	-	-
Discontinuance rates	10% increase in discontinuance rates	-	-	-	-
Maintenance expenses	10% increase in maintenance expenses	-	-	-	-

Notes supporting the financial information

for the year ended 31 December 2009

19. LIFE INSURANCE CONTRACTS (CONTINUED)

	Consolidated		Parent	
	2009 $m	2008 $m	2009 $m	2008 $m
(c) Analysis of life insurance contract premium and related revenue				
Total life insurance contract premiums received and receivable	1,871	1,987	-	-
Less: component recognised as a change in life insurance contract liabilities	(854)	(1,029)	-	-
Life insurance contract premium revenue[1]	1,017	958	-	-
Reinsurance recoveries	32	36	-	-
Total life insurance contract premium and related revenue	**1,049**	**994**	**-**	**-**
(d) Analysis of life insurance contract claims and related expenses				
Total life insurance contract claims paid and payable	(2,227)	(2,631)	-	-
Less: component recognised as a change in life insurance contract liabilities	1,024	1,339	-	-
Life insurance contract claims expense	(1,203)	(1,292)	-	-
Outwards reinsurance expense	(48)	(45)	-	-
Total life insurance contract claims and related expenses	**(1,251)**	**(1,337)**	**-**	**-**
(e) Analysis of life insurance contract operating expenses				
Life insurance contract acquisition expenses				
- Commission	(45)	(46)	-	-
- Other	(87)	(83)	-	-
Life insurance contract maintenance expenses				
- Commission	(85)	(76)	-	-
- Other	(268)	(276)	-	-
Investment management expenses	(39)	(45)	-	-

Footnote:

(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 2009

19. LIFE INSURANCE CONTRACTS (CONTINUED)

	Consolidated		Parent	
	2009	**2008**	**2009**	**2008**
	$m	**$m**	**$m**	**$m**
(f) Life insurance contract liabilities				
Life insurance contract liabilities determined using projection method				
Best estimate liability				
- Value of future life insurance contract benefits	10,812	12,440	-	-
- Value of future expenses	2,588	2,849	-	-
- Value of future premiums	(9,123)	(10,295)	-	-
Value of future profits				
- Life insurance contract holder bonuses	2,150	2,134	-	-
- Shareholders' profit margins	2,373	2,824	-	-
Total life insurance contract liabilities determined using the projection method [(1)]	**8,800**	**9,952**	**-**	**-**
Life insurance contract liabilities determined using accumulation method				
Best estimate liability				
- Value of future life insurance contract benefits	7,932	7,688	-	-
- Value of future acquisition expenses	(10)	(12)	-	-
Total life insurance contract liabilities determined using accumulation method	**7,922**	**7,676**	**-**	**-**
Value of declared bonus	**270**	**474**	**-**	**-**
Unvested life insurance contract holder benefits[(1)]	**1,344**	**1,190**	**-**	**-**
Total life insurance contract liabilities before reinsurance	**18,336**	**19,292**	**-**	**-**
Add: Reinsurers' share of life insurance contract liabilities	44	54	-	-
Total life insurance contract liabilities per the Life Act	**18,380**	**19,346**	**-**	**-**
Less: deferred tax balances separately disclosed on the Statement of financial position[(2)]	-	(96)	-	-
Total life insurance contract liabilities	**18,380**	**19,250**	**-**	**-**

Footnote:

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

(2) New Zealand insurance contract liability calculations as at 31 December 2009 no longer include any deferred tax component due to changes in the New Zealand tax act

	Consolidated 2009 $m	Consolidated 2008 $m	Parent 2009 $m	Parent 2008 $m
(g) Reconciliation of changes in life insurance contract liabilities				
Total life insurance contract liabilities at the beginning of the period	19,250	20,635	-	-
Change in life insurance contract liabilities recognised in the Income statement	(641)	(1,009)	-	-
Premiums recognised as an increase in life insurance contract liabilities	854	1,029	-	-
Claims recognised as a decrease in life insurance contract liabilities	(1,024)	(1,339)	-	-
Change in reinsurers share of life insurance contract liabilities	(10)	11	-	-
Foreign exchange adjustment	(49)	(77)	-	-
Total life insurance contract liabilities at the end of the period	**18,380**	**19,250**	**-**	**-**

Notes supporting the financial information

for the year ended 31 December 2009

19. LIFE INSURANCE CONTRACTS (CONTINUED)

(h) Life insurance risk

The life insurance activities of AMP Life 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. Financial risks that impact AMP Life are covered in note 21.

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 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 industry experience and specific product design features. The variability inherent in insurance risk is managed by having a large portfolio of individual risks, underwriting and the use of reinsurance.

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

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

AMP Life reinsures (cedes) to specialist reinsurance companies a proportion of its portfolio or certain types of insurance risk. This serves primarily to:

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

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

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

Type of contract	Detail of contract workings	Nature of compensation for claims	Key variables affecting future cash flows
Non-participating life insurance contracts with fixed and guaranteed terms (term life and disability)	These policies provide guaranteed benefits, which are paid on the death or ill-health, that are fixed and not at the discretion of AMP Life.	Benefits, defined by the insurance contract, are not directly affected by the performance of underlying assets or the performance of any associated investment contracts as a whole.	Mortality, morbidity, lapses, expenses and market earning rates on assets backing the liabilities.
Life annuity contracts	In exchange for an initial single premium, these policies provide a guaranteed regular income for the life of the insured.	The amount of the guaranteed regular income is set at inception of the policy including any indexation.	Longevity, expenses and market earning rates on assets backing the liabilities.
Conventional life insurance contracts with discretionary participating benefits (endowment and whole of life)	These policies combine life insurance and savings. The policyholder pays a regular premium and receives the specified sum assured plus any accruing bonuses on death or maturity. The sum insured is specified at inception and guaranteed. Reversionary bonuses are added annually, which once added (vested) are guaranteed. A further terminal bonus may be added on death or maturity.	Operating profit arising from these contracts is allocated 80:20% between the policyholders and shareholder in accordance with the *Life Act*. The amount allocated to policyholders is held as an unvested policy liability until it is distributed to specific policyholders as bonuses.	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. Interest is credited regularly.	The payment of the account balance is generally guaranteed, although it may be subject to certain penalties on early surrender or limited adjustment in adverse markets. Operating profit arising from these contracts is allocated between the policyholders and shareholders in accordance with the *Life Act*. The amount allocated to policyholders is held as an unvested policy liability until it is distributed to specific policyholders as interest credits.	Fees, lapses, expenses and market earning rates on the assets backing the liabilities.

Notes supporting the financial information

for the year ended 31 December 2009

19. LIFE INSURANCE CONTRACTS (CONTINUED)

(i) Liquidity risk and future net cash outflows

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

	Up to 1 year $m	1 to 5 years $m	Over 5 years $m	Total $m
31/12/2009	1,129	3,120	5,741	9,990
31/12/2008	1,156	3,143	5,978	10,277

Notes supporting the financial information

for the year ended 31 December 2009

20. OTHER LIFE INSURANCE AND INVESTMENT CONTRACTS DISCLOSURES

	Consolidated		Parent	
	2009 $m	2008 $m	2009 $m	2008 $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	399	405	-	-
- Profits (losses) arising from difference between actual and assumed experience[1]	14	35	-	-
- Capitalised (losses) reversals	-	(1)	-	-
Profit related to life insurance and investment contract liabilities	**413**	**439**	**-**	**-**
Attributable to:				
- Life insurance contracts	321	313	-	-
- Investment contracts	92	126	-	-
Investment earnings on assets in excess of life insurance and investment contract liabilities	62	(14)	-	-

Footnote:

(1) 2009 and 2008 experience profits mainly arise from the differences in actual mortality, morbidity, voluntary discontinuance and investment experience to that assumed and release of tax provisions.

(b) Restrictions on assets

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 when solvency, capital adequacy and other regulatory requirements are met.

(c) Capital guarantees

	Consolidated		Parent	
	2009 $m	2008 $m	2009 $m	2008 $m
Life insurance contracts with a discretionary participating feature				
- Amount of the liabilities that relate to guarantees	14,082	14,308	-	-
Investment linked contracts				
- Amount of the liabilities subject to investment performance guarantees	1,158	1,166	-	-
Other life insurance contracts with a guaranteed termination value				
- Current termination value	138	1,739	-	-

Notes supporting the financial information

for the year ended 31 December 2009

20. OTHER LIFE INSURANCE AND INVESTMENT CONTRACTS DISCLOSURES (CONTINUED)

(d) Solvency and capital adequacy

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

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

- the solvency requirement
- the capital adequacy requirement.

Solvency requirements

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

The Appointed Actuary of AMP Life has confirmed that the available assets of each life statutory fund have exceeded the solvency reserve required at all times during the reporting date. Across all the life statutory funds, the excess assets, expressed as a percentage of the solvency reserve, at 31 December 2009 were 76% (31 December 2008: 65%).

Capital adequacy requirements

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

The Appointed Actuary of AMP Life has confirmed that the available assets of each life statutory fund have exceeded the capital adequacy reserve required at all times during the reporting date. For this purpose, the capital adequacy reserve is defined as the solvency reserve, plus the difference between the capital adequacy requirement and the solvency requirement. Across all the life statutory funds, the excess assets, expressed as a percentage of the capital adequacy reserve, as at 31 December 2009 was 36% (31 December 2008: 29%).

(e) Actuarial information

Mr Rocco Mangano, as the Appointed Actuary of AMP Life, is 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 19.

As at 31 December 2009, the policy liabilities (being the sum of the life insurance contract and investment contract liabilities, including any asset or liability arising in respect of the management services element of an investment contract) and solvency reserves have been determined at the reporting date in accordance with the *Life Act*. For accounting purposes at 31 December 2008, an amount of $96m was removed from the value of life insurance contract liabilities calculated in accordance with the *Life Act* and included within deferred tax liabilities in order to recognise separately the amount of deferred tax implicitly embedded in the policy liability calculation. This adjustment related only to New Zealand risk business where there were differences between accounting profit and the amount assessable for tax. In 2009, the process for determining New Zealand risk business policy liabilities for *Life Act* purposes was changed so as to calculate the liability on a before tax basis and, accordingly, an adjustment was not required for the current year.

(f) Amounts expected to be recovered or settled no more than 12 months after the reporting date

Based on assumptions as to likely withdrawal patterns of the various product groups, it is estimated that approximately $9,763m (2008: $9,406m) of policy liabilities may be settled within 12 months of the reporting date.

(g) Disaggregated information

As describe in Note 1(a), the *Life Act* requires the life insurance business of AMP Life to be conducted within statutory funds that are separate to the AMP Life shareholder's fund. The financial statements of AMP Life (which are lodged with the relevant Australian regulators) disclose all major components of the financial statements disaggregated between the various life insurance statutory funds and the shareholder's fund, as well as by investment-linked and non-investment-linked business.

Notes supporting the financial information

for the year ended 31 December 2009

21. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS INFORMATION

Financial Risk Management objectives

The principal objective of AMP group's Financial Risk Management (FRM) is to establish a robust structure for identifying, assessing, responding to, measuring, monitoring, reporting and escalating financial risks.

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

Financial Risk Management structure

The AMP Limited Board has ultimate responsibility for risk management and governance, including ensuring an appropriate risk framework is in place and is operating effectively. There are, however, other bodies and individuals within the AMP group that manage and monitor financial risks.

The Board

The Board is responsible for the approval of the FRM Policy, shareholder capital investment strategy, capital and financing plans, approval of transactions outside the FRM policy and setting the financial risk appetite.

The Audit Committees

The AMP Limited Audit Committee (AMP AC) is responsible for ensuring the existence of effective financial risk management policies and procedures, and oversight of the execution of the FRM Policy. The AMP Life, AMP Capital Investors (AMPCI) and AMP Bank Audit Committees are delegated this responsibility for the elements specific to their respective business units.

AMP Group Asset and Liability Committee

The AMP Group Asset and Liability Committee (Group ALCO) oversees and monitors shareholders' financial risks and capital financing strategy. Group ALCO provides advice to the Board on FRM Policy, shareholder capital investment strategy, capital and financing plans, and the execution of approved plans. It also monitors and reports to the AMP AC on compliance with the FRM Policy and risks undertaken by subsidiary entities that present a risk to shareholder capital. Group ALCO has also established a sub-committee (Debt Committee) to review and monitor debt financing risk.

AMP Life Asset and Liability Committee

The AMP Life Asset and Liability Committee (Life ALCO) oversees and monitors the management of all financial risks, other than pricing and product risks, for both the shareholders fund and the statutory funds of AMP Life. In relation to asset and liability management within Statutory Fund No.1, Life ALCO reviews and recommends changes in asset mix for participating business and provides advice to the Board in relation to bonus and crediting rate recommendations. In relation to capital management, Life ALCO oversees and monitors the regulatory capital position of the AMP Life Statutory Funds; provides advice to the AMP Life Board in relation to half yearly transfer recommendations from the AMP Life Statutory Funds; provides recommendations to the AMP Life Board in relation to capital management initiatives within the AMP Life Statutory Funds and convenes meetings of the AMP Life Surplus Management Committee if regulatory capital triggers are breached.

AMP Group Treasury

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

Internal audit

Internal audit has the responsibility for audit compliance with the FRM Policy as part of its ongoing audit cycle. It is required to review the policy effectiveness and report to the AMP AC.

Controlled operating entity boards

The directors and boards of various AMP Limited controlled operating entities are required to comply with the Board approved risk appetite. The AMP Limited controlled operating entities are also responsible for approving, where relevant, policyholder asset and liability strategy, and allocated subsidiary shareholder capital investment and for reporting to the AMP AC, entity audit committees and Group ALCO on financial risks.

Appointed Actuary

The Appointed Actuary is responsible for reporting to the AMP Life Board, AMP AC, Group ALCO, Life ALCO and APRA on the financial condition of AMP Life, including solvency, capital adequacy and target surplus. The Appointed Actuary is also responsible for giving advice to AMP Life on distribution of profits, premium rates, charges, policy conditions and reinsurance arrangements. The Life Insurance Act also imposes obligations on the Appointed Actuary to bring to the attention of AMP Life, or in some circumstances, APRA, any matter that the Appointed Actuary thinks requires action to be taken to avoid prejudice to the interests of policyholders.

Notes supporting the financial information

for the year ended 31 December 2009

21. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS INFORMATION (CONTINUED)

Risks and mitigation
The AMP group's activities expose it to a variety of financial risks:

- market risk, including interest rate risk, currency risk, equity price risk and investment risk
- liquidity and re-financing risk
- credit risk.

The AMP group uses derivative financial instruments, such as foreign exchange contracts and interest-rate swaps, to hedge certain risk exposures. The major risks associated with financial instruments and the AMP group's policies for managing these risks are set out below.

(a) Market risk
Market risk is the risk of an adverse impact to the Income statement or the Statement of financial position 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 primarily arises from the management of insurance contracts and from non-trading market risk positions arising from balance sheet and capital management activities.

Accounting standards require the disclosure of sensitivity to changes in market risk variables such as equity prices, exchange rates and interest rates. This sensitivity is not intended to show the impact on the profit or equity for the entire period, just an illustrative example of the direct impact of a change in the value of the financial assets and financial liabilities held at the period end as a result of the change in market rate.

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 or stress test scenario) over the period to the subsequent reporting date.

(i) Interest rate risk
Interest rate risk is the risk of adverse impact to AMP group's Income statement or the Statement of financial position 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 management is decentralised in business units within the AMP group as detailed below.

AMP group's long-term borrowings and subordinated debt
Interest rate risk arises on the AMP group's long-term borrowings and subordinated debt. The AMP group raises long-term borrowings through Australian dollar, New Zealand dollar, pound sterling and euro denominated fixed-rate and floating-rate debts and subordinated debts. The foreign denominated debt is converted to floating-rate Australian dollars through cross-currency swaps. The AMP group manages its interest rate risk by entering floating-to-fixed interest-rate swaps, which have the economic 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.

The AMP group's policy is to maintain between 40–60% of its borrowings and subordinated debt at a fixed rate. At the reporting date, 57% (2008: 45%) of the AMP group's borrowings and subordinated debt were effectively at fixed rates.

AMP Life
As discussed in Note 1, AMP Life conducts wealth management and life insurance business through separate life statutory funds. Investment assets of the life statutory funds comprise cash, equity securities, debt securities, property securities, other financial assets and investment property that are held to back investment contract liabilities, life insurance contract liabilities, retained profits and capital. A substantial portion of the interest-bearing financial assets therefore represents investments held in life insurance funds in respect of policyholders' interests.

Interest rate risk to the shareholder of AMP Life arises in respect of financial assets and liabilities held in the shareholder fund and in the life statutory funds, to the extent that there is an economic mismatch between the timing of payments to life insurance and investment contract holders and the duration of the assets held in the statutory funds to back these liabilities. Where the liability to the investment contract holder is directly linked to the value of the assets held to back that liability (i.e. investment-linked business), there is no residual interest rate exposure to the shareholder.

The management of the risks associated with investments undertaken by life statutory funds and the shareholder fund, including interest rate risk is, amongst other things, subject to the relevant regulatory requirements, which are governed by the *Life Act*. This includes satisfying solvency requirements, which requires statutory reserves to be held, amongst other things, to specifically address interest rate risk to the extent that assets are not matched against liabilities.

AMP Life manages 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 Board's target surplus philosophy for both capital adequacy and solvency as advised by the Appointed Actuary.

AMP Bank
Interest rate risk arises in AMP Bank from mismatches of repricing terms (e.g. 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. AMP Treasury manages the interest rate exposure in AMP Bank by maintaining a risk position, which is generally neutral, within the limits delegated and approved by the AMP Bank board.

Notes supporting the financial information

for the year ended 31 December 2009

21. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS INFORMATION (CONTINUED)

Interest rate risk sensitivity analysis

The following table demonstrates the impact of a 100 basis point change in Australian and International interest rates, with all other variables held constant, on the AMP group's shareholder 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 (31 December 2009 and 2008) and there are concurrent movements in interest rates and parallel shifts in the yield curves. The impact on equity includes the effective portion of changes in the fair value of derivatives that are designated to qualify as cash flow hedges.

	31 December 2009		31 December 2008	
	Impact on profit after tax	Impact on equity	Impact on profit after tax	Impact on equity
Change in variables	**$m**	**$m**	**$m**	**$m**
+100 basis points	(23)	(4)	(18)	11
-100 basis points	23	4	18	(11)

The categories of risks faced and methods used for deriving sensitivity information did not change from previous periods.

The parent entity is not directly exposed to interest rate risk.

(ii) Currency risk

Currency risk is the risk of an adverse impact to AMP group's earnings or balance sheet value due to movements in foreign exchange rates. Losses in value may result from translating the AMP group's capital invested in overseas operations into Australian dollars at reporting date (translation risk) or from adverse foreign exchange rate movements on specific cash flow transactions (transaction risk).

Subject to materiality, the AMP group:

- does not hedge the capital invested in overseas operations, except for Seed Pool foreign currency investments, thereby accepting the foreign currency translation risk on invested capital;
- converts all corporate debt to Australian dollars through cross-currency swaps;
- hedges individual investment assets in the seed pool and backing shareholder capital, excluding the international equities portfolio attributable to shareholders within the life statutory 80:20 funds;
- hedges expected foreign currency receipts and payments once the value and timing of the expected cash flow is known.

Currency risk sensitivity analysis

The analysis below demonstrates the impact of a 10% movement of currency rates against the Australian dollar with all other variables held constant, on the AMP group's shareholder profit after tax (due to changes in fair value of currency sensitive monetary assets and liabilities) and equity. It is assumed that the relevant change occurs as at the reporting date.

	31 December 2009		31 December 2008	
	Impact on profit after tax	Impact on equity	Impact on profit after tax	Impact on equity
Change in variables	**$m**	**$m**	**$m**	**$m**
10%	9	9	5	5
-10%	(9)	(9)	(5)	(5)

Major currency exposures included in the above analysis relate to US dollars, Euros and other currencies. Sensitivity analysis on individual currencies is not significant. The categories of risks faced and methods used for deriving sensitivity information did not change from previous periods.

Notes supporting the financial information

for the year ended 31 December 2009

21. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS INFORMATION (CONTINUED)

(iii) Equity price risk

Equity price risk is the risk of an adverse impact to AMP group's earnings or balance sheet value due to movements in equity prices. The AMP group measures all of its equities portfolio at fair value through profit or loss.

Sensitivity analysis

The analysis below demonstrates the impact of a 10% movement in Australian and International equities. This sensitivity analysis has been performed to assess the direct risk of holding equity instruments therefore any potential indirect impact on fees from AMP group's investment linked business has been excluded. It is assumed that the relevant change occurs as at the reporting date.

	31 December 2009		31 December 2008	
	Impact on profit after tax	Impact on equity	Impact on profit after tax	Impact on equity
	$m	$m	$m	$m
10% increase in Australian equities	15	15	15	15
10% increase in International equities	9	9	12	12
10% decrease in Australian equities	(15)	(15)	(15)	(15)
10% decrease in International equities	(9)	(9)	(12)	(12)

The categories of risks faced and methods used for deriving sensitivity information did not change from previous periods.

(iv) Investment risk

Investment risk is the risk of adverse impact to AMP group's Income statement or Statement of financial position due to movements in the financial markets. Investment earnings arise from the AMP group's investment of shareholder capital. Investment classes include equities, property and interest bearing instruments, so the management of investment risk encompasses equity price risk and interest rate risk.

For the purposes of the FRM Policy, investment risk management involves decisions made regarding the allocation of investment assets across asset classes and/or markets and includes the management of risks within these asset classes. Investment risk management relates to the investment allocation decisions made by the AMP group in relation to the investment of shareholder capital.

The investment risk in the shareholders fund 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). The loss tolerance over the discretionary investments in the shareholders fund is set at a relatively low level because AMP has sufficient equity market exposure in its businesses (e.g. through fees on Assets Under Management).

AMP Capital Finance Limited, a wholly owned controlled entity, was established as part of the investment risk strategy of the AMP group, to assist business growth through the acquisition of assets to seed new funds or opportunities (Seed pool). The AMP group seeks to generate future revenues from the subsequent on-sale of these assets to clients through new or existing funds.

(b) Liquidity and re-financing risk

Liquidity risk is the risk that the AMP group will not have access to adequate funds to pay its obligations, as they fall due, because of lack of liquid assets or access to adequate funding on acceptable terms. Refinancing risk, a sub-set of liquidity risk, is the risk that the maturity profile of debt makes it difficult to refinance (or rollover) maturing debt, or that it creates an excessive exposure to potentially unfavourable market conditions at any given time.

To ensure that the AMP group has sufficient funds available on a timely basis, in the form of cash, liquid assets, borrowing capacity and un-drawn committed funding facilities to meet its liquidity requirements, AMP Treasury maintains a defined surplus of cash plus projected cash inflows over projected outflows in a going-concern scenario, while meeting regulatory requirements and internal management guidelines. To mitigate refinancing risk, the AMP group's projected cumulative funding resources are required to exceed its projected cumulative funding requirements over specified maturity periods.

The AMP group's FRM Policy includes a Liquidity Crisis Management Policy. Compliance with this Liquidity Crisis Management Policy in part requires that the AMP group has access to funding through committed standby facilities, external bank liquidity facilities, commercial paper and medium-term note programmes.

Two operating subsidiaries of the private equity investment entities controlled by the AMP Life statutory funds as at 31 December 2009 had payment defaults on their external bank loans during 2009. These defaults, which totalled $7.25m, both occurred in 2008 and continued into 2009. The carrying amount of the loans payable in default was $245m (2008: $283m). The financiers of these loans payable do not have legal recourse to AMP. These defaults do not have any direct effect on any other AMP debt. By 31 December 2009 both the payment defaults had been rectified.

Notes supporting the financial information

for the year ended 31 December 2009

21. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS INFORMATION (CONTINUED)

Liquidity and re-financing risk (continued)

The following table summaries the maturity profile of the group's financial liabilities. This is based on contractual undiscounted repayment obligations. Repayments that are subject to notice are treated as if notice were to be given immediately. The fair value of financial guarantee contracts have been assessed as nil.

Maturity profiles of undiscounted financial liabilities(1)

31 December 2009	Up to 1 Year $m	1 to 5 Years $m	Over 5 Years $m	No term $m	Investment - Linked (3) $m	Total $m
Payables	(306)	(12)	(5)	(159)	(499)	(981)
Borrowings(2)	(5,127)	(4,115)	(1,314)	(170)	(2,531)	(13,257)
Subordinated debt	(31)	(404)	(98)	-	-	(533)
Investment contract liabilities(3)	(579)	(1,166)	(1,467)	-	(44,815)	(48,027)
External unit-holders' liabilities	-	-	-	-	(6,121)	(6,121)
Cross currency swaps						
- Outflows	(308)	(1,442)	(121)	-	-	(1,871)
- Inflows	205	1,290	74	-	-	1,569
Interest rate swaps	(46)	(36)	22	-	-	(60)
Loan commitments	(1,169)	-	-	-	-	(1,169)
Total undiscounted financial liabilities(4)	**(7,361)**	**(5,885)**	**(2,909)**	**(329)**	**(53,966)**	**(70,450)**
31 December 2008						
Payables	(312)	(17)	(10)	(247)	(688)	(1,274)
Borrowings(2)	(5,230)	(4,697)	(1,210)	(167)	(2,157)	(13,461)
Subordinated debt	(332)	(21)	(120)	-	-	(473)
Investment contract liabilities(3)	(990)	(1,290)	(599)	-	(38,850)	(41,729)
External unit-holders' liabilities	-	-	-	-	(7,252)	(7,252)
Cross currency swaps						
- Outflows	(800)	(1,747)	(131)	-	-	(2,678)
- Inflows	774	1,875	111	-	-	2,760
Interest rate swaps	(55)	(64)	7			(112)
Loan commitments	(1,032)	-	-	-	-	(1,032)
Total undiscounted financial liabilities(4)	**(7,977)**	**(5,961)**	**(1,952)**	**(414)**	**(48,947)**	**(65,251)**

Footnote:

(1) Estimated net cash outflow profile of life insurance contract liabilities is disclosed in Note 19.

(2) Borrowings include deposits in banking operations and other corporate borrowings and are inclusive of expected cash outflows.

(3) For investment linked business in AMP Life, the liability to policyholders is linked to the performance and value of the assets that back those liabilities. If all such policyholders claimed their funds, there may be some delays in settling this liability as assets are liquidated, but the shareholder has no direct exposure to any liquidity risk as a result of investment linked contracts. As a result, the tables in this section show AMP Life's investment linked liabilities in aggregate only, without any maturity analysis. This is also consistent with AMP's management practice. A maturity profile for non-linked investment contracts e.g. term annuity, is provided above.

(4) The balances in the above table will not agree directly to the balances in the consolidated Statement of financial position as the table incorporates all cash flows, on an undiscounted basis, related to both principal as well as those associated with all future interest payments.

Notes supporting the financial information

for the year ended 31 December 2009

21. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS INFORMATION (CONTINUED)

(c) Credit risk

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

The AMP group's FRM Policy sets out the assessment and determination of what constitutes credit risk for the AMP group. The policy has set exposure limits for each counterparty and credit rating. Compliance with this policy is monitored and exposures and breaches are escalated to the AMP group Treasurer (Group Treasurer), CFO and CEO through the FRM Report.

Credit risk management is decentralised in business units within the AMP group; however, credit risk directly impacting shareholder capital is measured and managed by AMP Treasury by aggregating risk from credit exposures taken in business units as detailed below. In addition, group limits are allocated to business units to keep individual credit exposures from aggregating across the group in excess of group limits.

AMP Life

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

AMP Capital Investors

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

AMP Bank

Credit risk arising in AMP Bank as part of lending activities and management of liquidity is managed as prescribed by AMP Bank's Risk Management Systems Description (RMSD) and reported to AMP Bank Policy ALCO monthly. Exposures relating directly to shareholder funds are included in the aggregation by AMP Treasury and reported to AMP group ALCO.

Maximum exposure to credit risk

AMP group's maximum exposure to credit risk, after taking account of any collateral or other credit enhancements as of 31 December 2009, was $43,133m (2008: $44,457m) and to loan commitments of $1,169m (2008: $1,032m).

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 the credit risk in the AMP group 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. AMP group's maximum credit exposure to any non-sovereign counterparty as at 31 December 2009 was $865m (2008: $847m) with a currently AA rated counterparty.

At reporting date, the AMP group had 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 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.

Compliance is monitored and exposures and breaches are escalated to the Group Treasurer, CFO, CEO and the AMP AC through the FRM Report.

Notes supporting the financial information

for the year ended 31 December 2009

21. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS INFORMATION (CONTINUED)

Credit exposure by credit rating

The following table provides information regarding the credit risk exposures of the AMP group according to the credit ratings of the counterparties. Where there is a direct risk to shareholder capital, these exposures are managed within limits set by the AMP group's FRM policy:

	2009 $m	2008 $m
AAA	4,028	5,605
AA	5,090	4,689
A	1,662	1,933
BBB	1,122	1,229
Below BBB	240	282
Total financial assets with credit risk exposure managed by Treasury (1)	12,142	13,738
Financial assets with credit risk exposure not managed by Treasury (2)	30,990	30,719
Total financial assets with credit risk exposure	**43,132**	**44,457**

Footnote:

(1) Balance mainly includes interest bearing securities and cash equivalents.

(2) Balance includes financial assets of investment linked business in AMP Life, where 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 relation to these assets. Balance also includes receivables of $959m (2008: $1,240m), and secured loans held by banking operations of $9,815m (2008: $9,577m), which are not managed by Treasury in accordance with the group's FRM policy.

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 by a qualified independent valuer. A large portion of AMP Bank's residential loan portfolio is securitised and all loans in securitisation vehicles are mortgage insured thereby further mitigating the risk. AMP Bank's Credit Committee and Board oversee trends in lending exposures and compliance with concentration limits as a further basis of limiting lending risk. AMP Bank secures its loan portfolio with mortgages over relevant properties and as a result manages credit risk on its loan portfolio by loan to value ratio (LVR). The LVR is calculated by dividing the total loan amount by the lower of AMP Bank's approved valuation amount or the purchase price. The average LVR of AMP Bank's loan portfolio for existing and new business is set out in the following table.

LVR	Existing business 2009	New business 2009	Existing business 2008	New business 2008
0 - 50	28%	8%	28%	12%
51 - 60	12%	6%	12%	8%
61 - 70	15%	11%	16%	13%
71 - 80	33%	53%	32%	50%
81 - 95	11%	18%	10%	10%
> 95	1%	3%	2%	7%

Notes supporting the financial information

for the year ended 31 December 2009

21. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS INFORMATION (CONTINUED)

Past due but not impaired financial assets of the AMP group

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

	Past due but not impaired				
	Less than 31 days	31 to 60 days	61 to 90 days	More than 91 days	Total
31 December 2009	**$m**	**$m**	**$m**	**$m**	**$m**
Receivables					
- Reinsurance and other recoveries receivables	2	1	-	-	3
- Trade debtors	15	5	-	1	21
- Other receivables	4	7	-	2	13
Debt securities					
- Loans	275	18	7	22	322
Total (1)	296	31	7	25	359

	Past due but not impaired				
	Less than 31 days	31 to 60 days	61 to 90 days	More than 91 days	Total
31 December 2008	**$m**	**$m**	**$m**	**$m**	**$m**
Receivables					
- Reinsurance and other recoveries receivable	2	-	-	-	2
- Trade debtors	1	1	-	2	4
- Other receivables	17	7	6	12	42
Debt securities					
- Loans	294	32	12	41	379
Total (1)	**314**	**40**	**18**	**55**	**427**

Footnote:

(1) For investment-linked business in AMP Life, 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.

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:

	2009 $m
Cumulative adjustment	15
Change during the period	(32)

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.

Notes supporting the financial information

for the year ended 31 December 2009

21. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS INFORMATION (CONTINUED)

Impaired financial assets and impairment assessment
AMP Bank has impaired loans of $2m (2008: $2m) as at 31 December 2009. AMP Bank provides specific provision and collective impairment loan loss provisions against these impaired loans.

The AMP Bank Credit Committee reviews the portfolio for provisioning at least quarterly. The review considers:

- Current provisioning amount
- Portfolio growth and performance – for both on and off balance sheet exposures
- Current arrears position and specific loan provisions
- Current and forecast state of economy, interest rate movements etc.

It also makes recommendations to the AMP Bank Board and Audit Committee

The Managing Director and Head of Credit of AMP banking operations have delegated authority to approve specific provisions up to $100,000. Specific provisions greater than $100,000 are noted by the Credit Committee and AMP Bank Audit Committee and approved by the AMP Bank Board.

Collective impairment loan loss provision
The collective impairment loan loss provision methodology is a statistically based model that removes subjectivity from the provisioning process and makes the provision reflective of historical loss performance

The model utilises historical losses incurred by AMP Bank and researches external data sources to develop a series of probability of default and loss, given default factors that can be applied to on balance sheet arrears accounts. The model also includes the ability to apply a management overlay if it is deemed that the economic environment is not representative of historical loss performance.

The model is reviewed quarterly and specific factors are formally validated every 6 months and reported back to the AMP Bank Audit Committee.

Specific provision
The specific provision is created when there is clear evidence that AMP Bank will suffer a loss with little chance of recovery and the amount of the loss is measurable. This provision is also reviewed quarterly and recommendations are made to the AMP Bank Audit Committee.

Renegotiated loans
Where possible, AMP Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. AMP Bank renegotiated the terms of $2m (2008: $1m) of loans during the year, that otherwise would be past due or impaired.

Collateral
AMP Bank uses residential property as collateral against its loans to customers. As at 31 December 2009, the fair value of the collateral that AMP Bank has relating to past due loans is $4m (2008: $5m). AMP Bank also has lenders mortgage insurance which covers any shortfall upon sale of these properties against the carrying value of the loans. The properties are valued by independent valuers at the time of possession. AMP Bank may decide to sell the properties in the ordinary course of business to recover the outstanding loan balances that the customer owes to AMP Bank.

(d) Derivative financial instruments
Derivative financial instruments are measured at fair value and recorded in the Statement of financial position as assets and liabilities. Asset and liability values on different 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 cash flow hedges for accounting purposes, as set out in Note 1(u).

Derivative transactions undertaken by life insurance controlled 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.

Derivative transactions undertaken by non life insurance controlled entities
AMP group Treasury and banking operations 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.

Notes supporting the financial information

for the year ended 31 December 2009

21. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS INFORMATION (continued)

i) *Swaps* – a swap transaction obliges the two parties to the contract to exchange a series of cash flows at specified payment or settlement dates. Swap transactions undertaken by the AMP group are:
- *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 e.g. BBSW
- *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.

ii) *Forward and futures contracts* – these are agreements between two parties establishing a contract 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.

iii) *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.

As stated above, derivative transactions are entered into, for the purposes of hedging assets, liabilities, forecast transactions, cash flows, and credit exposures. The accounting treatment of hedge transactions varies according to the nature of the instrument hedged and whether the hedge qualifies as such for accounting purposes.

Derivative transactions may qualify for hedges for accounting purposes if they are fair value or cash flow hedges or hedges of net investments in foreign operations. The group's accounting policies for derivatives designated and accounted for as hedging instruments are explained in Note 1(u), 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.

Fair value hedges
Fair value hedges are used by the AMP group to protect it against changes in the fair value of financial assets and financial liabilities due to movements in exchange rates and interest rates. The financial instruments hedged for interests rate risk include notes and subordinated debt.

For the year ended 31 December 2009, the AMP group recognised a net loss of $169m (2008: $160m net gain) on the hedging instruments. The net gain on hedged items attributable to the hedged risks amounted to $173m (2008:$154m net loss)

Cash flow hedges
The AMP group is exposed to variability in future interest cash flows on non-trading assets and liabilities which bear interest at fixed and variable rates. The AMP group uses interest rate swaps and cash flow hedges to mange interest rate risks.

Below is a schedule indicating as at 31 December 2009, the periods when the hedged cash flows are expected to occur and when they are expected to affect profit and loss:

	0-1 year	1-2 years	2-3 years	3-4 years	4-5 years
	$m	$m	$m	$m	$m
2009					
Cash inflows	96	57	28	15	7
Cash outflows	(126)	(65)	(30)	(12)	(5)
Net cash inflow/(outflow)	**(30)**	**(8)**	**(2)**	**3**	**2**
2008					
Cash inflows	77	49	30	12	1
Cash outflows	(148)	(92)	(47)	(18)	(2)
Net cash inflow/(outflow)	**(71)**	**(43)**	**(17)**	**(6)**	**(1)**

The change in fair value of cash flow hedges transferred from/to the Income statement is $55m profit (2008 $26m loss). In 2009 nil (2008 $1m net gain) was recognised in the income statement due to hedge ineffectiveness from cash flow hedges.

Risk of derivative 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 group's overall credit risk policies.

Hedges of net investments in foreign operations
AMP group hedges its exposure to changes in exchange rates on the value of its foreign currency denominated Seed pool investments. Gains or losses on effective hedges are transferred to equity to offset any gains or losses on translation of the net investment in foreign operations. A net gain on the hedge of the net investment of $23m (2008: $21m net loss) was recognised in equity for the year.

For the year ended 31 December 2009, the AMP group recognised a net gain of $1m (2008: $3m net loss) representing the ineffective portion of hedges relating to investments in foreign operations.

Notes supporting the financial information

for the year ended 31 December 2009

21. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS INFORMATION (CONTINUED)

(e) Fair values

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the AMP group's Balance sheet at their fair value. Bid prices are used to estimate the fair value of assets, whereas offer prices are applied for liabilities.

	Total carrying amount as per the Statement of financial position		Aggregate fair value	
	2009	2008	2009	2008
	$m	$m	$m	$m
Financial assets				
Debt securities	835	577	843	582
Loans - secured	9,815	9,577	9,851	9,733
Total financial assets	**10,650**	**10,154**	**10,694**	**10,315**
Financial liabilities				
Bank loans	1,521	1,612	1,521	1,612
Bonds and notes	4,995	4,619	5,095	4,777
Deposits	2,370	1,814	2,370	1,814
Subordinated Floating Rate Note	-	100	-	106
Other loans	165	488	168	491
Total financial liabilities	**9,051**	**8,633**	**9,154**	**8,800**

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Refer to Note 1(u) for fair value estimation methods.

Debt securities

The estimated fair value of loans and interest bearing securities represents the discounted amount of estimated future cash flows expected to be received, based on the maturity profile of the loans and interest bearing securities. As the loans are unlisted, the discount rates applied are based on the yield curve appropriate to the remaining term of the loans.

The loans may be carried 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.

Borrowings

Borrowings comprise domestic commercial paper, drawn liquidity facilities and various floating-rate and medium-term notes. The fair values of borrowings are predominantly hedged by derivative instruments – mainly cross-currency and interest-rate swaps. The estimated fair value of borrowings is determined with reference to quoted market prices. For borrowings where quoted market prices are not available, a discounted cash flow model is used, based on a current yield curve appropriate for the remaining term to maturity.

Subordinated debt

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

(f) Fair value measures

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

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

Notes supporting the financial information

for the year ended 31 December 2009

21. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS INFORMATION (CONTINUED)

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

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

31 December 2009	Level 1	Level 2	Level 3	Total fair value
	$m	$m	$m	$m
Assets				
Equity securities	29,842	2,174	778	32,794
Debt securities	-	19,423	488	19,911
Property securities	1,160	2,495	10	3,665
Other financial assets	1,741	7,349	113	9,203
Total financial assets	**32,743**	**31,441**	**1,389**	**65,573**
Liabilities				
Borrowings	-	3,946	-	3,946
Subordinated debt	-	65	-	65
Other financial liabilities	337	783	-	1,120
Investment contract liabilities	-	1,733	45,506	47,239
Total financial liabilities	**337**	**6,527**	**45,506**	**52,370**

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

	At 1 January 2009	Total gains/ losses included in Income statement	Purchases/ deposits	Sales/ with-drawals	Net transfers in/(out)	At 31 December 2009	Total gains or losses for the period included in Income statement for assets and liabilities held at 31 December 2009
	$m	$m	$m	$m	$m	$m	$m
Assets							
Equity securities	874	(107)	45	(41)	7	778	(107)
Debt securities	371	3	169	(76)	21	488	3
Property securities	13	(3)	-	-	-	10	(2)
Other financial assets	74	(6)	46	(1)	-	113	(6)
Total financial assets	**1,332**	**(113)**	**260**	**(118)**	**28**	**1,389**	**(112)**
Liabilities							
Investment contract liabilities	39,771	5,116	6,580	(5,961)	-	45,506	5,076
Total financial liabilities	**39,771**	**5,116**	**6,580**	**(5,961)**	**-**	**45,506**	**5,076**

Notes supporting the financial information

for the year ended 31 December 2009

21. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS INFORMATION (CONTINUED)

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

31 December 2009	Carrying amount $m	Effect of reasonably possible alternative assumptions [1] (+) $m	(-) $m
Assets			
Equity securities	778	35	(35)
	778	**35**	**(35)**
Liabilities			
Investment contract liabilities	45,506	(15)	15
	45,506	**(15)**	**15**

Footnote:

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

(g) Securitisation

During the year, mortgages totalling $502m (2008: $3,049m) were transferred to securitisation vehicles. At 31 December 2009, AMP has outstanding securitised assets amounting to $5,859m (2008: $6,863m) after allowing for amortisation of the initial assets securitised.

(h) Amounts expected to be received in no more than 12 months after the reporting date

The majority of the balances of equity securities, debt securities, property securities and other financial assets are assets of the life statutory funds referred to in Note 20(f). The remainder includes debt securities of $779m (2008: $798m) in consolidated securitisation vehicles which are expected to be received in no more than 12 months after the reporting date.

Notes supporting the financial information

for the year ended 31 December 2009

22. CAPITAL MANAGEMENT

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

The AMP group's capital resources include ordinary equity and interest-bearing liabilities. The AMP group excludes interest-bearing liabilities of its banking subsidiary, AMP Bank Limited, and controlled investment subsidiaries and trusts from the AMP group capital resources. Included within interest-bearing liabilities are subordinated debt and other instruments that would qualify as regulatory capital under Australian Prudential Regulation Authority (APRA) standards.

The AMP group makes adjustments to the statutory shareholder equity for accounting mismatch items and cash flow hedge reserves. Under Accounting Standards, some assets held on behalf of policyholders (and related tax balances) are included in the accounts at different values to the value used in the calculation of policy liabilities in respect of the same asset. These mismatch items include:

- treasury shares (AMP Limited shares held by the statutory funds on behalf of policyholders)
- life company statutory funds' investments in controlled entities
- Other - owner-occupied properties and AMP Life statutory funds' Superannuation products invested in AMP Bank assets.

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

	31 December 2009 $m	31 December 2008 $m
AMP statutory equity attributable to shareholders	2,571	2,037
Accounting mismatch items and cash flow hedge reserves	135	204
AMP shareholder equity	2,706	2,241
Subordinated debt[1]	279	350
Senior debt[1]	910	1,154
Total AMP capital resources	**3,895**	**3,745**

Footnote:

(1) *Balances above represent amounts to be repaid upon maturity. Equivalent amounts in the Statement of financial position are measured at fair value at reporting date.*

The AMP group assesses the adequacy of its capital requirements through regulatory capital and ratings capital. The AMP group targets a level of capital resources to satisfy these capital measures. The AMP group's capital management strategy forms part of the AMP group's broader strategic planning process.

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

(i) Regulatory capital

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, a life insurance company and approved superannuation trustees all regulated by APRA. A number of companies also hold Australian Financial Services Licences.

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

- AMP Life Limited – solvency, capital adequacy and management capital requirements as specified under the Life Act and APRA Life Insurance Prudential Standards
- AMP Bank Limited – capital requirements as specified under APRA Banking Prudential Standards
- AMP Capital Investors Limited – capital and liquidity requirements under its Australian Financial Services Licence

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

AMP holds a level of capital above its MRR. At 31 December 2009 the regulatory capital resources above MRR were $1,242m ($898m at 31 December 2008), or 2.2 times MRR (2.1 times at 31 December 2008). The MRR coverage ratio will vary throughout the year due to investment market movements, dividend payments and the retention of profits.

AMP's regulated businesses each target a level of capital equal to MRR plus a target surplus.

The AMP Life Statutory Funds target surplus is set by reference to a probability of breaching regulatory capital requirements. This is a two tiered test where the target surplus is set as the greater of the amount required for a:

- 0.5% probability of breaching solvency over one year
- 10% probability of breaching capital adequacy over one year.

AMP Bank's target surplus reflects an additional 0.75% of risk-weighted assets above the APRA minimum requirements.

AMP Capital Investors' target surplus is set to cover the seed pool investment risk and operational risks.

(ii) Ratings capital

The AMP group's capital management strategy is framed against an objective of maintaining the AMP group's A range credit ratings. In line with the target credit rating the AMP group maintains an *AA* range financial strength rating for its wholly owned life insurance company, AMP Life Limited. The AMP group targets a level of gearing, interest coverage and capital in line with rating agency guidelines for an *A* range credit rating and *AA* range financial strength rating.

Notes supporting the financial information

for the year ended 31 December 2009

23. NOTES TO THE STATEMENT OF CASH FLOWS

	Consolidated		Parent	
	2009 $m	2008 $m	2009 $m	2008 $m
(a) Reconciliation of the net profit after income tax to cash flows from operating activities				
Net profit after income tax	723	580	304	844
Depreciation of operating assets	57	28	-	-
Amortisation and impairment of intangibles	59	302	-	-
Investment gains and losses and movements in external unitholders liabilities	(3,594)	17,906	-	-
Dividend and distribution income reinvested	(253)	(333)	-	-
Share based payments	17	15	-	-
Decrease (increase) in receivables, intangibles and other assets	32	(84)	(9)	297
(Decrease) increase in net policy liabilities	4,859	(12,232)	-	-
(Decrease) increase in income tax balances	631	(2,593)	58	(426)
(Decrease) increase in other payables and provisions	(624)	361	104	61
Cash flows from (used in) operating activities	**1,907**	**3,950**	**457**	**776**
(b) Reconciliation of cash				
Comprises:				
Cash on hand	1,040	997	1	9
Cash on deposit	1,369	1,059	-	-
Bank overdrafts (included in Borrowings)	(6)	(15)	-	-
Short-term bills and notes (included in Debt securities)	2,709	3,357	-	-
Balance at the end of the period	**5,112**	**5,398**	**1**	**9**
(c) Financing arrangements				
(i) Overdraft facilities				
Bank overdraft facility available	321	316	-	-
(ii) Credit standby facilities				
Revolving and standby credit facilities				
Available	100	385	-	-
Used	-	-	-	-
Unused	**100**	**385**	**-**	**-**
(iii) Loan facilities				
In addition to facilities arranged through bond and note issues (refer Notes 15 and 16), financing facilities are provided through bank loans under normal commercial terms and conditions.				
Available	3,034	2,658	-	-
Used	(1,772)	(2,148)	-	-
Unused	**1,263**	**510**	**-**	**-**
(iv) Bond and note funding programs				
Available	14,547	17,706	-	-
Used	(8,128)	(7,347)	-	-
Unused	**6,419**	**10,359**	**-**	**-**

Notes supporting the financial information

for the year ended 31 December 2009

23. NOTES TO THE STATEMENT OF CASH FLOWS (CONTINUED)

(d) Acquisition and disposal of controlled entities

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

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

Certain controlled entities of the life statutory funds are operating companies which carry out business operations unrelated to the core wealth management operations of the AMP group. There were no significant acquisitions or disposals of controlled operating companies during 2009.

Notes supporting the financial information

for the year ended 31 December 2009

24. EARNINGS PER SHARE

(a) Classification of equity securities

Ordinary shares have been included in the calculation of basic earnings per share.

In accordance with AASB 133 *Earnings per Share*, options over unissued ordinary shares and performance rights have been classified as potential ordinary shares and have been considered in the calculation of diluted earnings per share. As all options were out of the money for 2009 and 2008, they have been determined not to be dilutive for those periods. Performance rights have been determined to be dilutive in 2009 and 2008. Although performance rights have been determined to be dilutive in accordance with AASB 133 *Earnings per Share*, if these instruments vest and are exercised, it is AMP's policy to buy AMP shares 'on market' so there will be no dilutive effect on the value of AMP shares.

Since the end of the financial year and up to the date of the report, no performance rights have been issued, exercised or lapsed. During the same period no options have been issued, exercised or lapsed. There have been no movements in the number of shares on issue.

Of the ordinary shares on issue, AMP Life (a wholly owned controlled entity) holds 22,776,336 (2008: 25,460,646) shares in AMP Limited on behalf of policyholders. ASIC has granted relief from restrictions in the *Corporations Act 2001* to allow AMP Life Limited to hold and trade shares in AMP Limited as part of the policyholder funds' investment activities. In determining the weighted average number of ordinary shares used in the calculation of earnings per share after accounting mismatches, a reduction is made for the average number of shares held by AMP Life in AMP Limited during the period.

	Consolidated	
	2009	**2008**
	million shares	**million shares**
(b) Weighted average number of ordinary shares used		
(i) before accounting mismatches		
Weighted average number of ordinary shares used in calculation of basic earnings per share	2,016	1,890
Add: potential ordinary shares considered dilutive	9	9
Weighted average number of ordinary shares used in calculation of diluted earnings per share	2,025	1,899
(ii) after accounting mismatches		
Weighted average number of ordinary shares used in calculation of basic earnings per share	1,992	1,865
Add: potential ordinary shares considered dilutive	9	9
Weighted average number of ordinary shares used in calculation of diluted earnings per share	2,001	1,874

	$m	**$m**
(c) Level of earnings used		
Basic before accounting mismatches	740	423
Diluted before accounting mismatches	740	423
Basic after accounting mismatches	739	580
Diluted after accounting mismatches	739	580

	cents	**cents**
(d) Earnings per share		
Basic before accounting mismatches	36.7	22.4
Diluted before accounting mismatches	36.5	22.3
Basic after accounting mismatches	37.1	31.1
Diluted after accounting mismatches	36.9	30.9

Notes supporting the financial information

for the year ended 31 December 2009

25. SUPERANNUATION FUNDS

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

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

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

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

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

	Consolidated	
	2009	**2008**
	$m	**$m**
(a) Defined benefit income (expense)		
Current service cost	(1)	(1)
Interest cost	(14)	(19)
Expected return on plan assets[(1)] [(2)]	15	28
Total defined benefit income (expense)	**-**	**8**
(b) Movements in defined benefit obligation		
Balance at the beginning of the period	(393)	(387)
Current service cost	(1)	(1)
Interest cost	(14)	(19)
Contributions by plan participants	-	(3)
Actuarial gains and losses [(3)]	44	(23)
Benefits paid	19	40
Balance at the end of the period	**(345)**	**(393)**
(c) Movement in fair value of plan assets		
Balance at the beginning of the period	273	396
Expected return on plan assets	15	28
Actuarial gains and losses [(3)]	17	(114)
Contributions by the employer	3	-
Contributions by plan participants	-	3
Benefits paid	(19)	(40)
Balance at the end of the period	**289**	**273**

Footnote:

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

(2) The actual return on fund assets for the period was a gain of $32m (2008: $86m loss).

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

Notes supporting the financial information

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25. SUPERANNUATION FUNDS (CONTINUED)

	Consolidated	
	2009	2008
	$m	$m
(d) Defined benefit (deficit) surplus		
Present value of wholly funded defined benefit obligations	(345)	(393)
Less: Fair value of plan assets	289	273
Net defined benefit (deficit) surplus recognised in the Balance sheet	**(56)**	**(120)**
Movement in net defined benefit (deficit) surplus		
(Deficit) surplus at the beginning of the period	(120)	9
Plus: Total income (expenses) recognised in income	-	8
Plus: Employer contributions	3	-
Plus: Actuarial gains (losses) recognised in Other comprehensive income (1)	61	(137)
(Deficit) surplus at the end of the period (2)	**(56)**	**(120)**

Footnote:

(1) The cumulative amount of the net actuarial gains recognised in the Statement of comprehensive income is $30m (2008: $31m loss).

(2) All actuarial gains and losses and past service costs have been recognised in the Statement of financial position.

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

	Consolidated			
	2009	2008	2007	2006
	$m	$m	$m	$m
Australian defined benefit (deficit) surplus				
Present value of wholly funded defined benefit obligations	(312)	(362)	(342)	(309)
Less: Fair value of plan assets	267	251	352	334
Net defined benefit (deficit) surplus recognised in the Statement of financial position	**(45)**	**(111)**	**10**	**25**
Actuarial gains and losses arising on plan liabilities	47	(24)	(35)	10
Actuarial gains and losses arising on plan assets	17	(107)	11	30
New Zealand defined benefit (deficit) surplus				
Present value of wholly funded defined benefit obligations	(33)	(31)	(45)	(47)
Less: Fair value of plan assets	22	22	44	48
Net defined benefit (deficit) surplus recognised in the Statement of financial position	**(11)**	**(9)**	**(1)**	**1**
Actuarial gains and losses arising on plan liabilities	(3)	1	1	(3)
Actuarial gains and losses arising on plan assets	-	(7)	(2)	4

Notes supporting the financial information

for the year ended 31 December 2009

25. SUPERANNUATION FUNDS (CONTINUED)

(f) Principal actuarial assumptions

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

	Australia		New Zealand	
	2009	**2008**	**2009**	**2008**
Discount rate	5.7%	4.0%	4.2%	3.4%
Expected return on assets (before tax)	8.0%	6.2%	6.3%	5.3%
Expected rate of pension increases	2.5%	2.0%	2.3%	1.0%
Expected rate of salary increases	4.0%	3.5%	n/a	n/a
Proportion of benefits expected to be taken as pensions	60.0%	60.0%	n/a	n/a
Inflation increases	n/a	n/a	2.5%	2.5%

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

Funding methods and current recommendations – Australia

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

The economic assumptions used to determine the current contribution recommendations are the same as the actuarial assumptions in Part (f), except for the discount rate which is assumed to be 7.75% (before tax) for the purposes of determining accrued benefits.

At the dates of the most recent actuarial review of the position of the fund determined under AAS25 and used as the basis for determining fund contributions, the Australian fund showed a surplus of $15m (2008: $11m).

Funding methods and current recommendations – New Zealand

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

At the dates of the most recent actuarial review of the position of the fund for determined under Professional Standard Number 2 and used for determining fund contributions, the New Zealand fund showed a deficit of $6m (2008: $1m surplus). AMP has adopted the recommendation of the appointed actuary to make additional contributions of $2m per year until the deficit is extinguished.

(h) Allocation of assets

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

	Australia(1)		New Zealand(1)	
	2009	**2008**	**2009**	**2008**
Equity	57%	61%	66%	55%
Property	18%	7%	13%	17%
Fixed interest	12%	19%	18%	19%
Cash	3%	12%	3%	9%
Alternative growth assets	10%	1%	0%	0%

Footnote:

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

Notes supporting the financial information

for the year ended 31 December 2009

26. SHARE-BASED PAYMENTS

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

AMP has a number of employee share-based payment plans. These long-term incentive plans form part of AMP's overall remuneration strategy, and are necessary for AMP to attract, retain and motivate high performing employees who contribute to the success of AMP's business. Long-term incentives represent an 'at risk' component of remuneration.

A number of share-based payment plans are no longer offered to employees as part of AMP's long-term incentive program. This is in line with AMP's strategy to simplify the choice of long-term incentive plans offered to employees. Whilst some plans are no longer offered outstanding options remain under the plans and as such information about these plans is provided below. Information on plans which AMP currently offers as part of its long-term incentive program is also provided.

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

	Consolidated	
	2009	**2008**
	$'000	**$'000**
Plans currently offered		
Performance rights	10,025	10,160
Restricted shares	4,950	4,759
Employee share acquisition plan - matching shares	1,864	105
Plans no longer offered		
Employee and Executive Option Plan	n/a	n/a
Total share based payments expense	**16,839**	**15,024**

(b) Performance rights

Plan description

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

A performance right is a right to acquire one fully paid ordinary share in AMP Limited after a three-year performance period, provided a specific performance hurdle is met. Prior to exercise, performance rights holders do not receive dividends or have other shareholder benefits (including any voting rights).

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

The performance hurdle

The number of performance rights that vest is determined by a vesting schedule based on the performance of AMP relative to a comparator group of companies listed on the Australian Securities Exchange (ASX) over a three-year performance period. The performance measure is AMP's Total Shareholder Return (TSR) relative to the top 50 industrials in the Standard & Poors/Australian Securities Exchange (S&P/ASX) 100 Index as at the start of the performance period. The performance hurdle and vesting schedule were chosen because they align executives' remuneration with the creation of shareholder value relative to peer companies.

At the end of the performance period, AMP's People and Remuneration Committee receives data from an independent external consultant to determine AMP's TSR performance relative to the comparator group. An independent external consultant is appointed to ensure AMP's performance is measured objectively. The People and Remuneration Committee then determines the number of performance rights that vest, if any, by applying this data to the vesting schedule.

Exercising performance rights

Executives have two years from the end of the performance period to exercise any performance rights that vest at a nominal exercise price ($1 per tranche of shares acquired on exercise). If the performance hurdle is not achieved the performance rights lapse immediately without re-testing of the performance hurdle. When executives exercise performance rights, these AMP shares are bought on market through an independent third party so there is no dilutionary effect on the value of existing AMP shares.

Treatment of performance rights on ceasing employment

Unvested performance rights will lapse when an executive resigns from AMP. All performance rights, whether vested or unvested, will also lapse on termination due to misconduct or inadequate performance. In some other cases, such as retirement and redundancy, performance rights continue to be held subject to the same performance hurdle and performance period.

Notes supporting the financial information

for the year ended 31 December 2009

26. SHARE-BASED PAYMENTS (CONTINUED)

Plan valuation

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

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

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

No performance rights were granted in the current period. The 2009 award will be granted in March 2010, following the introduction of new tax legislation regarding employee share schemes. The following table shows the factors which were considered in determining the independent fair value of the performance rights granted during the comparative period:

Grant date	Share price	Contractual life	Dividend yield	Volatility	Risk-free rate	Performance hurdle discount	Fair value
19/09/2008	$7.00	4.9 years	5.8%	29%	5.4%	46%	$3.81
06/06/2008	$7.61	4.9 years	4.6%	25%	6.9%	53%	$3.56

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

Grant date	Exercise period			Exercise price	Balance at 1 Jan 2009	Exercised during the year (1)	Granted during the year	Lapsed during the year	Balance at 31 Dec 2009 (2)
06/09/2004	01/08/2007	-	31/07/2009	Nil	30,713	20,628	-	10,085	-
01/09/2005	31/07/2008	-	31/07/2010	Nil	177,645	108,951	-	-	68,694
08/09/2006	01/08/2009	-	31/07/2011	Nil	2,395,587	-	-	2,395,587	-
09/03/2007	01/01/2010	-	31/12/2011	Nil	553,940	-	-	553,940	-
05/09/2007	01/08/2010	-	31/07/2012	Nil	2,459,027	-	-	16,520	2,442,507
21/09/2007	01/08/2010	-	31/07/2012	Nil	68,448	-	-	-	68,448
06/06/2008	01/01/2011	-	31/12/2012	Nil	102,914	-	-	-	102,914
19/09/2008	01/08/2011	-	31/07/2013	Nil	4,364,746	-	-	22,209	4,342,537
Total					**10,153,020**	**129,579**	**-**	**2,998,341**	**7,025,100**

Footnote:

(1) The weighted average share price at the time of exercise of these performance rights was $5.38.

(2) The weighted average remaining contractual life of performance rights outstanding at the end of the period is 3.2 year

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.

2006 and 2007 capital returns

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

To compensate for the resulting reduction in the value of performance rights, holders are entitled to be paid 40 cents for each performance right held immediately prior to the relevant capital return that subsequently vests and is converted into an AMP share. No other terms described above were altered. The fair value of each grant of performance rights immediately prior to the alteration was the same as the fair value immediately after the alteration. Executives who held performance rights granted in 2005 that vested in 2008 received 80 cents for each of those performance rights. Performance rights granted in 2006 lapsed in 2009 after failing to meet the performance hurdle, and no payment was made in respect of capital returns.

Notes supporting the financial information

for the year ended 31 December 2009

26. SHARE-BASED PAYMENTS (CONTINUED)

(c) Restricted shares

Plan description
A restricted share is an ordinary AMP share that has a holding lock in place until the three-year vesting period ends.

The purpose of the restricted shares is to recognise high performing employees who contribute significantly to AMP's overall business success, and help retain them. The CEO and his direct reports cannot elect to take their annual LTI grant in the form of restricted shares.

As this program is designed as a means of recognising and retaining employees, no performance hurdles apply. However the shares are subject to a holding lock until the end of a three-year vesting period. If the individual resigns from AMP (or employment terminated for misconduct or inadequate performance) during the holding period, the shares are forfeited. In the case of retrenchment, 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 using the share 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 in 2009. The 2009 award will be granted in March 2010, following the introduction of new tax legislation regarding employee share schemes. The following table shows the number of restricted shares that have been granted during the comparative period and the fair value of restricted shares as at the grant date.

Grant date	Number granted	Weighted average fair value
19/09/2008[1]	1,546,460	$7.33

Footnote:

(1) *In 2008, AMP offered share bonus rights to employees in overseas domiciles where it was not possible or tax-efficient to grant restricted shares. The terms and conditions of the share bonus rights are identical to the terms and conditions of the restricted shares except the share bonus rights are not entitled to dividends and settlement is in cash rather than equity instruments.*

2006 and 2007 capital returns
No adjustments were made to the restricted shares for the 2006 and 2007 capital returns.

(d) Employee Share Acquisition Plan

Plan description
AMP generally offers all eligible employees and executives the opportunity to become shareholders in AMP through the Employee Share Acquisition Plan (ESAP). However, due to uncertainty regarding the impact the Government's proposed taxation changes would have on ESAP participants, the ESAP was suspended in 2009. A review will be conducted in 2010 to determine the best approach to providing all AMP employees with an opportunity to become shareholders.

Under ESAP, participants can elect to receive part of their base salary (and any short-term incentive payments) in the form of AMP shares. There are no performance hurdles applied to this part of the plan as participants use part of their salary to acquire these shares.

As an additional incentive to acquire shares, participants are entitled to receive (at no cost to the participant) one matching share for every 10 shares acquired (up to a maximum of 100 matching shares in any 12 month period). To receive the full entitlement to matching shares, shares must be held in the plan for a minimum of three years. There are no performance hurdles for receiving matching shares as ESAP is primarily designed to encourage employee share ownership, through participation in the plan. 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 entitlement, depending on the reason for leaving the company. To receive the maximum entitlement to matching shares, participants must be employed by AMP for the whole three-year period.

Plan valuation
Under ESAP, participating employees receive matching shares at the end of a three-year vesting period. During this vesting period, the employee has no right to the matching shares and does not receive the dividends on the matching shares. Each matching share has been valued by external consultants as the face value of an AMP ordinary share at grant date less the present value of the expected dividends (not received). The 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.

Notes supporting the financial information

for the year ended 31 December 2009

26. SHARE-BASED PAYMENTS (CONTINUED)

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 of matching shares as at the grant date.

Grant date	Estimated number of matching shares to be granted	Weighted average fair value
2009 – various	57,209	$3.99
2008 – various	106,700	$7.17

2006 and 2007 capital returns

Shareholders approved capital returns of 40 cents per share at the AMP Limited Annual General Meetings in 2006 and 2007. To compensate for the resulting reduction in the value of entitlements to matching shares, ESAP participants are entitled to be paid 40 cents in respect of each capital return, on eventual vesting of each matching share entitlement held in the ESAP immediately prior to the relevant capital return. In 2009, a cash payment of up to a maximum of $80 was paid to each ESAP participant in relation to the 2006 and 2007 capital returns.

(e) Employee and Executive Option Plan

Plan description

In the past, employees and executives were granted options to purchase AMP shares, subject to various performance hurdles. However, options have not been offered since 2002. The last performance period for options under this plan was completed in 2007. The table below shows options that vested up to 2007 in the plan and remain unexercised.

Details of options over unissued ordinary shares of AMP Limited are as follows:

Grant date	Exercise period	Exercise price(1)	Balance at 1 Jan 2009	Exercised during the year	Granted during the year	Lapsed during the year	Balance at 31 Dec 2009
Executive Option Plan							
26/06/1999	26/06/2002-25/06/2009	$11.44	625,285	-	-	625,285	-
28/08/1999	26/06/2002-25/06/2009	$11.17	11,965	-	-	11,965	-
30/10/1999	30/10/2002-29/10/2009	$10.83	20,000	-	-	20,000	-
01/01/2000	01/01/2003-31/12/2009	$11.90	29,544	-	-	29,544	-
19/02/2000	19/02/2003-18/02/2010	$9.91	30,000	-	-	-	30,000
Employee Option Plan							
26/06/1999	26/06/2002-25/06/2009	$11.44	399,328	-	-	399,328	-
28/08/1999	20/08/2002-25/06/2009	$11.17	13,624	-	-	13,624	-
01/01/2000	01/01/2003-31/12/2009	$11.90	204,432	-	-	-	204,432
30/06/2000	30/06/2003-29/06/2010	$11.57	1,101,560	-	-	134,000	967,560
28/10/2000	28/10/2003-27/10/2010	$12.29	21,406	-	-	10,000	11,406
09/12/2000	09/12/2003-08/12/2010	$13.65	10,000	-	-	-	10,000
21/07/2001	21/07/2004-20/07/2011	$14.75	586,580	-	-	99,700	486,880
15/12/2001	15/12/2004-14/12/2011	$12.89	1,294	-	-	-	1,294
Total			**3,055,018**	**-**	**-**	**1,343,446**	**1,711,572**

Footnote:

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

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

The current exercise prices of outstanding options are generally above the current market price of AMP shares.

Since the end of the financial year and up to 18 February 2010, no employee options have lapsed and no options have been exercised. The total number of options on issue at 18 February 2009 is 1,711,572.

2006 and 2007 capital return

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

Notes supporting the financial information
for the year ended 31 December 2009

27. GROUP CONTROLLED ENTITY HOLDINGS
Details of significant investments in controlled entities are as follow s:

NAME OF ENTITY	COUNTRY OF INCORPORATION	Share type	Footnote	% Holdings 2009	% Holdings 2008
1 York Street Holdings Pty Ltd	Australia	Ord	(2)	-	100
140 St Georges Terrace Pty Limited	Australia	Ord		100	100
255 George Street Investment A Pty Ltd	Australia	Ord		100	100
255 George Street Investment B Pty Ltd	Australia	Ord		100	100
35 Ocean Keys Pty Limited	Australia	Ord		100	100
A.C.N. 086 091 643 Pty Limited	Australia	Ord	(2)	-	100
Abbey Capital Real Estate Pty Limited	Australia	Ord		100	100
ACPP Industrial Pty Ltd	Australia	Ord		100	100
ACPP Office Pty Ltd	Australia	Ord		100	100
ACPP Retail Pty Ltd	Australia	Ord		100	100
Allmarg Corporation Limited	NZ	Ord, Pref		100	100
AMP (UK) Finance Services Plc	UK	Ord		100	100
AMP ASAL Pty Ltd	Australia	Ord		100	100
AMP Australian Financial Services Holdings Limited	Australia	Ord		100	100
AMP Bank Limited	Australia	Ord		100	100
AMP Capital Advisors India Private Limited [formerly AMP Capital Research (India) Private Limited]	India	Ord		100	100
AMP Capital AB Holdings Pty Limited	Australia	Ord	(1)	100	-
AMP Capital Bayfair Pty Limited	Australia	Ord		100	100
AMP Capital Finance Limited	Australia	Ord		100	100
AMP Capital Finance Mauritius Limited	Australia	Ord		63	100
AMP Capital Global Property Securities Pty Limited	Australia	Ord		100	100
AMP Capital Holdings Limited	Australia	Ord		100	100
AMP Capital (International Finance No. 1) SA	Luxembourg	Ord, MRPS	(1)	100	-
AMP Capital (International Finance No. 2) SA	Luxembourg	Ord, MRPS	(1)	100	-
AMP Capital Investments Limited	NZ	Ord A & B, Pref		100	100
AMP Capital Investments No. 2 Limited	NZ	Ord A & B, Pref		100	100
AMP Capital Investments No. 8 Limited	NZ	Ord A & B, Pref		100	100
AMP Capital Investments No 11 Limited	NZ	Ord A & B		100	100
AMP Capital Investments No. 14 Limited	NZ	Ord A & B		100	100
AMP Capital Investors Advisory (Beijing) Limited	Republic of China	Ord		100	100
AMP Capital Investors (Luxembourg No. 3) S.à r.l.	Luxembourg	Ord		100	100
AMP Capital Investors (Luxembourg No. 4) S.à r.l.	Luxembourg	Ord	(1)	100	-
AMP Capital Investors (New Zealand) Limited	NZ	Ord		100	100
AMP Capital Investors (Property Funds Management Jersey) Limited	Jersey	Ord		100	100
AMP Capital Investors (Singapore) Pte Ltd	Singapore	Ord		100	100
AMP Capital Investors (Singapore) REIT Management Limited	Singapore	Ord		100	100
AMP Capital Investors (UK) Limited	UK	Ord		100	100
AMP Capital Investors International Holdings Limited	Australia	Ord		100	100
AMP Capital Investors Japan KK	Japan	Ord		100	100
AMP Capital Investors KK [formerly Gemini Advisors Securities Investment Company KK]	Japan	Ord	(1)	100	-
AMP Capital Investors Limited	Australia	Ord		100	100
AMP Capital Investors Real Estate Pty Limited (formerly AMP Real	Australia	Ord		100	100
AMP Capital Lifestyle Limited	Australia	Ord		100	100
AMP Capital Office and Industrial Pty Limited	Australia	Ord		100	100
AMP Capital Office and Industrial (Singapore) Pte Limited	Singapore	Ord		100	100
AMP Capital Offshore Investments Limited	NZ	Ord		100	100
AMP Capital Palms Pty Limited	Australia	Ord		100	100
AMP Capital Property Nominees Ltd	Australia	Ord		100	100

Notes supporting the financial information

for the year ended 31 December 2009

27. GROUP CONTROLLED ENTITY HOLDINGS (CONTINUED)

NAME OF ENTITY	COUNTRY OF INCORPORATION	Share type	Footnote	% Holdings 2009	2008
AMP Capital Redding Investors Luxembourg Limited	Luxembourg	Ord	(1)	100	-
AMP Capital Retirement Limited [formerly AMP Capital Retirement Properties Limited]	NZ	Ord	(2)	-	99
AMP Capital Shopping Centres Pty Limited	Australia	Ord		100	100
AMP CMBS No. 1 Pty Limited	Australia	Ord		100	100
AMP CMBS No. 2 Pty Limited	Australia	Ord		100	100
AMP Crossroads Pty Limited	Australia	Ord		100	100
AMP Custodial Investments No. 1 Limited	NZ	Ord A & B, Pref		100	100
AMP Custodian Services (NZ) Limited	NZ	Ord		100	100
AMP Davidson Road Pty Limited	Australia	Ord		100	100
AMP Finance Limited	Australia	Ord		100	100
AMP Finance Services Limited	Australia	Ord		100	100
AMP Financial Investment Group Holdings Limited	Australia	Ord		100	100
AMP Financial Planning Pty Limited	Australia	Ord		100	100
AMP Financial Services Holdings Limited	Australia	Ord		100	100
AMP GBS Limited	Australia	Fixed		100	100
AMP GDPF Pty Limited	Australia	Ord		100	100
AMP GI Distribution Pty Limited	Australia	Ord		100	100
AMP Global Property Investments Pty Ltd	Australia	Ord		100	100
AMP Group Finance Services Limited	Australia	Ord		100	100
AMP Group Holdings Limited	Australia	Ord		100	100
AMP Group Services Limited	Australia	Ord		100	100
AMP Guardians Pty Limited	Australia	Ord	(2)	-	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	NZ	Ord		100	100
AMP Investment Services No. 2 Pty Limited	Australia	Ord		100	100
AMP Investment Services Pty Limited	Australia	Ord		100	100
AMP Investments Chile Limitada	Chile	Ord		100	100
AMP Lending Services Limited	Australia	Ord		100	100
AMP Life Limited	Australia	Ord		100	100
AMP Life (NZ) Investment Holdings Limited	NZ	Ord		100	100
AMP Life (NZ) Investment Limited	NZ	Ord		100	100
AMP Macquarie Holding Pty Limited	Australia	Ord		100	100
AMP Macquarie Pty Limited	Australia	Ord		100	100
AMP NZ Carpark Limited	NZ	Ord		100	100
AMP Pacific Fair Pty Limited	Australia	Ord		100	100
AMP Personal Investment Services Limited	Australia	Ord		100	100
AMP Planner Register Company Pty Limited	Australia	Ord		100	100
AMP Private Capital Funds Holdings Limited	NZ	Ord, Pref		100	100
AMP Private Capital New Zealand Limited	NZ	Ord		100	100
AMP Private Capital No. 2 Pty Limited	Australia	Ord		100	100
AMP Private Capital Pty Limited	Australia	Ord		100	100
AMP Private Investments Pty Limited	Australia	Ord		100	100
AMP Private Wealth Management Pty Limited	Australia	Ord	(1)	100	-
AMP Property Investments (Qld) Pty Ltd	Australia	Ord		100	100
AMP Remuneration Reward Plans Nominees Pty. Limited	Australia	Ord		100	100

Notes supporting the financial information

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27. GROUP CONTROLLED ENTITY HOLDINGS (CONTINUED)

NAME OF ENTITY	COUNTRY OF INCORPORATION	Share type	Footnote	% Holdings 2009	% Holdings 2008
AMP Riverside Plaza Pty Limited	Australia	Ord		100	100
AMP Royal Randwick Pty Limited	Australia	Ord		100	100
AMP Services (NZ) Limited	NZ	Ord		100	100
AMP Services Holdings Limited	Australia	Ord		100	100
AMP Services Limited	Australia	Ord		100	100
AMP Superannuation (NZ) Limited	NZ	Ord		100	100
AMP Superannuation Limited	Australia	Ord		100	100
AMP Warringah Mall Pty Ltd	Australia	Ord		100	100
AMP/ERGO Mortgage and Savings Limited	NZ	Ord		100	100
Arrive Wealth Management Limited	Australia	Ord		100	100
Arrow Systems Pty Limited	Australia	Ord		100	100
Arthur Ellis & Co. Limited	NZ	Ord		100	100
Arthur Ellis Limited	NZ	Ord		100	100
Auburn Mega Mall Pty Limited	Australia	Ord		100	100
Australian Mutual Provident Society Pty Limited	Australia	Ord		100	100
Australian Securities Administration Limited	Australia	Ord		100	100
AWOF New Zealand Office Pty Limited	Australia	Ord		100	100
Collins Place No. 2 Pty Ltd	Australia	Ord		100	100
Collins Place Pty Limited	Australia	Ord		100	100
Donaghys Australia Pty Limited	NZ	Ord		50	50
Donaghys Industries Limited	NZ	Ord		50	50
Donaghys International Limited	NZ	Ord		50	50
Donaghys Limited	NZ	Ord, Pref		50	50
Donaghys Pty Limited (formerly Donaghys Sarlon Pty Limited)	NZ	Ord		50	50
ERGO Personal Financial Services Limited	NZ	Ord		100	100
Focus Property Services Pty Limited	Australia	Ord		98	100
Glendenning Pty Limited	Australia	Ord		100	100
Hillross Alliances Limited	Australia	Ord	(1)	100	-
Hillross Financial Services Limited	Australia	Ord		100	100
Hillross Wealth Management Centre Canberra Pty Limited	Australia	Ord	(1)	50	-
Hillross Wealth Management Centre Melbourne Pty Limited	Australia	Ord	(1)	100	-
Honeysuckle 231 Pty Limited	Australia	Ord	(3)	60	60
Hospital Car Parking Limited	NZ	Ord		100	100
Hospital Car Parking Holdings Limited	NZ	Ord		100	100
INSSA Pty Limited	Australia	Ord		100	100
Inversiones Mineras Los Andes Limitada	Chile	Ord		100	100
Investment Services Nominees Pty Limited	Australia	Ord	(2)	-	100
Jeminex Ltd	Australia	Ord		51	51
Kent Street Pty Limited	Australia	Ord		100	100
Knox City Shopping Centre Investments (No. 2) Pty Limited	Australia	Ord		100	100
Kramar Holdings Pty Limited	Australia	Ord		78	72
Marrickville Metro Shopping Centre Pty Limited	Australia	Ord		100	100
Mowla Pty. Ltd.	Australia	Ord		100	100
Omega (Australia) Pty Limited	Australia	Ord		100	100
PHF No. 1 Management Pty Limited	Australia	Ord		100	100

Notes supporting the financial information

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27. GROUP CONTROLLED ENTITY HOLDINGS (CONTINUED)

NAME OF ENTITY	COUNTRY OF INCORPORATION	Share type	Footnote	% Holdings 2009	% Holdings 2008
PHF No. 1 Pty Limited	Australia	Ord		100	100
PHFT Finance Pty Limited	Australia	Ord		100	100
PremierOne Mortgage Advice Pty Limited	Australia	Ord		100	100
Principal Healthcare Finance No. 2 Pty Limited	Australia	Ord		100	100
Principal Healthcare Finance Pty Limited	Australia	Ord		100	100
Principal Healthcare Holdings Pty Limited	Australia	Ord		100	100
Priority One Agency Services Pty Ltd	Australia	Ord		100	100
Priority One Financial Services Limited	Australia	Ord		100	100
Quay Asset Management Limited	Australia	Ord	(2)	-	100
Quay Mining (No. 2) Limited [formerly AMP (Bermuda) Limited]	Bermuda	Ord, Red Pref		100	100
Quay Mining Pty Limited	Australia	Ord		100	100
Roost 2007 Limited	NZ	Ord		100	100
SADS Pty Limited	Australia	Ord	(2)	-	100
SAPM Limited	Australia	Ord, Red Pref	(2)	-	100
Scrabster Bay Pty Limited	Australia	Ord		100	100
Shanghai AMP Property Co Ltd	Republic of China	Ord	(3)	81	81
SPP No. 1 (Alexandra Canal) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Cow es) Pty Limited	Australia	Ord		86	86
SPP No. 1 (H) 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 (New castle) 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 (Q Stores) pty Limited	Australia	Ord		86	86
SPP No. 1 (Rosebery) Pty Limited	Australia	Ord		86	86
SPP No. 1 Holdings Pty Limited	Australia	Ord		86	86
SPP No. I (Haw thorn) Pty Limited	Australia	Ord		86	86
SPP No. I (Mt. Waverley Financing) Pty Limited	Australia	Ord		86	86
SPP No. I (Mt. Waverley) Pty Limited	Australia	Ord		86	86
SPP No. I (Port Melbourne) Pty Limited	Australia	Ord		86	86
SPP No. 3A Investments Pty Limited	Australia	Ord		100	100
Sugarland Shopping Centre Pty Limited	Australia	Ord		100	100
Summerset Holdings Limited	NZ	Ord	(2)	-	99
Summerset Management Company Limited	NZ	Ord	(2)	-	100
Sunshine West Development Pty Limited	Australia	Ord		75	75
Sunshine West Income Pty Limited	Australia	Ord		100	100
The India Infrastructure Fund LLC	Mauritius	Red Pref		100	100
TOA Pty Ltd	Australia	Ord		100	100
United Equipment Holdings Pty Limited	Australia	Ord		60	59
Victoria Avenue Nominees Limited	Australia	Ord	(2)	-	100
Waterfront Place (No. 2) Pty. Ltd.	Australia	Ord		100	100
Waterfront Place (No. 3) Pty. Ltd.	Australia	Ord		100	100

Footnote:

(1) Controlling interest acquired in 2009.

(2) Controlling interest disposed in 2009.

(3) Not audited by Ernst & Young.

Notes supporting the financial information

for the year ended 31 December 2009

27. GROUP CONTROLLED ENTITY HOLDINGS (CONTINUED)

Details of significant investments in controlled trusts are as follows:

TRUSTS AND OTHER ENTITIES	COUNTRY OF		% Holdings	
NAME OF ENTITY	**REGISTRATION**	**Footnote**	**2009**	**2008**
140 St Georges Terrace Trust	Australia		100	100
35 Ocean Keys Trust	Australia		75	75
ACPP Holding Trust	Australia		100	100
ACPP Industrial Trust	Australia		100	100
ACPP Office Trust	Australia		100	100
ACPP Retail Trust	Australia		100	100
Active Quant Share Fund	Australia		71	69
AHGI Martineau Fund	Australia		100	100
AHGI Martineau Galleries Fund	Australia		100	100
AMP Balanced Enhanced Equity	Australia		98	96
AMP Capital Asia ex-Japan Fund	Australia		90	84
AMP Capital Asian Equity Growth Fund	Australia		81	88
AMP Capital Business Space REIT	Singapore		100	100
AMP Capital Commodities C Class	Australia		100	100
AMP Capital Credit Strategies	Australia		94	90
AMP Capital Future Directions Asia ex-Japan Fund	Australia		73	72
AMP Capital Future Directions Infrastructure Fund C	Australia	(1)	96	-
AMP Capital Future Directions Opportunity Fund	Australia		96	100
AMP Capital Global TAA Fund	Australia		97	100
AMP Capital Investors Australian Equity Long Short Fund	Australia		100	100
AMP Capital Investors China Strategy Growth Fund	Australia		100	100
AMP Capital Investors External Fund Manager Balanced	Australia	(2)	-	100
AMP Capital Investors External Fund Manager Conservative	Australia	(2)	-	100
AMP Capital Investors External Fund Manager Infrastructure 1	Australia		97	98
AMP Capital Investors Infrastructure Fund 1	Australia		100	100
AMP Capital Investors Sustainable External Alpha Fund Class C	Australia	(1)	100	-
AMP Capital Lifestyle Trust	Australia		100	100
AMP Capital Macro Strategies	Australia		84	69
AMP Capital Mature Life Fund A	Australia		100	100
AMP Capital Mature Life Fund B	Australia		100	100
AMP Capital New Balanced Conservative Fund	Australia		100	100
AMP Capital Palms Trust	Australia		75	75
AMP Conservative Enhanced Equity Fund	Australia		86	91
AMP Equity Fund	NZ	(2)	-	55
AMP Infrastructure Fund 1	Australia		100	100
AMP Investments Australian Pacific Airports Fund	Australia		66	58
AMP Investments World Index Fund	NZ	(2)	-	58
AMP Liverpool Trust X	Australia		75	75
AMP Macquarie Holdings Trust	Australia		90	90
AMP Macquarie Trust	Australia		90	90
AMP Pacific Fair Trust	Australia		90	90
AMP Private Capital Trust No.4	Australia		100	100
AMP Private Capital Trust No.9	Australia		100	100
AMP Private Equity Fund IIIA	Australia		94	94
AMP Private Equity Fund IIIB	Australia		94	94
AMP Shopping Centre Fund	Australia		75	75
AMP UK Shopping Centre Fund	Australia		100	100
AMP US Property Trust	Australia		100	100
AMP Wholesale Office Fund	Australia		65	64
AMP Wholesale Shopping Centre Trust No 2	Australia		90	90

Notes supporting the financial information

for the year ended 31 December 2009

27. GROUP CONTROLLED ENTITY HOLDINGS (CONTINUED)

TRUSTS AND OTHER ENTITIES	COUNTRY OF		% Holdings	
NAME OF ENTITY	**REGISTRATION**	**Footnote**	**2009**	**2008**
Asian Giants Infrastructure Fund	China	(1)	63	-
Australian Corporate Bond Fund	Australia		81	98
AWOF New Zealand Office Trust	NZ		65	64
Bayfair Trust (NZ)	NZ		75	75
Bourke Place Trust	Australia	(1)	57	-
Casey Central Trust	Australia		75	75
Core Plus Strategies Fund	Australia		78	64
Crossroads Trust	Australia		100	100
Davidson Road Trust	Australia		100	100
Enhanced Index International Share Fund	Australia		86	86
Enhanced Index Share Fund	Australia		86	85
External Fund Manager Australian Share Fund 1	Australia		97	97
External Fund Manager Australian Share Fund 2	Australia		99	99
External Fund Manager Australian Share Fund 3	Australia		98	98
External Fund Manager Australian Share Fund 4	Australia		96	96
External Fund Manager Australian Share Fund 5	Australia		96	96
External Fund Manager Australian Share Fund 6	Australia		99	99
External Fund Manager Australian Share Fund 7	Australia		98	98
External Fund Manager Diversified Fund 2	Australia	(2)	-	90
External Fund Manager Diversified Fund 5	Australia	(2)	-	95
External Fund Manager Diversified Fund 6	Australia		91	92
External Fund Manager Fixed Interest Fund 2	Australia		97	98
External Fund Manager Fixed Interest Fund 3	Australia		98	98
External Fund Manager Fixed Interest Fund 4	Australia		94	94
External Fund Manager International Share Fund 1	Australia		98	98
External Fund Manager International Share Fund 3	Australia		97	97
External Fund Manager International Share Fund 4	Australia		99	99
External Fund Manager International Share Fund 5	Australia		96	96
External Fund Manager International Share Fund 6	Australia		99	99
External Fund Manager International Share Fund 7	Australia		96	98
External Fund Manager Listed Property Fund 1	Australia		96	96
Floating Rate Income Fund	Australia		84	84
Future Direction Australian Bond Fund	Australia		94	93
Future Directions Australian Share Fund	Australia		90	89
Future Directions Australian Share Fund 1	Australia		97	97
Future Directions Australian Share Fund 2	Australia		94	93
Future Directions Australian Share Fund 3	Australia		93	90
Future Directions Australian Small Company Fund	Australia		87	86
Future Directions Balanced Fund	Australia		97	97
Future Directions Conservative Fund	Australia		93	92
Future Directions Core International Share Fund 2	Australia		65	53
Future Directions Enhanced Index Global Property Securities Fund	Australia		100	100
Future Directions Enhanced Index International Bond Fund	Australia		91	100
Future Directions Enhanced Index International Share Fund	Australia		72	75
Future Directions Geared Australian Share Fund	Australia		91	89
Future Directions Global Property Securities Fund 1	Australia		94	94
Future Directions Growth Fund	Australia		93	92
Future Directions Hedged Credit International Share Fund 1	Australia	(1)	59	-
Future Directions High Growth Fund	Australia		93	92
Future Directions Infrastructure Trust	Australia		100	100
Future Directions International Bond Fund	Australia		94	93
Future Directions International Bond Fund 3	Australia		89	87
Future Directions International Share Fund	Australia		70	72
Future Directions International Share Fund 1	Australia		92	92
Future Directions International Share Fund 2	Australia		84	84

Notes supporting the financial information

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27. GROUP CONTROLLED ENTITY HOLDINGS (CONTINUED)

TRUSTS AND OTHER ENTITIES	COUNTRY OF		% Holdings	
NAME OF ENTITY	**REGISTRATION**	**Footnote**	**2009**	**2008**
Future Directions International Share Fund 3	Australia		99	99
Future Directions International Share Fund 4	Australia		97	97
Future Directions Moderate Conservative Fund	Australia		93	91
Future Directions Private Equity Fund 1	Australia	(1)	100	-
Future Directions Property Feeder Fund	Australia		95	95
Future Directions Property Fund	Australia	(2)	-	100
Future Directions Total Return Fund	Australia		95	95
Glendenning Trust	Australia		100	100
Global Credit Strategies Fund	Australia		97	93
Global Growth Opportunities Fund	Australia		94	94
Hedged International Share Fund	Australia	(2)	-	79
International Bond Fund	Australia		94	90
International Share Fund	Australia	(2)	-	59
Kent Street Investment Trust	Australia		100	100
Kent Street Unit Trust	Australia		100	100
Listed Property Trusts Fund	Australia		63	61
Loftus Street Trust	Australia		65	64
Macquarie Australian Enhanced	Australia	(2)	-	95
Macquarie Balanced Growth	Australia		68	63
Managed Treasury Fund	Australia		77	79
Monash House Trust	Australia		100	100
Ocean Keys Holding Trust	Australia		75	75
Ocean Keys Trust	Australia		75	75
Principal Healthcare Holding Trust	Australia		100	100
Progress 2002 - 1 Trust	Australia	(2)	-	100
Progress 2003 E1 Trust	Australia		100	100
Progress 2003 - 1 Trust	Australia		100	100
Progress 2004 - 2 Trust	Australia		100	100
Progress 2004 - E1 Trust	Australia		100	100
Progress 2005 - 1 Trust	Australia		100	100
Progress 2005 - 2 Trust	Australia		100	100
Progress 2006 - 1 Trust	Australia		100	100
Progress 2007 - 1 G	Australia		100	100
Progress 2008 - 1 R	Australia		100	100
Progress 2009 - 1 Trust	Australia	(1)	100	-
Progress Warehouse Trust No 1	Australia		100	100
Progress Warehouse Trust No 2	Australia		100	100
Responsible Investment Leaders Conservative Fund	Australia		91	92
Responsible Investment Leaders Growth Fund	Australia		96	96
Responsible Investment Leaders High Growth Fund	Australia		100	100
Riverside Plaza Trust	Australia		100	100
Royal Randwick Trust	Australia		75	75
Select Property Portfolio No. 1	Australia		86	86
Sydney Cove Trust [formerly Highway Trust]	Australia		100	100
The Pinnacle Fund	Australia		99	99
Warringah Mall Trust	Australia		92	92
Wholesale Australian Bond Fund	Australia		92	94

Footnote:

(1) Controlling interest acquired in 2009.

(2) Controlling interest disposed in 2009.

Notes supporting the financial information

for the year ended 31 December 2009

28. ASSOCIATES

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

	2009 $m	2008 $m	Ownership 2009 %	Ownership 2008 %	Principal activities	Country of incorporation
AIMS AMP Capital Industrial REIT [(1)(2)(3)]	51	-	16	-	Industrial property trust	Singapore
AIMS AMP Capital Industrial REIT Management Ltd [(1)]	4	-	50	-	Property management	Singapore
MacarthurCook Investment Managers (Asia) Limited [(1)]	4	-	50	-	Investment management	Singapore
AMPCI Maquarie Infrastructure Fund Management No 1 (Stapled)						
AMPCI Maquarie Infrastructure Fund Management No 2 (Stapled)	3	4	50	50	Investment management	Australia
AMP Capital Brookfields Limited	5	3	50	50	Investment management	Australia
Summerset Group Holdings Limited [(1)]	48	-	50	-	Retirement property company	New Zealand
Other	1	2				
Total investments in associates accounted for using the equity method	116	9				

(1) Became an associate entity during 2009.

(2) The value of AMP's investment in AIMS AMP Capital Industrial REIT based on published quoted prices as at 31 December 2009 is $40m.

(3) The combination of the 16% investment in MI-REIT and the joint control of the manager companies is considered to represent significant influence by AMP.

Aggregated financial information extracted from the Financial statements of Associates accounted for using the equity method	2009 $m	2008 $m
Assets	1,137	83
Liabilities	477	35
Revenues	68	57
Expenses - including tax	56	54
Profit/(loss)	12	3

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for the year ended 31 December 2009

28. ASSOCIATES (CONTINUED)

(b) Investments in associates held by the life statutory funds [1]

	PRINCIPAL ACTIVITY [3]	Footnote	Ownership interest 31 Dec 2009 %	Ownership interest 31 Dec 2008 %	Carrying amount 31 Dec 2009 $m	Carrying amount 31 Dec 2008 $m
COMPANIES[2]						
NAME OF COMPANY						
Diversified Commercial Backed Mortgage Securities Pty Ltd	Investment in mortgage securities		29%	29%	115	131
Gove Aluminium Finance	Aluminium smelting		30%	30%	173	187
Others (each less than $20m)			Various		61	34
Total investments held by the life statutory funds in associated companies					**349**	**352**
UNIT TRUSTS[2]						
NAME OF TRUST						
AIF Strategic Equity	Investment trusts	(4)	23%	0%	88	-
AIF Equity Units	Investment trusts	(4)	36%	0%	91	-
AMP Capital China Growth Fund	Investment trusts		34%	35%	115	85
AMP Equity Trust	Investment trusts		36%	34%	253	186
AMP Property Portfolio	Investment trusts		38%	38%	281	333
AMP Small Property Trust (Class C)	Investment trusts		37%	31%	98	49
AMP World Index Fund	Investment trusts	(4)	31%	0%	88	-
Darling Park Property Trust	Investment trusts		50%	50%	208	225
Future Directions Hedged Credit Interest Fund	Investment trusts	(5)	-	38%	-	51
Global Property Securities Fund	Investment trusts		37%	25%	499	149
Infrastructure Equity Fund	Investment trusts		29%	26%	114	120
Marrickville Metro Trust	Investment trusts		50%	50%	74	82
Property Income Fund A	Investment trusts		27%	29%	199	229
Responsible Investments Leader Balanced Fund	Investment trusts		30%	38%	234	188
Southland Trust	Investment trusts		50%	50%	524	548
Strategic Infrastructure Trust Europe 1	Investment trusts		37%	32%	141	83
Strategic Infrastructure Trust Europe 2	Investment trusts	(5)	-	32%	-	83
Sustainable Futures Australia Share	Investment trusts		47%	49%	665	487
Tea Tree Plaza Trust	Investment trusts		50%	50%	246	263
Value Plus Australia Share Fund	Investment trusts		25%	23%	87	61
Others (each less than $50m)	Investment trusts		Various		282	626
Total investments held by the life statutory funds in associated trusts					4,287	3,848

Footnote:

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

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

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

(4) Trust became an associated entity during 2009.

(5) Trust was disposed of in 2009.

Notes supporting the financial information
for the year ended 31 December 2009

29. FORWARD INVESTMENTS, LEASING AND OTHER COMMITMENTS

	Consolidated		Parent	
	2009	2008	2009	2008
	$m	$m	$m	$m
Forward investments - callable at any time				
Uncalled capital on shares in relation to:[1]				
- associated entities	6	6	-	-
- other entities	73	76	-	-
Uncalled capital on units in relation to:[1]				
- associated unit trusts	20	14	-	-
- other unit trusts	32	14	-	-
Total forward investments	**131**	**110**	**-**	**-**
Operating lease commitments (non cancellable)				
Due within one year	44	47	-	-
Due within one year to five years	141	161	-	-
Due later than five years	30	23	-	-
Total operating lease commitments	**215**	**231**	**-**	**-**
Other commitments				
Due within one year	10	-	-	-
Due within one year to five years	-	-	-	-
Due later than five years	-	-	-	-
Total finance lease commitments	**10**	**-**	**-**	**-**

Footnote:

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

Notes supporting the financial information

for the year ended 31 December 2009

30. 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 a deed to provide capital maintenance and liquidity support to AMP Bank Limited. At reporting date the likelihood of any outflow in settlement of this obligation is 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, this information is not disclosed in this note.

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