full annual report 05

2005 calendar of events

17 February
AMP announces a consolidated profit of $873 million for 2004, attributed to better business performance and improved investment markets.

AMP also announces it will return $750 million to shareholders via a 40 cent per share capital return, and also that it would reduce debt by $265 million, representing a total return of more than $1 billion for 2004.

26 April
The final dividend for 2004 – 27 cents per share, 75 per cent franked – is paid.

AMP launches *Thinking ahead,* its CD-based financial literacy tool, with the aim of improving consumers' understanding of financial issues.

4 May
The Australian Taxation Office notifies AMP that its proposed capital return will be treated as a reduction in the cost base of AMP shares and not as a dividend for Australian income tax purposes.

19 May
The 2005 Annual General Meeting is held.

Peter Willcox announces he will retire from the position of chairman of the AMP Board of Directors on 6 September 2005.

16 June
A capital return of 40 cents per share is made to shareholders.

17 June
AMP announces that board director Peter Mason will become chairman of AMP from 7 September 2005.

27 June
AMP Group Holdings Limited completes an exchange offer on its 2008 Eurobonds in a move designed to help manage risk, improve the debt maturity profile and take advantage of favourable market conditions.

14 July
Standard & Poor's announces AMP Group Holdings Limited's credit rating has increased from A- to A.

26 July
David Clarke joins the AMP Board.

1 August
AMP announces the sale of its joint venture life insurance business in India, AMP Sanmar, to Reliance Life Insurance Company, a subsidiary of Reliance Capital Limited.

18 August
AMP announces that its profitability, as measured by underlying contribution, for the first half of 2005 is $383 million, up 24 per cent on the same period in 2004.

5 September
AMP announces the sale of its 130.56 million shares (representing an 11.3 per cent stake) in HHG for an average price per share of $1.625 (67.7 pence).

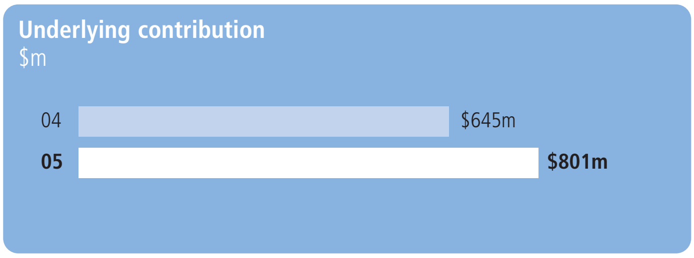
25 October
The 2005 interim dividend of 14 cents per share, 75 per cent franked, is paid to shareholders.

Contents

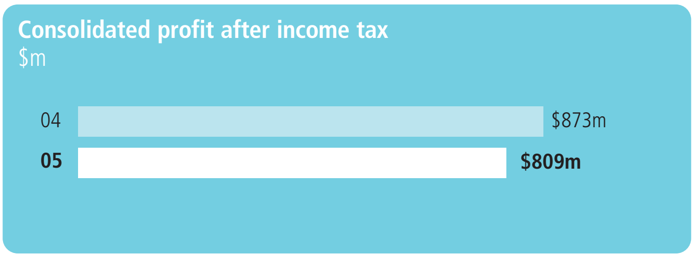
Annual Report 2005. AMP Limited ABN 49 079 354 519.
All amounts are in Australian dollars, unless otherwise specified.
Unless otherwise specified, the information in this report is current as at 17 March 2006.
For several reasons, including changes arising from Australia's adoption of international accounting standards, some 2004 figures have been re-stated.
For more information, see table on inside back cover.

2005 financial results at a glance

AMP's focus on operational excellence continued to deliver encouraging results in 2005. Profit, as measured by the underlying contribution, increased by 24 per cent, reflecting much stronger cashflows, higher assets under management, lower costs and good market conditions.

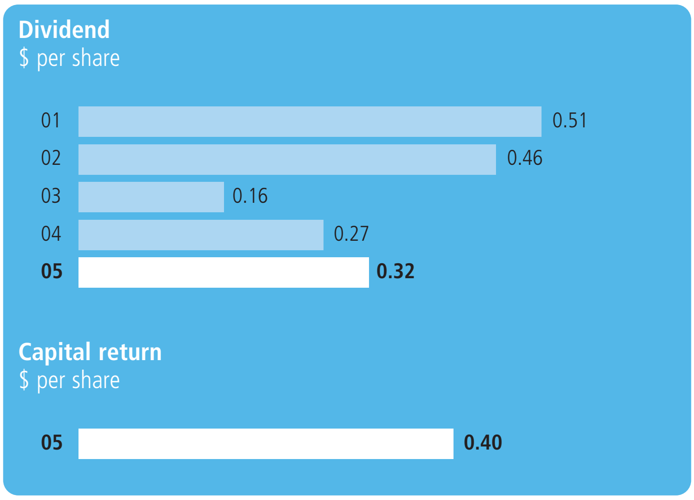


Underlying contribution is the most stable measure of AMP's profitability as it removes the potentially volatile impacts of markets. It is also the earnings base from which the dividends are paid.



Consolidated profit after income tax was down on 2004 because of a large fall in investment income. There were two reasons for this:

– there was a large, positive gain made on HHG shares in 2004 that was not repeated in 2005
– AMP had less shareholder capital on which to earn investment income in 2005 because of the $1 billion capital reduction made during the year, in the form of a capital return and debt repayment.



Dividend payments

The board declared a final dividend of 18 cents per share (75 per cent franked), payable on 26 April 2006. With the interim dividend of 14 cents per share, this brings the total 2005 dividend to 32 cents per share, up 19 per cent on 2004's dividend.

The board has also indicated it will lift its current policy of paying out 75 per cent of the underlying contribution in dividends to 85 per cent in 2006. The board will also lift the franking rate from 75 per cent to 85 per cent at the same time.

Capital return

In 2005, AMP also made a capital return of 40 cents per share to its shareholders. AMP is proposing a second capital return of 40 cents per share in 2006 and will seek shareholder approval at the AGM in May.

The five key performance indicators (KPIs) are the measures AMP's board uses to judge the company's progress. In 2005 AMP made encouraging progress against all five KPIs.

Key performance indicator	2005	2004	Trend
Return on equity (underlying) This is the amount of money made by the businesses divided by the shareholder equity invested in the company	**25%**	21.2%	↑ 3.8 points
Total operating margins These are the profits earned by AMP's operating businesses, minus corporate costs	**$647m**	$502m	↑ 29%
Value of new business This is an actuarial calculation of the future value of the new business AMP wrote in the year	**$317m**	$286m	↑ 11%
Controllable costs These are the costs incurred from running the businesses and the AMP group and include management and project expenses	**$805m**	$833m	↑ 3% fall on 2004
Investment performance This measures the percentage of Australian assets under management which met or exceeded their benchmarks	**79%**	86%	↑ against target of 75%

For 2006, the board is adjusting two of these key performance indicators to better reflect and measure changes in the business. It is broadening the third measure, the value of new business (VNB), to include embedded value (EV). EV is an actuarial calculation of the economic value of shareholder capital in the business and profits expected to emerge from the 'in-force' business on our books. In 2005, EV grew by 28 per cent to $6.7 billion, before transfers. This KPI will be called value metrics in future.

The board is also changing the cost indicator from controllable costs to the cost to income ratio. AMP has reduced absolute costs substantially over the past few years. In future, the focus will be on holding growth in costs at a moderate level while increasing revenue strongly. The best measure of success in this area will be the cost to income ratio. AMP's cost to income ratio in 2005 was a record low 40.6 per cent, down almost five points on 2004.

AMP is a leading wealth management company with more than 3.4 million customers and 3,500 employees in Australia and New Zealand. AMP helps people manage their financial well-being so they can enjoy the future they want.

Our goal

Our goal is to be acknowledged as a high-performing company that meets and exceeds our responsibilities to shareholders, customers, planners, employees and the communities in which we operate.

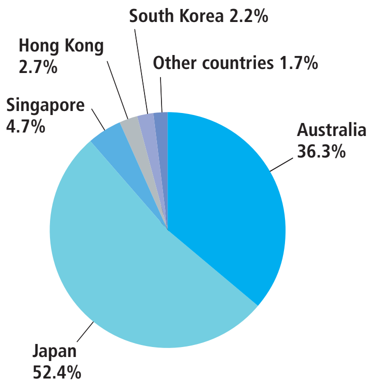
We want to position AMP as Australasia's leading provider of quality financial advice, delivering simple, value-for-money products and superior investment performance.

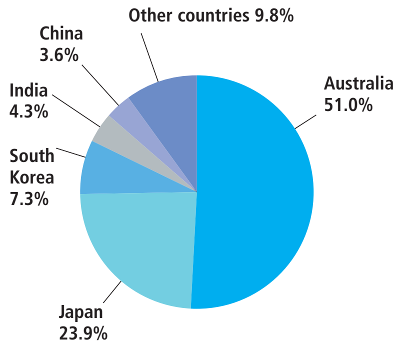
Our strategy for growth

AMP's transformation from a traditional life insurance business to a modern wealth manager is continuing. The 2005 results show that our strategy of operational excellence is working, with encouraging results in all key performance indicators.

AMP holds a strong position in an attractive, high-growth market – the Australian retirement savings market. This is currently the fourth-largest superannuation/pension market in the world, with funds under management of $715 billion. The Australian private sector market is expected to triple in value in the next 10 years, underpinned by mandatory superannuation contributions of nine per cent. It is also expected to be larger than the private sector markets of all Asian countries combined, including Japan, India and China by 2015.

Superannuation/pension assets under management by the private sector





Source: Allianz Global Investors. Asia-Pacific Pensions, Reform Trends and Growth Opportunities, June 2005, Axiss Australia.

However, we are not content to grow at the same pace as the market – we aim to grow faster than that. This is critical if we are to meet our goal of doubling the value of an investment in AMP between mid-2005 and mid-2010.

In the immediate future, we expect growth to come through our core business. Our business capabilities and assets that will enable us to compete vigorously in the market include our brand, scale, distribution network, investment capability, culture and efficiency.

We will also actively look for profitable new ways to meet the needs of our customers over the next few years.

We want to be acknowledged as a high-performing company and that means delivering high performance for our customers, planners, shareholders and the community over a sustained period of time – not just a couple of years.

Chairman's report

"Over the past three years we have worked hard to build shareholder value and improve our products and services for clients. We are driving AMP to live up to its potential, no matter what the market environment might be."
Peter Mason Chairman

Your board, management and staff are conscious of the responsibility we have for the financial well-being of so many Australians and New Zealanders, both shareholders and clients.

We have renewed our focus on our core business, considered new growth opportunities and given professional and specialist support to our financial planners to equip them to meet the challenges of a complex market and changing demography.

In August 2005 AMP announced an ambitious new growth target of doubling the value of an investment in AMP between mid-2005 and mid-2010. In financial terms this equates to average growth of around 15 per cent per annum.

We made robust progress on our objectives in 2005. Favourable markets helped. But the solid profit growth was also a result of our strategy to focus on running the business better than it has ever been run before.

By doing that we are driving AMP to live up to its potential, no matter what the market environment might be.

In financial terms it means we must excel in the management of the equity owned by our shareholders, we must control strategic and operational risk and we must improve efficiency by containing costs.

By the benchmark measures we use, AMP did a pretty good job of this in 2005.

But shareholder value means more than this.

It is not measured only in financial terms. For it to be sustainable in the long term it must be underpinned by a strong, vibrant, imaginative and responsible corporate culture.

There is great value in AMP's relationship with our clients, the pride of our staff, our place in the wider Australian community, the leadership role we take in the wealth management industry and client, investor and regulator confidence in our governance.

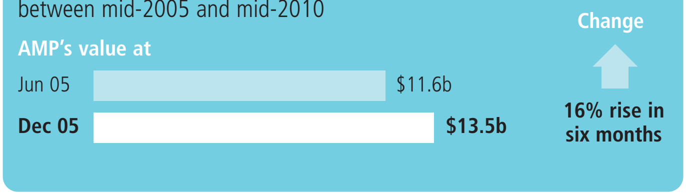
Financial results

Growth in AMP's value

Our growth target of doubling the value of an investment in AMP will be measured by increases in 'enterprise value', plus the value of dividends and capital returns paid to shareholders.

Enterprise value is the median of the major stockbroking analyst valuations of AMP in each year. At June 2005, the median stockbroking analyst valuation of AMP was $11.6 billion. At December 2005, the value of AMP had increased by 16 per cent to $13.5 billion, including $226 million in dividends.

Progress on medium-term goal
To double the value of an investment in AMP between mid-2005 and mid-2010



Although the doubling of the value of an investment in AMP translates to growth of about 15 per cent a year on average, this growth is not likely to be uniform. A second capital return has been proposed in 2006 and another capital initiative is likely in 2007, but capital initiatives cannot be anticipated into the future. Dividend policy will also require refinement as the market environment and business capital requirements dictate.

Dividends

AMP's ordinary dividend policy is to pay out around 75 per cent of the underlying contribution to shareholders. The underlying contribution is the business profit, without one-off items, and with a 'smoothed' investment income that eliminates year-on-year market volatility. This provides a stable earnings base from which to pay dividends.

In line with the policy, your board has declared a final dividend for 2005 of 18 cents per share. With the interim dividend of 14 cents per share, this brings the total for the year to 32 cents per share, up five cents per share on the 2004 dividend.

In 2006, your board is planning to increase the payout ratio policy for dividends to 85 per cent of the underlying contribution, with 85 per cent franking.

Capital return
At the annual general meeting (AGM) in May 2005 shareholders approved a capital return of 40 cents a share.

This was distributed to shareholders in June, effectively reducing AMP's capital base by $746 million. Around the same time, we also reduced our debt by $265 million by redeeming our Income Securities. This was done to ensure we could maintain our gearing ratio and our credit rating after the capital return.

This is in line with our stated approach to capital management, which is to:
– maintain our debt levels consistent with our 'A' credit rating
– reinvest for profitable growth in our core businesses, and
– return excess capital to shareholders.

This year, the board is again proposing to shareholders a capital return of 40 cents a share subject to approval by the Australian Taxation Office. You will have an opportunity to approve this at the AGM on 18 May. More detail on this proposal is contained in the Notice of Meeting.

We are able to make these capital returns because, as AMP transforms from a traditional life insurance company to a modern wealth management company, it requires less capital to operate and hold against its policies and products.

Strategy
The focus that AMP has had for the past couple of years on operational excellence – running the business better than it has ever been run before – has delivered two very positive results: an efficient platform for future growth and new business opportunities for the company.

We will continue to grow our core businesses strongly. Good prospects exist in financial planning, retail and corporate superannuation, retirement income streams, risk insurance and specific parts of funds management, both domestically and in selected Asian markets.

We will seek and develop new growth opportunities based on our core businesses or closely associated with them.

AMP's wider responsibilities
Your board firmly believes that corporate social responsibility is an important contributor to AMP's goal of being acknowledged as a high-performing company. It is an integral part of what this company stands for.

Clients
As the custodians of the retirement savings of millions of Australians and New Zealanders, our greatest responsibility is to look after that money appropriately.

Doing our job well in this regard will have a significant impact on the lives of our clients. We help them to manage their financial situation better, so they have the future, or the retirement, they want. Given the size of our client base, we can also have a major impact on the economy and the country.

Your board has strongly supported the initiatives taken by AMP management to develop the professionalism of our financial planners and advisers. Their importance in the communities they serve is increasing significantly as demand for more sophisticated financial advice grows with the complexity of regulation and the diversity of retirement savings products. The cost of financial advice is being driven up by these complexities, but so is the opportunity cost in the long term for those who do not seek advice.

Policymakers and regulators
AMP's responsibilities include making thoughtful representations to policymakers in government and to regulators to promote policy changes that are in our clients', planners' and shareholders' best interests, and to oppose suggested changes that are not.

This is a task that we undertake with diligence at a number of levels within the company.

We believe that it is in the interests of our shareholders, planners and clients that we work constructively with regulators to promote the efficiency and professionalism of the wealth management industry. We invite them to work with us in the same spirit, and generally they do.

We also have a responsibility to ensure that the companies in which we invest on behalf of our clients employ good corporate governance and sustainable business practices. We pursue this through AMP Capital Investors. A copy of AMP Capital Investors' corporate governance policy and reports on how it has voted at various AGMs are available on its website.

www.ampcapital.com

Community participation
AMP is deeply involved in the communities in which we operate, as we have been for the past 157 years.

We partner with our 1,900 self-employed financial planners, who live and work in communities throughout Australia and New Zealand, to invest in those communities in ways that make a real difference.

We do this through the AMP Foundation, which has more than $110 million invested, and through specific sponsorship programs. The Foundation makes dollar-matching grants to support planners' fundraising activities for local charitable organisations and events. More detail on the AMP Foundation's activities and its independent funding can be found on our website.

www.amp.com.au/community

Board
As you know, Peter Willcox retired in September and I succeeded him as chairman of the board. Peter's leadership in the transformation of AMP was exemplary and we salute him for it.

We appointed David Clarke to the board in July and he has since joined the remuneration committee and the subsidiary board, AMP Capital Investors.

David has over 25 years' experience in investment banking, funds management and retail banking. Shareholders will have the opportunity to approve David's appointment at the AGM in May. His experience and background are outlined on page 12 of this report and in the Notice of Meeting.

Outlook
The market environment is favourable, the business is in good shape and the demand for sound financial advice, value-for-money products and professional investment management has never been greater.

AMP's growth target is spurring the management and staff of AMP to focus even more strongly on developing the business.

AMP's transformation from a capital-intensive life insurance company into a modern, capital-efficient wealth management organisation continues apace.

We have built a sound base for strong value creation for shareholders over the next five years and beyond, and have realistic plans to achieve that growth.

Your board will continue to work with AMP's staff to ensure these opportunities and ambitions are realised for your benefit.

Peter Mason Chairman

Chief Executive Officer's report

"The better we get at running the business, the more opportunities we are finding to improve. AMP has always had the potential to be a truly high-performing company. We are now beginning to see evidence of that potential being realised."
Andrew Mohl Chief Executive Officer

AMP delivered another set of encouraging results in 2005, as our strategy of operational excellence – running the business better than it's ever been run before – continued to bear fruit.

We are experiencing a combination of strong growth in value and earnings, coupled with high cash generation. Rising share markets are also creating a favourable environment for our business.

All five key performance indicators which we use to gauge the company's progress in 2005 showed solid gains over 2004.

Earnings and operating profit increased, new business value rose solidly, costs were again reduced and our funds' investment performance was strong.

A robust balance sheet is underpinning both a proposed capital return in June and an increase in our ordinary dividend payout ratio policy to 85 per cent in 2006.

AMP today is a more efficient, focused and accountable organisation and this bodes well for our future success.

2005 performance

AMP delivered an underlying profit of $801 million in 2005, an increase of 24 per cent over 2004. The underlying profit smooths out the effect of investment market volatility and is a better indicator of long-term profit trends in the business.

The operating profit generated by our three business units was $681 million, up 26 per cent on the previous year. Pleasingly, performance was high across all our business areas.

Our consolidated profit after income tax of $809 million was down seven per cent on 2004 because our actual investment income was much lower. There were two reasons for this.

First, we made a large positive gain on our HHG shares in 2004 of $113 million which was not repeated in 2005. You will recall that we sold our HHG shares in 2005 and we will be using the proceeds of this sale to fund part of our proposed capital return in 2006.

Second, we had less shareholder capital on which to earn investment income in 2005 because of the $1 billion capital reduction we made during the year, in the form of the capital return and debt repayment.

This capital reduction, together with the strong profit results from our business, helped push our underlying return on equity up to a record 25 per cent.

AMP Financial Services

AMP Financial Services (AFS) continued to perform well in 2005, driving down costs by five per cent and increasing operating margins by 24 per cent to $515 million.

The strength of the distribution franchise was reflected in a 96 per cent increase in net cashflows to $2.3 billion into the business, and this helped drive up our key value measures of embedded value and value of new business. A particular highlight was corporate superannuation, where net cashflows were boosted by a sizeable number of wins as companies increasingly outsource their superannuation schemes to specialist providers such as AMP.

More broadly, measures of customer and planner satisfaction improved strongly in 2005.

AMP Capital Investors

Strong investment performance and favourable markets also drove improved profitability for AMP Capital Investors, our asset management business. Operating margins rose by 26 per cent to $92 million.

Investment performance is a measure of how well AMP Capital Investors manages funds and assets on behalf of its clients. Its target is for 75 per cent of the Australian assets it manages to meet or exceed the industry benchmarks for the year. In 2005, 79 per cent of its Australian assets met or exceeded their benchmarks. The flagship Balanced Growth Fund ranked second in the calendar year and third over three years, demonstrating sustained high performance against its competitor group.

This performance helped drive net external cashflows of $2.2 billion and increase the total value of assets managed by AMP Capital Investors by 13 per cent to $91 billion.

Cobalt/Gordian

The Cobalt/Gordian business, which manages the general and reinsurance books that are closed to new business and now being run off, also did better than expected in 2005. Operating margins grew by 45 per cent to $74 million.

This was largely the result of good claims and commutation experience, and tax benefits from past operating losses.

This business continues to be tightly managed to achieve targeted operating margins, reduce risk and release surplus capital.

AMP's market position

AMP has a strong position in an attractive, high-growth market – the retirement savings market. We have one of the wealthiest pension/superannuation markets in the world.

This market is currently worth around $715 billion in Australia and is expected to triple in value over the next decade, underpinned by mandatory superannuation contributions of nine per cent.

Your company has a leading share of this market and is particularly strong in two of its fastest-growing segments – superannuation, where we are number one in the market, and retirement income products, where we are number two.

We also have a strong competitive advantage in two key channels into this market – financial planners, where we have the largest and best-qualified network in Australasia, and corporate superannuation, where we are having great success with a new product called SignatureSuper.

We are using these competitive advantages to generate strong cashflows into the business, which we are able to turn into higher profits because of our increased efficiency and lower cost base.

Strategy

Over the past two years, AMP's focus on operational excellence has delivered strong financial results and an efficient, growing business. The better we get at running the business, the more opportunities we are finding to improve.

So our strategy remains unchanged. We will continue to run the business better than it's ever been run before, using our size and market share to be competitive, reducing costs to drive efficiency and continuing our business transformation from a life company to a modern wealth management company.

However, we are sharpening our focus on growth opportunities. While we operate in a high-growth industry, our aim is to grow at a faster rate than the market average.

As the chairman explains in his report, we have set ourselves an ambitious new target to double the value of an investment in AMP over the next five years.

To do that will require an average growth rate of around 15 per cent a year.

We expect that growth will come in two ways:

– through our core business – by increasing planner productivity, capitalising on the current boom in the corporate superannuation market segment, investing in and upgrading our risk insurance business and helping our asset management business pursue rapid growth in domestic and Asian markets; and
– through finding and developing new business opportunities that are aligned to our core business, but may require more investment to bring to market.

Our goal remains to be acknowledged as a high-performing company. While we are making progress, we must sustain a high level of performance over a period of years.

People and culture

High-performance companies are marked by high-performance cultures. For AMP, a high-performance culture means having the right people in the right jobs, performing to their potential on the things that matter to our customers and shareholders – and doing so with humility, fairness and openness.

We need the 'right people' both as our employees and as our financial planner partners.

That's why we spend as much time and effort selecting, training and supporting our planners as we do recruiting, appraising and developing our employees. Both are equally critical to our success.

For AMP, a high-performance culture is one that is driven by our leadership values of passion, commitment and integrity. These are the values at the heart of AMP's heritage, and they have stood us in good stead through the best and worst of times.

Developing a high-performance culture at AMP is one of my key priorities as CEO and it is pleasing to report that we made good progress in this area over the past 12 months – as is evident in our financial results and in various internal surveys.

Outlook

AMP has a sound platform from which it can generate strong value for its shareholders. We are operating in a high-growth industry, with a favourable market environment and an attractive business model.

We have a set of business capabilities and assets that enable us to compete vigorously in that market. These include our brand, our size, our distribution network, our efficiency, our investment capability and our culture.

As a business, we now have a much sharper focus on growth to drive future value. That growth will be driven by all parts of our business aggressively seeking new business opportunities while continuing to manage costs closely.

Our balance sheet remains robust, enabling a proposed capital return in 2006, with a further capital management initiative likely in 2007. Underlying return on equity is set to continue to increase strongly.

Our medium-term target of doubling the value of an investment in AMP over a five-year period is consistent with our stated objective of delivering top-quartile shareholder returns.

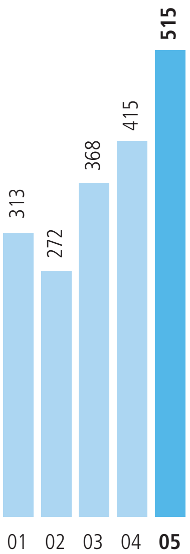
AMP has always had the potential to be a truly high-performing company. We are now beginning to see evidence of that potential being realised.

Andrew Mohl

Andrew Mohl Chief Executive Officer

"AMP Financial Services' results in 2005 highlight the underlying improvement in the business and its ability to maximise the profitability of rising revenues."
Craig Dunn Managing Director, AMP Financial Services

Operating margins
$m



A focus on driving costs down while delivering products and services that customers and planners value, combined with a favourable market environment, drove a strong profit performance by AMP Financial Services in 2005.

Financial results

- Operating margins up 24 per cent to $515 million.
- 96 per cent increase in net cashflows to $2.3 billion.
- Controllable costs down $28 million to $528 million.
- Value of new business up 11 per cent to $317 million.
- Return on embedded value up to 28.1 per cent from 25.4 per cent in 2004.
- Return on invested capital up to 27.3 per cent from 18.3 per cent in 2004.

Key achievements in 2005

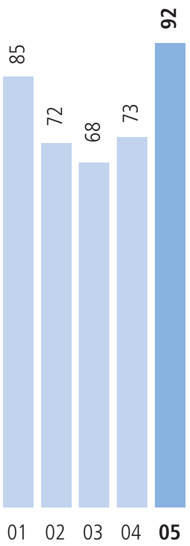
- Raised the quality of advice and services provided by AMP planners through initiatives such as compulsory annual accreditation, a restructured field management team and planner awards to encourage innovation and professionalism.
- Launched a new AMP brand campaign to highlight the value of financial advice to consumers.
- Capitalised on the success of Corporate Superannuation's SignatureSuper product by winning $1.6 billion in business.
- Launched AMP Lending Services to provide planners with a broader range of lending products.

Key priorities for 2006

- Help planners improve the quality of their advice and the profitability of their businesses through improved systems, processes, products, support and training.
- Grow the corporate superannuation business by 'bundling' superannuation services for businesses, and improving our distribution capability.
- Sell more AMP products by improving our understanding of what customers and planners want.
- Continue to lower unit costs by increasing revenues, and use our capital efficiently.

"Continued strong investment performance by AMP Capital Investors in 2005 underpinned another good financial result by the business."
Stephen Dunne Managing Director, AMP Capital Investors

Operating margins
$m



AMP Capital Investors again exceeded its investment performance target in 2005, as it focused on continuing to build its presence in the Australian and Asian investment markets, accessing new infrastructure and property opportunities and strengthening its talent base.

Financial results

- Operating margins increased to $92 million from $73 million in 2004.
- Investment performance was strong across all asset classes – 79 per cent of assets under management met or exceeded their benchmarks, compared to 86 per cent in 2004, but ahead of our target of 75 per cent.
- Improved investment performance led to a $27 million boost to fee revenues.
- Assets under management grew to $91.1 billion from $78.9 billion in 2004.
- Cost to income ratio fell from 63 per cent in 2004 to 58 per cent.
- Return on invested capital increased to 36.9 per cent, from 30.7 per cent in 2004, driven by growth in operating margins.

Key achievements in 2005

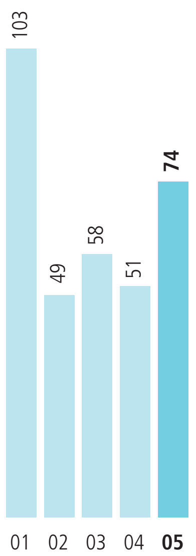
- Launched several new funds in the retail market, including:
  - the AMP Capital China Fund 2 (closed fund), marketed directly to the retail market, particularly self-managed superannuation funds and high net worth individuals
  - the Core Property Fund, with a mixture of global and local, direct and listed property. The fund was the first of its kind in Australia to offer Australian retail investors exposure to global property securities
  - the Global Listed Property Securities Fund.
- Extended Asian distribution into Singapore and Taiwan. Assets under management in these two countries now total $240 million.
- Secured infrastructure investment opportunities including a UK gas distribution network, Wales & West Utilities, for £50 million.
- Acquired more than $600 million in new property investments.
- Acquired New Zealand retirement home company Summerset.
- Closed the AMP Capital Property Income Fund, which was oversubscribed with $760 million in assets under management, at the end of 2005.

Key priorities for 2006

- Continue to improve our capabilities in investment research and investment risk management.
- Develop Asian market investment capabilities in equities, listed property securities, credit, property and infrastructure to support our Asia Pacific presence.
- Improve ratings for core and global property securities in the retail market and for Australian equity capital and value funds in the retail and institutional markets.
- Improve ability to source opportunistic property and infrastructure opportunities.
- Expand our presence among retail investors.

Cobalt/Gordian's major focus continues to be achieving a profitable run-off (administration of a portfolio closed to new business) of AMP's remaining books of general insurance and reinsurance, releasing capital to the parent company. Cobalt also provides a range of insurance and reinsurance services to external clients.

Operating margins
$m



Financial results

- Operating margins of $74 million were ahead of plan, reflecting good claims and commutation experience, tax benefits from past operating losses and the positive effect of the settlement of a dispute with a supplier.
- Net claims experience of $68 million was a result of settling claims or reserving claims at values lower than previously reported, as well as allowing some release of the additional risk margin held.
- Commutations savings of $19 million arose from the proactive finalisation of reinsurance contracts for values less than the reserves held.

Key achievements in 2005

- Maintained focus on commutations and effective claims management to achieve targeted operating margins, risk reduction and capital releases.
- Continued to manage and evaluate capital efficiency options.
- Developed Cobalt Solutions' third-party business.

Key priorities for 2006

- Achieve key financial targets around operating margins, risk reduction and capital release.
- Continue to effectively commute and manage claims.

Five year financial summary

Amounts in 2005 and 2004 have been measured under Australian Equivalents to International Financial Reporting Standards (AIFRS). All amounts prior to 2004 were measured under previous Australian Accounting Standards.

Year ended 31 December	2005 $m	2004 $m	2003 $m	2002 $m	2001 $m
Consolidated income statement[1]					
Net premium, fee and other revenue	**2,202**	2,505	3,938	4,861	6,263
Investment gains (losses)	**9,814**	9,300	6,989	(7,787)	(1,605)
Profit (loss) before income tax[2]	**1,578**	1,453	(7,199)	(2,424)	(587)
Income tax (expense) credit	**(768)**	(545)	25	801	397
Outside equity interests (including unattributed life funds)	**(1)**	(35)	1,632	727	880
Net profit after tax attributable to shareholders	**809**	873	(5,542)	(896)	690
Consolidated balance sheet					
Cash and cash equivalents	**978**	1,072	3,251	11,358	8,485
Investment assets	**81,762**	71,296	60,545	136,876	152,094
Intangibles	**632**	627	795	2,770	3,792
Other assets	**2,116**	2,270	5,630	6,967	7,719
Total assets	**85,488**	75,265	70,221	157,971	172,090
Outstanding claims	**1,037**	1,243	1,644	3,129	3,772
Borrowings and subordinated debt	**9,518**	9,381	10,061	12,881	13,212
Life insurance contract liabilities	**20,942**	20,639	47,512	116,245	128,913
Investment contract liabilities	**38,712**	32,737			
Other liabilities[3]	**12,456**	8,120	3,114	7,793	8,876
Total liabilities	**82,665**	72,120	62,331	140,048	154,773
Net assets	**2,823**	3,145	7,890	17,923	17,317
Contributed equity	**4,749**	5,416	5,533	5,001	4,613
Reserves	**(2,002)**	(2,035)	(2,065)	871	823
Retained earnings	**63**	(240)	61	2,661	4,084
Total equity attributable to shareholders	**2,810**	3,141	3,529	8,533	9,520
Unattributed life funds	**–**	–	–	5,494	6,232
Minority interests[3]	**13**	4	4,361	3,896	1,565
Total equity	**2,823**	3,145	7,890	17,923	17,317

		2005	2004	2003	2002	2001
Other financial data						
Basic earnings per ordinary share	($ps)	**$0.44**	$0.48	($4.00)	($0.79)	$0.62
Diluted earnings per ordinary share	($ps)	**$0.44**	$0.48	($4.00)	($0.79)	$0.62
Dividends per ordinary share	($ps)	**$0.32**	$0.27	$0.16	$0.46	$0.51
Number of ordinary shares	(m)	**1,870**	1,860	1,845	1,159	1,129
Funds under management	($bn)	**104**	90	76	256	292

Footnote:
1 2003 and prior period amounts include UK operations up until the demerger, 12 December 2003.
2 Net loss in 2003 includes loss on demerger of UK operations ($3,585m), restructuring and demerger costs and writedowns.
3 Under AIFRS, external unitholders' interests in controlled trusts are classified as liabilities. Under previous Australian Accounting Standards these amounts were classified as minority interests.

Directors' report

Your directors present their report on the consolidated entity consisting of AMP Limited and the entities it controlled at the end of or during the year ended 31 December 2005.

Directors' details

The AMP Limited Board consists of the non-executive chairman, five other non-executive directors and one executive director. Peter Willcox, AMP Chairman, retired from the AMP Board on 6 September 2005. Peter Mason was appointed Chairman on 6 September 2005. David Clarke joined the AMP Board on 26 July 2005. Details of each director's qualifications, experience and special responsibilities are set out below:

Peter Mason AM, Chairman BCom (Hons), MBA. Age 59
Peter was appointed to the AMP Limited Board in October 2003 and assumed the role of chairman in September 2005. He is a member of the Remuneration Committee and the Nomination Committee.
Experience: Peter has more than 36 years' experience in investment banking. He was chairman of JP Morgan Chase Bank in Australia from 2000 to 2005, and chairman of their associate, Ord Minnett Group. Prior to this he was chairman and chief executive of Schroders Australia Limited and group managing director of Schroders' investment banking business in the Asia Pacific region. For 12 years he was a director of the Children's Hospital in Sydney and chairman of the Children's Hospital Fund for eight years and was appointed a member of the Order of Australia for his contribution to the Children's Hospital.
Directorships of listed companies held in past three years: Peter was a director of Mayne Group Limited from 1992 until February 2005.
Other current directorships: Peter is a government appointee to the Council of the University of New South Wales and a director of The Australian Research Alliance for Children and Youth.

Andrew Mohl Managing Director and Chief Executive Officer BEc (Hons). Age 50
Andrew was appointed managing director and CEO of AMP Limited in October 2002. He has been a director of AMP Life Limited since December 1999, and of Gordian RunOff Limited and AMP Capital Investors Limited since February 2004.
Experience: Andrew has over 27 years' financial services experience, including more than nine years at AMP. Previously Andrew was the managing director of AMP Financial Services from 1999 to 2002, and prior to this role was the managing director of AMP Asset Management. Andrew joined AMP in 1996 as general manager of Retail Distribution, AMP Financial Services. He was former ANZ senior and chief economist (1986 to 1990), chief manager of ANZ Retail Banking, Sydney CBD and Southern Zone (1990 to 1993) and managing director of ANZ Funds Management (1993 to 1996). He worked at the Reserve Bank of Australia from 1978 to 1986 and was deputy head of research. He was also seconded to the Federal Reserve Bank of New York from 1983 to 1984.

John Astbury FAICD. Age 61
John was appointed to the AMP Limited Board in September 2004. He is a member of the Audit Committee and has been a director of AMP Life Limited since November 2004.
Experience: John's career began in the early 1960s in the United Kingdom, including a number of roles with Barclay's Bank, Chemical Bank and Charterhouse Bank. He moved to Australia in 1986, taking up the role of general manager of Group Global Treasury with National Australia Bank (NAB) in Melbourne. John held a number of roles with NAB including chief general manager of Institutional Banking and chief general manager of Banking Relationships, North. He also held the role of executive director and CFO of Lend Lease Corporation Limited from 1994 to 1998.
Directorships of listed companies held in past three years: John has been a director of Woolworths Limited since January 2004 and serves on the Woolworths Audit Committee. He has been a director of Insurance Australia Group (IAG) since July 2000, serving as chairman of the IAG Audit Committee and member of the IAG Nomination, Remuneration and Sustainability Committee. He was also a director of MIM Holdings Ltd from July 1998 to June 2003.
Other current directorships: John has been chairman of Woolworths Group Superannuation Scheme Pty Ltd since February 2004.

David Clarke LLB. Age 50
David was appointed to the AMP Limited Board in July 2005. He is a member of the Remuneration Committee and has been a director of AMP Capital Investors Limited and a member of its Audit Committee since August 2005.
Experience: David has over 25 years' experience in investment banking, funds management and retail banking. He joined Westpac Banking Corporation in July 2000 where he ran the Australian Business and Consumer Bank prior to being appointed chief executive of BT Financial Group, Westpac's wealth management business, in September 2002. David was previously director and chief executive of MLC Limited (a subsidiary of Lend Lease Corporation of which he was a director). He built MLC into one of Australia's leading funds management businesses and led the Asian Pacific business operations of Lend Lease, gaining experience across the Group's portfolio of global interests, including property development and financial services. David's early career was spent in Lloyds Bank, culminating in becoming the chief executive of Lloyds Merchant Bank in the United Kingdom.
Directorships of listed companies held in past three years: JDV Limited.
Other current directorships: David has been chairman of The Bluestone Group Pty Limited since April 2005 and has been a Governor of Ascham School Limited since 1993.

Richard Grellman FCA. Age 55
Richard was appointed to the AMP Limited Board in March 2000. He is chairman of the Audit Committee and a member of the Nomination Committee. He has been a director of AMP Life Limited since November 2001 and Gordian RunOff Limited since May 2004. He is a member of the AMP Capital Audit Committee.
Experience: Richard has over 32 years' experience in the accounting profession. He was a partner of KPMG from 1982 to 2000 and a member of KPMG's National Board from 1995 to 1997 and National Executive from 1997 to 2000. He was an Independent Financial Expert for AMP's demutualisation and Investigating Accountant for AMP's prospectus and listing in connection with the demutualisation.
Directorships of listed companies held in past three years: Richard has been the chairman of Cryosite Limited since December 2002, director of Atlas Group Holdings Limited since February 2003, director of Trafalgar Corporate Group since 2002 and its chairman since 2006.
Other current directorships: Richard has been chairman of the Board and Council of the NSW Motor Accidents Authority since 1994, director of Mission Australia since 1984, and president and chairman since 2000.



Left to right
Peter Mason
Andrew Mohl
John Astbury
David Clarke
Richard Grellman
Meredith Hellicar
Nora Scheinkestel

Meredith Hellicar BA, LLM (Hons). Age 52
Meredith was appointed to the AMP Limited Board in March 2003. She is chairman of the Remuneration Committee and has been a director of AMP Bank since June 2004.
Experience: Meredith has over 20 years of senior executive experience in the oil, coal, logistics, legal and financial services industries. She was previously managing director TNT Logistics Asia, chief executive of Corrs Chambers Westgarth and managing director of InTech Financial Services Limited. Her previous directorships include NSW Treasury Corporation, AurionGold, the NSW Environment Protection Authority and HCS Limited. Meredith has been a member of the Takeovers Panel since March 1999.
Directorships of listed companies held in past three years: Meredith has been a director of James Hardie Industries NV since October 2001 (she joined the board of James Hardie Industries Limited in May 1992), and chairman since August 2004. She has been a director of Amalgamated Holdings Limited since October 2003.
Other current directorships: Meredith has been chairman of HLA Envirosciences since 2002 and the Sydney Institute since 1998, and has been a director of the Garvan Institute Foundation since March 2002 and Southern Cross Airports Group since 2003.

Dr Nora Scheinkestel LLB (Hons), PhD, FAICD. Age 45
Nora was appointed to the AMP Limited Board in September 2003. She is chairman of the Nomination Committee and a member of the Audit Committee. She has been a director of AMP Capital Investors Limited since February 2004 and chairs its Audit Committee.
Experience: Nora was formerly a senior banking executive in international and project financing. She has previously held positions with CRA Limited, Macquarie Bank, Chase AMP and Deutsche Bank where, as head of the Project Finance Unit, she was responsible for the development and financing of major projects in Australasia and South East Asia. Through her consulting practice, she has assisted government, corporate and institutional clients in areas such as corporate governance and project and structured finance. She is an associate professor at the Melbourne Business School at Melbourne University. Her previous directorships include Mayne Group Limited, North Limited, IOOF Funds Management, Medical Benefits Fund of Australia Limited and chairman and a director of various energy and water utilities.
Directorships of listed companies held in past three years: Nora has been a director of Mayne Pharma Limited since 2005 and Newcrest Mining Limited and PaperlinX Limited since 2000.

Company Secretary

Sharyn Page Board Executive and Company Secretary. BA, LLB, AACI
Sharyn joined AMP in 1990 and progressed through a variety of legal and compliance roles before taking up the role of assistant company secretary in 2003. She was appointed board executive and company secretary on 18 July 2005. Sharyn is currently studying for a Graduate Diploma in Corporate Governance with Chartered Secretaries Australia.

Attendance at board and committee meetings

Details of attendance by directors of AMP Limited at board and committee meetings held during the year ended 31 December 2005 are as follows:

Board/Committee	AMP Limited board meetings		Audit Committee		Nomination Committee		Remuneration Committee		Ad hoc committees[1]		Subsidiary board and committee meetings[4]	
Held/attended	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
John Astbury	10	10	6	5	–	–	–	–	–	–	7	6
David Clarke[2]	5	5	–	–	–	–	3	3	–	–	8	8
Richard Grellman	10	10	6	6	4	4	–	–	–	–	25	23
Meredith Hellicar	10	10	–	–	–	–	8	8	–	–	4	3
Peter Mason	10	10	2	1	1	1	8	8	–	–	–	–
Andrew Mohl	10	10	–	–	–	–	–	–	2	2	27	22
Nora Scheinkestel	10	10	6	6	4	4	–	–	–	–	16	16
Peter Willcox[3]	8	8	–	–	3	2	5	5	2	2	–	–

Footnote:
Column A – Indicates number of meetings held while the director was a member of the board/committee.
Column B – Indicates number of those meetings attended.
1 Ad hoc committees of the board were constituted during the year in relation to the financial results.
2 David Clarke was appointed to the board on 26 July 2005.
3 Peter Willcox retired from the board on 6 September 2005.
4 Subsidiary board and committee meetings include AMP Life Board and Audit Committee, AMP Bank Board, General Insurance Group (boards and Audit Committees) and AMP Capital Investors (boards and Audit Committees).

The directors also attended other meetings, including management meetings, during the year.

Principal activities

AMP is a leading regional wealth management company with approximately 3.4 million retail customers in Australia and New Zealand and around 3,500 employees. AMP has two major businesses, AMP Financial Services and AMP Capital Investors.

AMP Financial Services distributes a range of financial products and services, primarily through the largest financial planning network in the market. Products and services include financial planning advice, superannuation, retirement savings and income, investments, life and general insurance and selected banking products.

AMP Capital Investors is one of the largest investment managers in Australia and is the largest in New Zealand and also provides investment management services in Asia.

AMP aims to be the leading provider of quality financial advice, simple, value for money products and superior investment performance in Australia and New Zealand.

AMP also owns Cobalt Solutions, which is focused on managing the profitable run-off of AMP's remaining books of general insurance and reinsurance business as well as providing services to external clients.

AMP has approximately 880,000 shareholders and manages more than $100 billion of assets.

Review of operations and results

The result for the year ended 31 December 2005 was a consolidated net profit after tax attributable to shareholders of $809 million, compared to $873 million net profit for the previous corresponding period.

Consolidated profit after income tax was 7.3 per cent lower at $809 million for the year, largely reflecting the anticipated reduction in investment income. Lower investment income reflected two factors: the $1 billion reduction in the capital base (following the 2005 capital return and debt repayment), as well as reduced investment gains from AMP's HHG stake. The HHG stake was sold in September 2005.

AMP is a company focused on helping Australians and New Zealanders manage their financial well-being so they can enjoy the future they want.

During 2005 AMP focused on its core Australian and New Zealand operations with the strategic intent of running the business better than it's ever been run before. This focus on operational excellence has resulted in:

– reductions in unit costs
– growth in cashflows
– outperformance of investments against benchmarks
– improved capital efficiency.

There was a 24 per cent increase in underlying contribution to $801 million for the year to 31 December 2005, reflecting strong growth in business volumes, further reductions in operating costs and good market conditions.

Underlying contribution is AMP's preferred measure of profitability as it removes investment market volatility, and is the basis for calculation of AMP's dividends to shareholders.

The group achieved an underlying return on equity of 25 per cent, compared to 21 per cent in 2004. Total operating margins rose by 29 per cent to $647 million.

In AMP Financial Services (AFS), operating margins for the year rose by 24 per cent to $515 million, reflecting strong growth in business volumes, reductions in controllable costs, higher persistency, good investment markets and improved claims management.

In AMP Capital Investors, operating margins rose by 26 per cent to $92 million. Assets under management rose 13 per cent to $91.1 billion, driven largely by investment returns.

Total assets under management were $104 billion, up 16 per cent from $90 billion at 31 December 2004 reflecting favourable investment markets and strong external cash flows.

Group Office costs not recovered from business units fell from $35 million to $34 million for the year to 31 December 2005.

Cobalt continues to focus on the run-off of its remaining insurance and reinsurance book, with operating margins for the year up 45 per cent to $74 million.

Overall, AMP has continued to perform well across the board with cashflows improving, costs continuing to fall and investment performance remaining strong.

Our focus in 2006 remains on running the business better than it's ever been run before, capturing scale benefits from volume and market growth, reducing costs to drive efficiency and driving ongoing business transformation.

Capital management

AMP has redeemed its remaining $265 million of Income Securities. Under the terms and conditions contained in the Trust Deed for the Income Securities, AMP was able to redeem the securities any time after 10 February 2005. The securities were redeemed on the coupon payment date of 10 May 2005, with the final payment of the face value and interest on the securities.

AMP also improved its debt maturity profile as a result of a debt exchange during the period. The exchange reduced the Group's refinancing risk and took advantage of favourable market conditions.

On 17 February 2005, AMP announced that AMP Limited shareholders would receive a capital return of approximately $750 million – or 40 cents a share. AMP's shareholders approved the capital return at the Annual General Meeting in May 2005, and payment was made in mid-June 2005. The Australian Taxation Office has ruled that the capital return is to be treated as a reduction in the cost base of the shares and not as a taxable dividend.

Capital and reserves of the group have decreased to $2,810 million from $3,141 million at 31 December 2004 as a result of the capital return and dividends paid during 2005, offset by 2005 profits and movements in reserves and contributed equity.

Introduction of Australian Equivalent to IFRS

AMP was required to adopt Australian equivalents to International Financial Reporting Standards (AIFRS) and the Urgent Issues Group abstracts at 1 January 2005. In adopting these new accounting standards, entities are required to provide the financial results for both the current period and the previous comparative period, prepared on the same accounting basis.

Therefore, AMP's consolidated financial statements for the year ending 31 December 2005 were prepared under AIFRS and they include the comparative AIFRS amounts and disclosures for the 2004 full financial year. This has required adjustments to be made, retrospectively, against opening retained earnings at 1 January 2004, as advised in AMP's 2004 annual report.

The impact of AIFRS on opening balances and prior period comparatives has been included within Note 34 to the Financial Report.

Political donations

AMP's current policy is that it does not make donations to political parties. No political donations were made during 2005.

Significant changes to the state of affairs

Details of capital changes during 2005 are set out elsewhere in this report. There have been no other significant changes in the state of affairs during this financial year.

Events occurring after the reporting date

Dividends

Since 31 December 2005, AMP has proposed a final dividend on ordinary shares. Details of the proposed final dividend and dividends paid and declared during the financial year are disclosed in Note 16 of the Financial Report.

Capital return

On 16 February 2006 AMP announced that AMP Limited shareholders will receive a capital return of around $750 million – or 40 cents a share – in the first half of 2006. AMP's shareholders will have the opportunity to approve the proposed capital return at the Annual General Meeting in May 2006. If approved, payment will be made in the first half of 2006. AMP has applied for a ruling from the Australian Taxation Office to treat the capital return as a reduction in the cost base of the shares and not as a taxable dividend.

The capital return will be funded from surplus capital, which stood at over $1.95 billion at 31 December 2005.

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 financial 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.

Likely developments

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

The environment

AMP believes that sound environmental management makes good business sense and creates value for our shareholders, customers, employees and the community.

AMP's environment policy was reviewed by the board in January 2005 and is available on AMP's website www.amp.com.au (For more information on AMP's approach to its social responsibilities, refer to the Corporate Governance Report).

The policy aims to improve AMP's direct environmental impacts by reducing our use of energy, water, paper and other materials and including environmental considerations in our purchasing decisions and product design. To address the environmental impact of investments, AMP incorporates environmental issues in its investment management approach, and encourages the companies in which we invest to continually improve their environmental performance.

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

As an investor, AMP believes that engagement with companies on environmental issues is an effective way to influence management practices for the benefit of customers and the environment.

Remuneration disclosures

The remuneration arrangements for AMP directors and senior executives are outlined in the Remuneration Report which is attached to this report and forms part of the Directors' Report for the year ended 31 December 2005. The Remuneration Report meets the remuneration disclosure requirements of both the Corporations Act 2001 and AASB 124 Related Party Disclosures.

Directors' and senior executives' interests in AMP Limited shares are also set out in the Remuneration Report.

Non-audit services

The Audit Committee has reviewed details of the amounts paid or payable to the auditor for non-audit services provided to the AMP group of companies during the year ended 31 December 2005, by the Company's auditor, Ernst & Young.

The board is satisfied that the provision of those non-audit services by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act and did not compromise the auditor independence requirements of the Corporations Act for the following reasons:

- All non-audit assignments were approved in accordance with the process set out in the AMP Charter of Audit Independence.
- No non-audit assignments were carried out which were specifically excluded by the AMP Charter of Audit Independence.
- The level of fees for non-audit services amounted to $2,452,000 or 23 per cent of total audit fees (refer to Note 32 of the Financial Report for further details).

Auditor's Independence Declaration to the directors of AMP Limited

We have obtained an independence declaration from our auditor, Ernst & Young, a copy of which is attached to this report and forms part of the Directors' Report for the year ended 31 December 2005.

Indemnification and insurance of directors and officers

Under its Constitution, the company has agreed to indemnify, to the extent permitted by law, all officers of the company (including the directors) for any liability (including the costs and expenses of defending actions for an actual or alleged liability), which they may incur in their capacity as an officer of the company.

No indemnity is given to current or former employees of the AMP group against liability incurred in their capacity as an employee, unless approved by the board. No such indemnities have been provided during or since the end of the financial year.

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

In addition, the company and each of the directors are parties to Deeds of Indemnity and Access, as approved by the board. Those Deeds of Indemnity and Access provide that:

- the directors will have access to the books of the company for their period of office and for seven years after they cease to hold office;
- the company indemnifies the directors to the extent permitted by law;
- the indemnity covers liabilities incurred by the directors in their capacity as officers of the company and of other AMP group companies; and
- the company will maintain directors' and officers' insurance cover for the directors to the extent permitted by law for the period of their office and for seven years after they cease to hold office.

Rounding

In accordance with the Australian Securities and Investments Commission Class Order 98/100, amounts in this Directors' Report and the accompanying Financial Report have been rounded off to the nearest million Australian dollars, unless stated otherwise.

The remuneration report provides an overview of AMP's remuneration policies and practices and explains the links between rewards and company performance. The report also gives detailed information about the remuneration arrangements for the Non-Executive Directors of AMP Limited, the CEO and nominated executives[1]. The nominated executives are the persons having authority and responsibility for planning, directing and controlling the activities of the entity and those executives whose remuneration places him or her in the top five most highly remunerated. Some long-term incentive plans described in this report are no longer offered; however we have provided information on them as they could potentially deliver financial benefits to the CEO and executives in the future.

AMP's Remuneration Committee

The Remuneration Committee advises the board on the effectiveness, integrity and legal compliance of AMP's remuneration programs (including share and performance right plans), protocols and practices. Key responsibilities include annually reviewing and recommending to the board the total remuneration package of the CEO, reviewing and approving the remuneration of the CEO's direct reports and the short-term incentive plan performance measures and incentive pool amounts for the AMP group as a whole.

The committee comprises the following independent non-executive directors, Meredith Hellicar (Chairman), Peter Mason and David Clarke. An independent external remuneration consultant has been engaged to provide technical advice and market related information to the committee. Terms of Reference for the Remuneration Committee, updated in June 2005, are available on the AMP website (www.amp.com.au) under 'About AMP', 'Shareholder Centre', 'Corporate Governance', 'Board Committees'.

Section 1. Executive remuneration

1.1 Philosophy

AMP's approach to remuneration is to align executive rewards with the creation of value for AMP shareholders. AMP's remuneration is market competitive and aims to attract, retain and motivate high calibre employees who contribute to the success of AMP's business.

1.2 Structure

Executive remuneration is structured using a mix of 'at risk' and 'not at risk' elements. Detailed descriptions of each element are provided in Sections 1.2.1 and 1.2.2.

1.2.1 Not at risk remuneration

Base salary

An executive's salary is determined according to their level of responsibility, importance to the business and market competitiveness. Base salaries are fixed payments and are reviewed (but not necessarily increased) each year taking into account the appropriate market based salary for the role and individual. The base salary is targeted around the median market rate. This means AMP is ranked broadly in the middle of comparable companies for executive base salaries. Total remuneration above the market median can be achieved through AMP's short and long-term incentives which reward high levels of performance.

Superannuation

Executives, except the CEO, receive superannuation contributions equal to 10.5% of their base salary and their short-term incentive payment. The CEO receives superannuation contributions equal to 9% of the superannuation maximum contribution base.

Remuneration structure

Nominated executive remuneration is structured using a mix of 'at risk' and 'not at risk' elements

	Remuneration element	How measured
Not at risk	Base salary	Target market median of comparable companies dependent upon scope and criticality of role
	Superannuation	10.5% of base salary plus short-term incentive to defined contribution plan[2]
At risk	Short-term incentive (STI)	A mix of financial and qualitative goals measured against financial targets and key stakeholder perspectives
	Long-term incentive (LTI)	
	Currently offered:	
	– Performance rights	– Total Shareholder Return (TSR) performance hurdle
	– Restricted shares[3]	– Employment service requirement
	– Employee Share Acquisition Plan (matching shares)	– Employment service requirement
	– AMP Capital Associates Plan (bonus distribution)	– Employment service requirement
	No longer offered:	
	– Executive Short-term Incentive Program (matching shares)	– Employment service requirement
	– Options	– TSR performance hurdle

Footnote:
1 Non-Executive Directors, the CEO and nominated executives are 'key management personnel' for the purpose of meeting disclosure requirements of 'AASB 124 Related Party Disclosures'.
2 The CEO's superannuation arrangements are different – refer to Section 2.3 of this report.
3 Restricted shares were not awarded to the nominated executives in 2005, however they are currently offered to other senior employees in critical roles.

1.2.2 At risk remuneration

Short-term incentives (STI)

AMP allocates short-term incentives to executives based on how well the Group and individuals perform through the year which aligns executive rewards with the creation of value for AMP shareholders.

The size of the overall short-term incentive pool available each year is determined by AMP's performance against the financial and qualitative measures proposed by the CEO, and approved by the Remuneration Committee. Following the end of the year, the Remuneration Committee assesses AMP's performance for the year against those measures, and determines the size of the pool, in accordance with its delegated authority from the AMP Limited Board. The CEO then distributes the pool among business units and group functions for allocation to individuals based on relative performance against individual objectives.

The following group-wide measures were used in 2005 to determine the size of the short-term incentive pool. They were chosen to be aligned to the company's strategy and objectives, as approved by the AMP Limited Board, and to provide an overall view of performance.

Financial measures 70%

- Underlying return on equity
- Value of new business
- Operating margins
- Controllable costs
- Investment performance

Qualitative measures 30%

- Market and competitive positioning as assessed using appropriate industry surveys
- Progress in developing key stakeholder relationships, including customers, planners, regulatory bodies and employees, to support long-term business objectives

Individual performance objectives consisting of financial and qualitative measures are set at the start of each year and are chosen to be in line with AMP Group and relevant business unit and functional objectives.

Financial measures: An executive's financial measures may include some of the group-wide measures described above, as appropriate for the executive's role, as well as business unit or function-specific measures.

Qualitative measures: An executive's qualitative measures include group-wide measures such as leadership, culture, risk and compliance as well as measures specific to their business unit or function.

Range: Each executive can receive a short-term incentive ranging from 0 to 150% (except for the CEO whose range is 0 to 200%) of their base salary and superannuation, based on the scope of their role (level, responsibility and criticality) and market considerations.

An executive's performance against their objectives is assessed by their immediate manager as he or she is best placed to assess their performance, and calibrated against the performance of their peers to determine their STI payment.

Bonus recommendations are then signed off by a higher level manager to ensure group-wide consistency and quality control.

Long-term incentives

Long-term incentives align executives' interests with long-term company performance and aid in the retention of selected individuals.

AMP offers long-term incentives in the form of performance rights to those executives considered to have the most direct personal influence on AMP's business performance. A performance right is a right to acquire one fully paid ordinary share in AMP after three years, 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).

The eligibility for and number of performance rights awarded to executives is proposed by the CEO and approved by the Remuneration Committee. Each executive has a long-term incentive range based on the scope of their role (level, responsibility and criticality) and market considerations. This long-term incentive range is expressed as a percentage of their base salary. The number of performance rights awarded to eligible executives is determined by dividing the dollar value of their approved long-term incentive award by a grant price related to the underlying AMP share price.

The performance hurdle is Total Shareholder Return (TSR) relative to the top 50 industrials in the S&P/ASX 100. The number of performance rights that vest is determined by a vesting scale based on the level of company performance relative to the comparator group. The performance hurdle and vesting scale 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 Remuneration Committee uses data from an independent external consultant to determine AMP's TSR performance relative to the comparator group. The Remuneration Committee then determines the number of performance rights that vest by applying this data to the vesting scale. The use of an independent external consultant ensures objectivity in measuring AMP's performance. The individual has 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). If the performance hurdle is not achieved the performance rights lapse immediately without re-testing of the performance hurdle. For example, the 2002 grant of performance rights lapsed without value for AMP employees during 2005 as the performance hurdle was not met.

When executives exercise performance rights, these AMP shares are bought 'on market' so there is no dilutionary effect on the value of existing AMP shares.

Executives may also participate in the Employee Share Acquisition Plan (ESAP) where they can elect to receive part of their base salary (and any short-term incentive payments) in the form of AMP shares. Where these shares are held in the plan for at least three years and the executive continues to be employed by AMP, the company will award one matching share for every 10 shares held up to a maximum of 100 matching shares in any year.

Selected executives within AMP Capital Investors may participate in the AMP Capital Associates Plan. Participants in the plan use their own money to invest in deferred purchase agreements with AMP Capital Holdings Limited. Each deferred purchase agreement is known as a CAP unit and allows participants to share in the performance of AMP Capital Investors through annual cash distributions on CAP units (including a one-off bonus distribution of 10% on the third anniversary of purchasing each CAP unit) and the capital value of CAP units.

CAP units are notional shares in AMP Capital Investors. Distributions are linked to a measure of the yield of AMP Capital Investors and the capital value of CAP units is based on independent external valuations of AMP Capital Investors. On redemption, the capital value of the participant's CAP unit holdings is transferred to units in selected AMP Capital unit trusts. Participants must continue to be employed by AMP to remain in the plan.

A description of AMP's long-term incentive plans including how performance hurdles are set and measured is provided in Sections 1.6.1 and 1.6.2 of this report.

1.3 Remuneration mix

The table below shows the percentage of total remuneration at risk and the percentage that is related to performance for the CEO and nominated executives.

	2005 not at risk	2005 at risk				
Role	Total not at risk[1]	STI[2]	Performance rights and options[3]	Subtotal– subject to performance criteria	Matching and restricted shares	Total at risk
Andrew Mohl Chief Executive Officer	28%	44%	23%	67%	5%	72%
Craig Dunn Managing Director, AMP Financial Services	34%	41%	20%	61%	5%	66%
Stephen Dunne Managing Director, AMP Capital Investors	39%	47%	14%	61%	–	61%
Paul Leaming Chief Financial Officer	35%	42%	20%	62%	3%	65%
Peter Hodgett General Manager, Human Resources and Strategy	37%	40%	19%	59%	4%	63%
David Cohen General Counsel	34%	42%	21%	63%	3%	66%
Matthew Percival General Manager, Public Affairs	35%	43%	18%	61%	4%	65%

Footnote:
1 Total not at risk comprises base salary, superannuation on base salary and non-monetary benefits.
2 Superannuation paid on STI is included in the 'At risk – STI' column.
3 For the purposes of executive remuneration disclosure under the Corporations Act, performance rights are options.

1.4 Remuneration and company performance

Company performance and short-term incentives

The table below shows how company performance relates to the short-term incentive pools paid to employees over the past five years. The table also shows the short-term incentives paid as a percentage of maximum opportunity.

	2001	2002	2003[1]	2004	2005
Operating margins ($m)	880	636	462	502	647
Underlying return on equity	13.1%	9.3%	18.1%	21.2%	25.0%
Controllable costs ($m)	3,131	2,595	843	833	805
Short-term incentive pool ($m)	122	101	74	71	70
Short-term incentive as % of maximum opportunity	48%	38%	64%	80%	78%

Footnote:

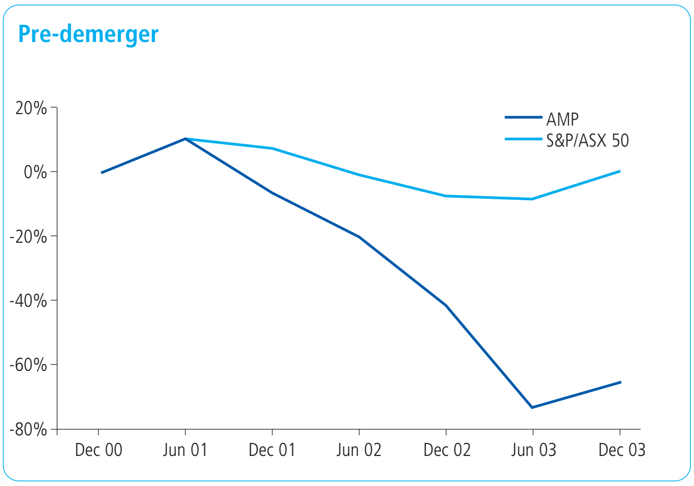
1 On demerged basis.

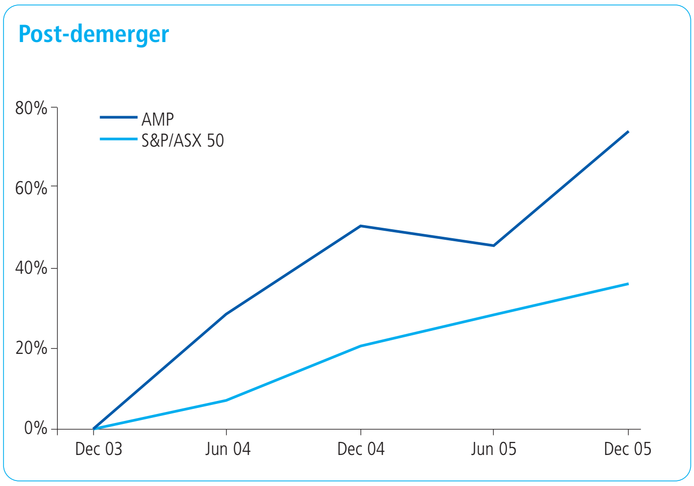
Company performance since the demerger in December 2003 has provided year-on-year increases in operating margins and returns on equity. As a result, short-term incentives, as a percentage of maximum opportunity, have been higher than those prior to the demerger.

Company performance and long-term incentives

The vesting of options and performance rights awarded to the CEO and executives since June 2000 have all been subject to a performance hurdle consisting of AMP's total shareholder return relative to a comparator group of ASX 100 top 50 companies (industrials).

AMP's total shareholder return compared to the S&P/ASX 50 index over the past five years reflects the significant difference in AMP's performance before and after the demerger. The total shareholder return is calculated as the growth in share price (using the ASX adjusted price series) plus dividend payments and capital returns over the period.





The annual long-term incentive grants made in 2000, 2001 and 2002 have either already lapsed without value or are very likely to lapse without value in 2006, reflecting AMP's poor return to shareholders during the period to December 2003.

Since December 2003, AMP has performed well relative to its comparator group of companies and performance rights grants made in 2003, 2004 and 2005 are currently tracking well above the 50th percentile. Therefore a proportion of these performance rights will vest if performance continues at this level.

1.5 Summary of nominated executives' employment contracts

Details of the nominated executives' contracts of employment are as follows:

Contract components	Details
Length of contract	Open-ended
Base salary	Reviewed annually (not necessarily increased) Base salary approved by Remuneration Committee
Short-term incentive	The short-term incentive opportunity range is 0% to 150% of base salary Actual short-term incentive payments are subject to approval by the Remuneration Committee
Long-term incentive	Long-term incentive awards are proposed by the CEO and approved by the Remuneration Committee Under current policy, a maximum long-term incentive opportunity of 120% of base salary applies
Superannuation	10.5% of base salary and short-term incentive payment
Resignation	Six months notice
Termination on notice by AMP	12 months notice or AMP makes a cash payment in lieu of notice (except in the case of termination for misconduct)
Termination for serious misconduct	Performance rights, options and unvested shares are forfeited
Other	AMP will reimburse up to $7,500 annually for taxation, legal and/or financial planning advice.

The levels of base salary, STI and LTI are reviewed annually and determined in line with the policy outlined in Sections 1.1 and 1.2 of this report.

1.6 Description of long-term incentive plans

1.6.1 Plans currently offered

Plans currently offered – Performance rights

The following tables summarise the terms and conditions of performance rights awarded to the CEO and executives. For a description of performance rights refer to Section 1.2.2 of this report.

2005 annual grant (made on 1 September 2005)	
Performance period	1 August 2005 to 31 July 2008
Retesting	No
Exercise period	Up to two years from end of performance period
Performance condition	AMP's TSR ranking compared to that of the S&P/ASX 100 top 50 companies (industrials) as at 1 August 2005
% of performance rights to vest under performance condition	– None vest if AMP's TSR ranking is below the 50th percentile of the market comparator group – 50% vest if AMP's TSR ranking is at the 50th percentile of the market comparator group – Between the 50th and 75th percentile, vesting is on a straight line basis with AMP's ranking against the market comparator group (+ 2% for each percentile [rounded to the nearest whole percentile] over the 50th percentile of the comparator group) – 100% vest if AMP's TSR ranking is in at least the 75th percentile of the market comparator group
Comparator group	Commonwealth Bank of Australia, National Australia Bank, ANZ Banking Group, Westpac Banking Corporation, Telstra Corporation, Westfield Group, Woolworths, Wesfarmers, Macquarie Bank, Rinker Group, St George Bank, QBE Insurance Group, AMP, News Corporation, Suncorp-Metway, Foster's Group, Coles Myer, Insurance Australia Group, Macquarie Infrastructure Group, Tabcorp Holdings, Brambles Industries, General Property Trust, Stockland, CSL, Australian Gas Light Company, Publishing & Broadcasting, Qantas Airways, Amcor, Transurban Group, Telecom Corporation of NZ, Promina Group, Orica, Macquarie Goodman Group, Aristocrat Leisure, Macquarie Airports, Lend Lease Corporation, Centro Properties Group, AXA Asia Pacific Holdings, Boral, Fairfax Holdings, James Hardie Industries, DB Rreef Trust, Coca-Cola Amatil, Patrick Corporation, Toll Holdings, Mirvac Group, Sonic Healthcare, Foodland Associated, Mayne Group, Investa Property Group.

2004 annual grant (made on 6 September 2004)

Performance period	1 August 2004 to 31 July 2007
Retesting	No
Exercise period	Up to two years from end of performance period
Performance condition	AMP's TSR ranking compared to that of the S&P/ASX 100 top 50 companies (industrials) as at 1 August 2004
% of performance rights to vest under performance condition	Same vesting criteria as 2005 grant
Comparator group	As for 2005 grant + Resmed Inc, PaperlinX Ltd, CSR Ltd – Aristocrat, DB Rreef Trust, Foodland Associated
2005 capital return adjustment	On 19 May 2005, shareholders approved a 40 cent per share capital return to shareholders. To compensate for the diminution in the value of the performance rights granted (that would otherwise occur by reason of the 40 cents per share capital return) participating employees will be paid 40 cents for each performance right that vests and is converted into an AMP share. The terms and conditions of the performance rights were not altered as a result of the capital return.

2003 annual grant (made on 23 October 2003) and related grant as demerger adjustment (made on 18 March 2004)

Performance period	30 August 2003 to 29 August 2006
Retesting	No
Exercise period	Up to two years from end of performance period
Performance condition	TSR performance hurdle compared to that of the S&P/ASX 100 top 50 companies (industrials) as at 30 August 2003
% of performance rights to vest under performance condition	Same vesting criteria as 2005 grant
Comparator group	As for 2005 grant + Westfield Trust, Westfield Holdings Ltd, Westfield America Trust, Resmed Inc, PaperlinX Ltd, CSR Ltd, Southcorp Ltd – Westfield Group, Aristocrat, Macquarie Airports, DB Rreef Trust, Toll Holdings, Sonic Healthcare, Investa Property Group
2005 capital return adjustment	As described for 2004 performance right grant.

2002 annual grant (made on 25 November 2002) and related grant as demerger adjustment (made on 18 March 2004)
Note: All performance rights held in respect of this grant lapsed without value during 2005 as the performance hurdles were not met.

Performance period	31 August 2002 to 30 August 2005	
Retesting	No	
Exercise period	Up to two years from end of performance period	
Performance condition	1. (25% allocation)	TSR performance hurdle compared to that of the S&P/ASX 100 top 50 companies (industrials) as at 31 August 2002
	2. (50% allocation)	TSR performance hurdle compared to selected group of international companies in life insurance and wealth management as at 31 August 2002
	3. (25% allocation)	Earnings per share (EPS) growth over the three-year period from 31 December 2001 to 31 December 2004 compounded annually
% of performance rights to vest	Performance condition 1	Same vesting criteria as 2005 grant
	Performance condition 2	Same vesting criteria as 2005 grant
	Performance condition 3	– 0% vest if AMP's EPS growth over the three years averages less than 7% per annum compounded annually – 50% vest if AMP's EPS growth over the three years is 7% per annum compounded annually – Between 7% and 12% EPS growth per annum compounded annually, the performance rights vest on a straight line basis – 100% vest if AMP's EPS growth over the three years averages 12% per annum or more compounded annually
Comparator group	Performance condition 1	As for 2005 grant + Westfield Trust, Westfield America Trust, Southcorp, News Corporation (DP), Singapore Telecommunications, Harvey Norman, Leighton Holdings, Lion Nathan, Bank of Western Australia – Transurban Group, Promina Group, Macquarie Goodman Group, Macquarie Airports, Centro Properties Group, DB Rreef Trust, Sonic Healthcare, Foodland Associated, Investa Property Group, Rinker Group
	Performance condition 2	AXA Asia Pacific, AGF, AXA, Allianz, Irish Life, Generali, RAS, Aegon, Tower Limited, Skandia, Baloise, Swiss Life, Zurich Financial Services, Britannic Group, CGNU, Friends Provident, Legal & General, Old Mutual, Prudential, Royal & Sun Alliance
Demerger	As a result of the demerger, EPS was modified. The modified EPS measure is determined as the weighted average of AMP's compound annual growth in EPS for the two year period from 31 December 2001 to 31 December 2003 and AMP's growth in EPS from 31 December 2003 to 31 December 2004 from the pro-forma EPS for AMP on a demerged basis.	

2002 off-cycle grant (made on 22 February 2003) awarded to Mr Cohen who was appointed after the 2002 annual grant

Performance period	22 February 2003 to 21 February 2006
Retesting	No
Exercise period	Up to two years from the end of the performance period
Performance condition, % of performance rights to vest and comparator group	The same as for the 2002 annual grant as detailed in the previous table.

Plans currently offered – Restricted shares

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

Restricted shares are offered to selected high performing employees with the potential to contribute significantly to AMP's overall business success. The purpose of the grant is to recognise such employees and assist in retaining them.

While restricted shares are offered to selected employees, they are no longer offered to the CEO and nominated executives. However Mr Craig Dunn, Managing Director AMP Financial Services, continues to hold restricted shares, which were allocated to him while in a previous role.

As this program is designed as a means of retaining employees, no performance hurdles apply, however a three-year holding period is placed on these shares. If the individual resigns from AMP 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. There is no cash consideration for these shares.

Plans currently offered – Employee Share Acquisition Plan (ESAP)

AMP currently offers all eligible employees the opportunity to become shareholders in AMP through the ESAP. Under ESAP, eligible employees, including executives, 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 all employee participants use salary sacrifice to acquire these shares.

As an additional incentive to acquire shares, participants are entitled to receive (for no cash consideration) 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 conditions for receiving matching shares as ESAP is primarily designed to encourage employee share ownership.

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, depending on the reason for ceasing employment.

2005 capital return

On 19 May 2005, shareholders approved a 40 cent per share capital return to shareholders. To compensate for the reduction in the value of the entitlement to matching shares in respect of shares held in the plan immediately prior to the capital return, participating employees will be paid 40 cents per share if those entitlements vest and are converted into AMP shares. The terms and conditions of matching shares were not altered as a result of the capital return.

Demerger

To compensate participants for the effect of the demerger and the AMP Rights Offer on the value of the entitlements to matching shares, the number of matching shares that participants may receive for ESAP shares acquired before the demerger was increased. For every 10 of these pre-demerger ESAP shares held in the plan as at 23 December 2003, each participant may receive 1.2255 matching shares, with the resulting number to be rounded up to the next highest whole number (up to a maximum of 123 matching shares in any 12-month period).

Plans currently offered – AMP Capital Associates Plan

The AMP Capital Associates Plan is offered to selected AMP Capital Investors executives. Mr Stephen Dunne, Managing Director, AMP Capital Investors participated in this plan during 2005.

During 2005, the AMP Capital Associates Plan was introduced to motivate key executives in AMP Capital Investors by strengthening the alignment of the interests of key executives with the long-term performance of AMP Capital Investors.

Selected executives within AMP Capital Investors may participate in the AMP Capital Associates Plan. Participants in the plan use their own money to invest in deferred purchase agreements with AMP Capital Holdings Limited. Each deferred purchase agreement is known as a CAP unit and allows participants to share in the performance of AMP Capital Investors through annual cash distributions on CAP units and the change in capital value of CAP units. CAP units are notional shares in AMP Capital Investors. Distributions are linked to a measure of the yield of AMP Capital Investors and the capital value of CAP units is based on independent external valuations of AMP Capital Investors.

On the third anniversary of the purchase of each tranche of CAP units, a one-off bonus distribution equal to 10% of the capital value of that tranche is made in cash to the participant provided that the CAP units have not been redeemed. This bonus distribution is compensation for reduced liquidity as, generally, the first opportunity for redemption of the investment is after three years; and for higher risk compared to more diversified investments. There are no further performance conditions for receiving the bonus distribution.

On redemption, the value of the participant's CAP unit holdings is transferred to units in selected AMP Capital unit trusts. A minimum holding period of three years applies before CAP units can be redeemed. In the case of termination of employment with AMP, holders are required to redeem their units.

1.6.2 Plans no longer offered

Plans no longer offered – Executive Short-term Incentive Program

While the Executive Short-term Incentive Program is no longer offered, it is summarised below as the CEO and some executives still hold shares under the three-year holding lock, and may receive matching shares in the future.

At the time the plan was offered, AMP invited selected executives to nominate up to 25% of any 2002 or 2003 short-term incentive to be received in AMP shares. In addition, selected senior executives were required to take 30% of their 2002 and 2003 short-term incentive as shares. As executives' salary sacrificed their short-term incentive for AMP shares, no performance hurdles applied after the short-term incentive was granted.

For shares acquired in March 2004 as part of the 2003 Executive Short-term Incentive Program, each participant has a maximum entitlement of one matching share (for no cash consideration) for each share held in the plan for three years.

A three-year holding lock is imposed on these shares and if executives remain in employment for three years they receive a full entitlement of matching shares. There are no performance criteria attached to receiving matching shares as the program was designed primarily as a retention tool. Participants who cease to be employed by AMP within the three-year holding period may lose their entitlement to receive some or all of their matching shares, depending on the reason their employment ceases.

2005 capital return

On 19 May 2005, shareholders approved a 40 cent per share capital return to shareholders. To compensate for the reduction in the value of the entitlement to matching shares in respect of shares held in the plan immediately prior to the capital return, participating employees will be paid 40 cents per share if those entitlements vest and are converted into AMP shares. The terms and conditions of matching shares were not altered as a result of the capital return.

Demerger

For shares acquired in March 2003 as part of the 2002 Executive Short-term Incentive Program, each participant has a maximum entitlement of 1.2255 matching shares (for no cash consideration) for each share held in the plan for three years. This is because each participant's original entitlement to matching shares on a one for one basis was increased by 22.55% to compensate for the effect of the demerger and the AMP Rights Offer on the value of matching share entitlements.

Plans no longer offered – Executive Option Plan

In the past, the CEO and executives were granted options to purchase AMP shares, subject to various performance hurdles. However, options have not been offered under this plan since 2002. None of the option plans described below have met their performance hurdle and they are likely to lapse when the performance hurdle is tested at the end of the extended performance period.

The ability to exercise options is subject to a performance hurdle that is tested at the end of a three-year performance period. Prior to their exercise, option holders do not receive dividends or have other shareholder benefits (including any voting rights).

The performance hurdle is Total Shareholder Return (TSR) relative to a group of comparable companies by market capitalisation immediately before the date of grant size. The number of options that vest is determined by a vesting scale based on the level of company performance relative to the comparator group. The performance hurdle and vesting scale 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 Remuneration Committee uses data from an independent external consultant to determine AMP's TSR performance relative to the comparator group. If some or all options do not vest at this time then the performance period is extended by two years. Options that have not vested at the end of the extended performance period lapse. Options that have vested can be exercised up to 10 years from the grant date.

2005 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 2005 capital return of 40 cents per share to shareholders. The terms and conditions of the options were not altered as a result of the capital return as the reduction in exercise prices occurred under their original terms. Details of option price reductions are shown in the share-based payments section of the full financial report.

Demerger

The exercise prices of options were reduced to reflect the impact of the demerger and the AMP Rights Offer and are shown in the share-based payments section of the full financial report.

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

2001 annual grant (made on 21 July 2001)

Performance period	21 July 2001 to 20 July 2004
Retesting	Yes, if some or all options do not vest when the performance hurdle is tested after the initial three-year performance period ends, then the performance period is extended by two years to 20 July 2006
Exercise period	21 July 2004 to 20 July 2011
Performance condition	AMP's TSR ranking compared to that of ASX 100 top 50 companies (industrials) as at 20 July 2001
% of options to vest under performance condition	– 0% vest if AMP's TSR ranking is below the 25th percentile of the market comparator group – 20% vest if AMP's TSR ranking is at the 25th percentile of the market comparator group – Between the 25th and 65th percentile, vesting is on a straight line basis with AMP's ranking against the market comparator group (+ 2% for each percentile rounded to the nearest whole percentile over the 25th percentile of the comparator group) – 100% vest if AMP's TSR ranking is in at least the 65th percentile of the market comparator group
Comparator group	Commonwealth Bank of Australia, National Australia Bank, ANZ Banking Group, Westpac Banking Corporation, Telstra Corporation, Woolworths, Wesfarmers, Macquarie Bank, St George Bank, QBE Insurance Group, AMP, News Corporation, Suncorp-Metway, Foster's Group, Coles Myer, Insurance Australia Group, Tabcorp Holdings, Brambles Industries, General Property Trust, Stockland, CSL, Australian Gas Light Company, Publishing & Broadcasting, Qantas Airways, Amcor, Telecom Corporation of NZ, Aristocrat Leisure, Lend Lease Corporation, AXA Asia Pacific Holdings, Coca-Cola Amatil, Westfield Holdings, Macquarie Infrastructure Group, Mayne Group, CSR, Westfield America Trust, John Fairfax Holdings, Leighton Holdings, News Preference Shares, Harvey Norman Holdings, Resmed CDI, James Hardie Industries, Southcorp, Computershare, Howard Smith, Faulding FH and Co, Westfield Trust, Bank of Western Australia, Cable and Wireless Optus, Lion Nathan, Australian Foundation Investment Company.

2001 off-cycle grant (made on 23 March 2002) awarded to Mr Dunn who was appointed to the role of Director of the Office of the CEO (previous role)

Performance period	23 March 2002 to 22 March 2005
Retesting	Yes, if some or all options do not vest when the performance hurdle is tested after the initial three-year performance period ends, then the performance period is extended by two years to 22 March 2007
Exercise period	23 March 2005 to 22 March 2012
Performance condition	AMP's TSR ranking compared to that of ASX 100 top 50 companies (industrials) as at 20 July 2001
% of options to vest under performance condition	As per 2001 annual grant
Comparator group	As per 2001 annual grant.

Section 2. CEO remuneration

2.1 Contract
Mr Mohl has a five-year fixed-term employment contract, which commenced on 7 October 2002.

2.2 Base salary
Mr Mohl's base salary is reviewed annually by the AMP Board, and he received $1.559 million for the 2005 year.

2.3 Superannuation
Mr Mohl receives superannuation contributions equal to 9% of the superannuation maximum contribution base. For the 2005 year, $11,862 was paid to Mr Mohl's superannuation plan.

2.4 Short-term incentive
Mr Mohl's contract includes the opportunity to earn a short-term incentive based on performance against a range of 2005 financial, qualitative and personal performance measures:

- 49% AMP group financial measures (as per Section 1.2.2)
- 21% AMP group qualitative measures (as per Section 1.2.2)
- 30% personal performance measures (running the business, cultural transformation, growth strategy, personal leadership, external positioning, succession planning).

These measures were recommended by the Remuneration Committee and approved by the AMP Board and were considered to be the key indicators of the CEO's performance.

Mr Mohl's annual short-term incentive opportunity is 0% to 200% of base salary. Any short-term incentive payments awarded to Mr Mohl will be paid in cash.

For the 2005 year the board determined that Mr Mohl's short-term incentive payment was $2,511,000 which is 155% of his base salary.

2.5 Long-term incentive
Mr Mohl's contract includes the opportunity to earn a long-term incentive, in the form of performance rights.

Performance rights can be exercised at the end of the three-year performance period, provided a pre-determined performance hurdle is met.

The Remuneration Committee makes recommendations on Mr Mohl's performance rights grant to the AMP Board for approval. Details of the 2005 grant, including performance conditions, vesting scale and comparator group are shown in Section 1.6.1.

Mr Mohl's annual long-term incentive opportunity is 150% of base salary. In 2005 he received 372,129 performance rights with a fair value of $1.559 million (refer Section 3, 'Remuneration tables – CEO and executives', footnote 7 for the description of 'fair value').

2.6 Other
AMP will reimburse Mr Mohl for taxation, legal and/or financial planning advice.

2.7 Termination arrangements
Mr Mohl must provide six months written notice to AMP if he wishes to terminate his employment contract.

In the event AMP terminates Mr Mohl's employment, for any reason other than unsatisfactory performance, AMP must give Mr Mohl two months written notice and provide a payment equivalent to the base salary over the period of:

(a) 16 months if the termination date is between 8 October 2005 and 7 October 2006 (inclusive); or
(b) 10 months if the termination date is between 8 October 2006 and 7 October 2007 (inclusive); or
(c) 12 months if Mr Mohl's contract is not renewed. Note: Mr Mohl's employment with other companies is restricted during this time.

In addition, Mr Mohl would receive statutory entitlements including accrued long service and annual leave as well as accumulated superannuation benefits.

In the event that Mr Mohl's employment ceases as a result of poor performance, AMP must give Mr Mohl written notice or payment comprising the lesser of 12 months or the balance of the period until the expiry of the term of his contract. In the event of termination as a result of poor performance, or serious misconduct or cessation of employment by Mr Mohl, performance rights (vested and unvested) lapse immediately.

Section 3. Remuneration tables – CEO and executives

3.1 Total remuneration

The table below shows the remuneration details of the CEO and nominated executives who make or participate in making decisions that affect the whole or a substantial part of the business of AMP or who have the capacity to significantly affect the company's financial standing, and includes the five executives receiving the highest remuneration for the year.

	Short-term benefits			Post-employment benefits		Share-based payments[6]		Other long-term benefits			Total
	Cash salary $'000	Short-term incentive $'000	Other short-term benefits $'000	Super-annuation benefits $'000	Subtotal $'000	Value of options and performance rights[7] $'000	Value of matching shares and restricted shares[8] $'000	CAPs – bonus distribution[9] $'000	Restructure and employee retention payments $'000	Termination payments $'000	$'000
Andrew Mohl[1,2,3]											
2005	**1,559**	**2,511**	**31**	**12**	**4,113**	**1,328**	**316**	**–**	**–**	**–**	**5,757**
2004	1,350	2,160	19	11	3,540	911	231	–	1,500	–	6,182
Craig Dunn[1,3]											
2005	**725**	**883**	**7**	**169**	**1,784**	**470**	**111**	**–**	**–**	**–**	**2,365**
2004	608	729	7	140	1,484	516	148	–	338	–	2,486
Stephen Dunne[1,3]											
2005	**548**	**663**	**–**	**127**	**1,338**	**216**	**–**	**8**	**–**	**–**	**1,562**
2004	444	570	–	106	1,120	152	–	–	175	–	1,447
Paul Leaming[1,3]											
2005	**653**	**782**	**7**	**151**	**1,593**	**413**	**70**	**–**	**–**	**–**	**2,076**
2004	585	702	7	135	1,429	335	61	–	325	–	2,150
Peter Hodgett[1,3,4]											
2005	**494**	**596**	**7**	**173**	**1,270**	**309**	**55**	**–**	**–**	**–**	**1,634**
2004	428	513	7	146	1,094	269	48	–	238	–	1,649
David Cohen[1,3]											
2005	**468**	**565**	**7**	**108**	**1,148**	**309**	**44**	**–**	**–**	**–**	**1,501**
2004	405	486	–	94	985	207	36	–	225	–	1,453
Matthew Percival[1,3]											
2005	**416**	**502**	**–**	**96**	**1,014**	**229**	**50**	**–**	**–**	**–**	**1,293**
2004	360	432	–	83	875	159	44	–	200	–	1,278
Total 2005	**4,863**	**6,502**	**59**	**836**	**12,261**	**3,274**	**646**	**8**	**–**	**–**	**16,189**
2004 – for CEO and executives disclosed above	4,180	5,592	40	715	10,527	2,549	568	–	3,001	–	16,645
2004 – for CEO and executives disclosed in 2004[5]	4,099	5,235	40	662	10,036	2,648	532	–	3,251	4,490	20,957

Footnote:

1 As per Mr Mohl's and the executives' contractual arrangements, non-monetary benefits consist of legal fees, taxation and financial planning advice.

2 Mr Mohl receives superannuation contributions equal to 9% of the superannuation maximum contribution base, this being the minimum level of employer contributions required in accordance with superannuation law.

3 Restructure and employee retention arrangements were paid to key employees who were either critical to successful completion of the demerger, or were considered critical to business as usual activities to those parts of AMP's businesses which were significantly impacted by the demerger process. The first payment, equal to one third of total eligible payments, and subject to performance requirements, was made on the successful completion of the demerger in December 2003, with the remaining two-thirds paid during the first six months of 2004. Employees who resigned forfeited unpaid amounts.

4 Mr Hodgett's rate of employer superannuation contributions changed to 10.5% in August 2005. Previously, his employer contribution rate was 19%.

5 In line with disclosure requirements, the totals for year ended 31 December 2004 relate to individuals disclosed in the 2004 annual report and so do not equal the sum of amounts disclosed for individuals specified above.

6 All share-based payments are equity settled as per AASB 2.

7 The fair value of options and performance rights has been calculated as at the grant date by external consultants using simulation techniques. Fair value has been discounted for the probability of not meeting the performance hurdles. In the case of the 2002 performance rights and corresponding demerger adjustment grant made in March 2004, the fair value was further adjusted to reflect the vesting percentage that was assessed according to an earnings per share performance hurdle. Note that these performance rights lapsed in 2005 and no payment was received in practice by the relevant executives. The value of the award made in any year is amortised over the vesting period.

8 The fair value of restricted shares has been determined using the share price of AMP ordinary shares on the grant date. Under the Employee Share Acquisition Plan (ESAP), and the Executive Short-term Incentive Program, participating employees may receive matching shares at the end of the specified vesting period. The employee has no right to dividends on these matching shares until after they are granted. Each matching share has been valued by external consultants as the face value of an AMP ordinary share at grant date less the present value of the expected dividends (not received). The value of the award made in any year is amortised over the vesting period.

9 The fair value of the bonus distribution in the AMP Capital Associates Plan has been determined as being 10% of the capital value of each tranche of CAP units on the date of purchase. The value of the bonus distribution is amortised over the three-year vesting period.

3.2 Performance rights holdings

The table below summarises the holdings of performance rights granted to the CEO and nominated executives. None of the CEO's or nominated executives' performance rights are vested and exercisable at the date of this report.

Name	Grant date	Holding at 1 Jan 2005	Granted	Exercised	Lapsed[3]	Holding at 31 Dec 2005[4]	Fair value per performance right[5]
CEO and nominated executives							
Andrew Mohl	25-Nov-02[1]	92,278	–	–	92,278	–	$4.98
	23-Oct-03[2]	400,000	–	–	–	400,000	$3.84
	18-Mar-04	20,809	–	–	20,809	–	$0.41
	18-Mar-04	80,318	–	–	–	80,318	$2.78
	06-Sep-04	340,337	–	–	–	340,337	$3.55
	01-Sep-05	–	372,129	–	–	372,129	$4.19
		933,742	372,129	–	113,087	1,192,784	
Aggregate fair value			$1,559,221	$ –	$ –		
Craig Dunn	25-Nov-02	47,277	–	–	47,277	–	$4.98
	23-Oct-03	134,768	–	–	–	134,768	$3.84
	18-Mar-04	10,661	–	–	10,661	–	$0.41
	18-Mar-04	27,061	–	–	–	27,061	$2.78
	06-Sep-04	122,522	–	–	–	122,522	$3.55
	01-Sep-05	–	116,291	–	–	116,291	$4.19
		342,289	116,291	–	57,938	400,642	
Aggregate fair value			$487,259	$ –	$ –		
Stephen Dunne	25-Nov-02	15,689	–	–	15,689	–	$4.98
	23-Oct-03	34,768	–	–	–	34,768	$3.84
	18-Mar-04	3,538	–	–	3,538	–	$0.41
	18-Mar-04	6,981	–	–	–	6,981	$2.78
	06-Sep-04	79,832	–	–	–	79,832	$3.55
	01-Sep-05	–	87,290	–	–	87,290	$4.19
		140,808	87,290	–	19,227	208,871	
Aggregate fair value			$365,745	$ –	$ –		
Paul Leaming	25-Nov-02	45,526	–	–	45,526	–	$4.98
	23-Oct-03	118,377	–	–	–	118,377	$3.84
	18-Mar-04	10,267	–	–	10,267	–	$0.41
	18-Mar-04	23,770	–	–	–	23,770	$2.78
	06-Sep-04	103,236	–	–	–	103,236	$3.55
	01-Sep-05	–	103,025	–	–	103,025	$4.19
		301,176	103,025	–	55,793	348,408	
Aggregate fair value			$431,675	$ –	$ –		

Name	Grant date	Holding at 1 Jan 2005	Granted	Exercised	Lapsed[3]	Holding at 31 Dec 2005[4]	Fair value per performance right[5]
Peter Hodgett	25-Nov-02	33,277	–	–	33,277	–	$4.98
	23-Oct-03	91,059	–	–	–	91,059	$3.84
	18-Mar-04	7,504	–	–	7,504	–	$0.41
	18-Mar-04	18,284	–	–	–	18,284	$2.78
	06-Sep-04	74,005	–	–	–	74,005	$3.55
	01-Sep-05	–	78,561	–	–	78,561	$4.19
		224,129	78,561	–	40,781	261,909	
Aggregate fair value			$329,171	$ –	$ –		
David Cohen	22-Feb-03	36,771	–	–	–	36,771	$3.46
	23-Oct-03	85,596	–	–	–	85,596	$3.84
	18-Mar-04	8,292	–	–	–	8,292	$1.28
	18-Mar-04	17,187	–	–	–	17,187	$2.78
	06-Sep-04	74,874	–	–	–	74,874	$3.55
	01-Sep-05	–	74,426	–	–	74,426	$4.19
		222,720	74,426	–	–	297,146	
Aggregate fair value			$311,845	$ –	$ –		
Matthew Percival	25-Nov-02	25,214	–	–	25,214	–	$4.98
	23-Oct-03	58,278	–	–	–	58,278	$3.84
	18-Mar-04	5,686	–	–	5,686	–	$0.41
	18-Mar-04	11,702	–	–	–	11,702	$2.78
	06-Sep-04	62,320	–	–	–	62,320	$3.55
	01-Sep-05	–	66,157	–	–	66,157	$4.19
		163,200	66,157	–	30,900	198,457	
Aggregate fair value			$277,198	$ –	$ –		

Footnote:

1 Performance rights granted on 25 November 2002 reflected the responsibilities of Mr Mohl's role as managing director of AMP Financial Services.
2 Performance rights granted on 23 October 2003 reflected Mr Mohl's increased responsibilities as CEO during both 2002 and 2003.
3 The fair value of performance rights that lapsed during the year was zero at the time of, and immediately prior to, lapse.
4 All performance rights holdings as at 31 December 2005 are unvested.
5 For details on how performance rights values are determined see Section 3.1, footnote 7 of this report. The fair values are as at the date they were granted.

3.3 Option holdings

The table below summarises the holdings of options granted to the CEO and executives.

Name	Holding at 1 Jan 2005	Granted	Exercised	Lapsed[1]	Holding at 31 Dec 2005	Vested and exercisable at 31 Dec 2005
CEO and nominated executives						
Andrew Mohl	350,000	–	–	250,000	100,000	100,000
Craig Dunn	210,000	–	–	40,000	170,000	30,000
Stephen Dunne	82,500	–	–	35,000	47,500	10,000
Paul Leaming	110,000	–	–	35,000	75,000	40,000
Peter Hodgett	120,000	–	–	35,000	85,000	40,000
David Cohen	–	–	–	–	–	–
Matthew Percival	150,000	–	–	100,000	50,000	–

Footnote:

1 Lapsed as a result of not meeting the performance hurdle. The fair value of options that lapsed during the year was zero at the time of, and immediately prior to, lapse.

3.4 Shareholdings in AMP Limited

The table below summarises the movements in holdings of shares in AMP Limited held by the CEO and nominated executives and their personally related entities.

Name	Holding at 1 Jan 2005	Granted as remuneration during the period	Received on exercise of performance rights or options	Other changes[1]	Holding at 31 Dec 2005
CEO and nominated executives					
Andrew Mohl	410,409	–	–	–	410,409
Craig Dunn[2]	68,465	–	–	–	68,465
Stephen Dunne	525	–	–	–	525
Paul Leaming	44,500	–	–	–	44,500
Peter Hodgett	80,232	–	–	43,272	123,504
David Cohen	29,538	–	–	–	29,538
Matthew Percival	52,191	–	–	(1,224)	50,967

Footnote:

1 Other changes represent individuals' purchases and sales made during the period. Purchases made during the period include those shares purchased and held under the Employee Share Acquisition Plan. For further details on the terms and conditions of these plans, see Section 1.6 of this report.

2 The AMP Limited shareholdings of Mr Dunn include 10,000 restricted shares granted on 28 March 2002. For further details on the terms and conditions of restricted shares, see Section 1.6 of this report.

3.5 Vesting of incentives

3.5.1 Incentives that vested, were paid or lapsed during 2005

Short-term incentives

100% of the 2005 short-term incentive for each nominated executive will be paid as cash in March 2006, subject to each nominated executive's continued employment within the AMP Group at the payment date. No amounts vest in future financial years in respect of 2005 short-term incentives.

Long-term incentives

100% of the performance rights awarded to nominated executives under the 2002 long-term incentive program, and 100% of the options awarded to nominated executives under the 2000 long-term incentive program, lapsed without value in 2005 as the respective performance hurdles were not met.

100% of the restricted shares awarded to Mr Craig Dunn vested during 2005 as he met the service requirement of this grant. 100% of the matching share entitlements for Mr Peter Hodgett and Mr Matthew Percival in respect of shares acquired in the Employee Share Acquisition Plan in 2002 vested during 2005 as they met the service requirements of these entitlements. No other long-term incentives awarded to nominated executives in this or previous financial years vested or were forfeited in 2005. Vesting of long-term incentives in future financial years is subject to performance hurdles and/or service requirements.

3.5.2 Equity grants that may vest in future years

The estimated maximum and minimum values of equity-based remuneration granted to the CEO and nominated executives that vest in future financial years are set out below. The maximum value represents the fair value of awards made in 2005 and prior financial years that may vest in future financial years. The minimum value of awards yet to vest is nil (as at the grant date) as the respective performance hurdles and/or service requirement may not be met and consequently the awards may not vest.

	2006 Minimum $'000	2006 Maximum $'000	2007 Minimum $'000	2007 Maximum $'000	2008 Minimum $'000	2008 Maximum $'000
Andrew Mohl						
2003 Performance rights	–	1,759	–	–	–	–
2004 Performance rights	–	–	–	1,208	–	–
2005 Performance rights	–	–	–	–	–	1,559
2002 Executive STI Program (matching shares)	–	370	–	–	–	–
2003 Executive STI Program (matching shares)	–	–	–	585	–	–
Total	**–**	**2,129**	**–**	**1,793**	**–**	**1,559**
Craig Dunn						
2003 Performance rights	–	593	–	–	–	–
2004 Performance rights	–	–	–	435	–	–
2005 Performance rights	–	–	–	–	–	487
2002 Executive STI Program (matching shares)	–	98	–	–	–	–
2003 Executive STI Program (matching shares)	–	–	–	191	–	–
Total	**–**	**691**	**–**	**626**	**–**	**487**
Stephen Dunne						
2003 Performance rights	–	153	–	–	–	–
2004 Performance rights	–	–	–	283	–	–
2005 Performance rights	–	–	–	–	–	366
AMP Capital Associates Plan	–	–	–	–	–	25
Total	**–**	**153**	**–**	**283**	**–**	**391**
Paul Leaming						
2003 Performance rights	–	521	–	–	–	–
2004 Performance rights	–	–	–	366	–	–
2005 Performance rights	–	–	–	–	–	432
2002 Executive STI Program (matching shares)	–	65	–	–	–	–
2003 Executive STI Program (matching shares)	–	–	–	146	–	–
Total	**–**	**586**	**–**	**512**	**–**	**432**
Peter Hodgett						
2003 Performance rights	–	400	–	–	–	–
2004 Performance rights	–	–	–	263	–	–
2005 Performance rights	–	–	–	–	–	329
2002 Executive STI Program (matching shares)	–	65	–	–	–	–
2003 Executive STI Program (matching shares)	–	–	–	97	–	–
Employee Share Acquisition Plan (matching shares)	–	1	–	–	–	1
Total	**–**	**466**	**–**	**360**	**–**	**330**
David Cohen						
Feb 2003 Performance rights	–	138	–	–	–	–
2003 Performance rights	–	376	–	–	–	–
2004 Performance rights	–	–	–	266	–	–
2005 Performance rights	–	–	–	–	–	312
2003 Executive STI Program (matching shares)	–	–	–	132	–	–
Total	**–**	**514**	**–**	**398**	**–**	**312**
Matthew Percival						
2003 Performance rights	–	256	–	–	–	–
2004 Performance rights	–	–	–	221	–	–
2005 Performance rights	–	–	–	–	–	277
2002 Executive STI Program (matching shares)	–	65	–	–	–	–
2003 Executive STI Program (matching shares)	–	–	–	82	–	–
Employee Share Acquisition Plan (matching shares)	–	1	–	–	–	1
Total	**–**	**322**	**–**	**303**	**–**	**278**

Section 4. Non-executive director remuneration

4.1 Remuneration structure

The non-executive directors' fee pool is periodically proposed to shareholders at Annual General Meetings (AGM) for approval. The current aggregate fee pool of $1,635,000 was approved by shareholders in 2004 (previously $2,500,000).

Fees paid to non-executive directors of the AMP Board are based on advice from AMP's remuneration specialists and external remuneration advisers appointed by the Nomination Committee. This takes into consideration the level of fees paid to board members of other Australian corporations of a similar size, the complexity of AMP's operations and the responsibilities and workload requirements of board members.

During 2005, non-executive directors were paid a base fee for service on the AMP Board. Additional fees were paid for service on the Audit, Nomination and Remuneration Committees. Individual non-executive directors are separately paid fees for duties associated with membership of AMP subsidiary boards, and for duties associated with due diligence committees of major projects (or other special purpose committees) on a per-day basis.

As the focus of the board is on the long-term direction and well-being of AMP, there is no direct link between non-executive directors' remuneration and the short-term results of the AMP group. However, a minimum of 26% of non-executive directors' remuneration is taken in the form of AMP shares which are held until they are released under the terms of the AMP Non-Executive Directors' Share Plan. There are no performance conditions attached to this plan, as non-executive directors sacrifice their fees to buy these shares.

Non-executive directors must retain the AMP shares purchased through the plan for a period of up to 10 years from the date of acquisition, unless earlier withdrawal upon ceasing to hold office as a non-executive director. Following the expiration of the 10-year period, or cessation of office, non-executive directors can either sell the shares or continue to hold them.

No non-executive director participates in any employee share plan or has been granted options or performance rights.

The Nomination Committee reviews the fees paid to non-executive directors annually. The committee has recently recommended fee increases for non-executive directors of the AMP Limited Board. Increases are proposed for non-executive directors' base fees, expense allowance and chairman's fee. The AMP Board will seek shareholder approval for an increase in the aggregate fee pool at the 2006 AGM. Fee increases were also recommended for non-executive directors of some subsidiary boards.

The Nomination Committee recommended that, in addition to taking a minimum of 26% of the base fee in the form of AMP shares, the balance of base fees is to be paid as cash or shares (purchased through the AMP non-executive director share plan) or as salary sacrifice superannuation contributions (as specified by individual non-executive directors).

Board fees are not paid to Mr Mohl since the responsibilities of board membership are considered in determining remuneration provided as part of his normal employment conditions.

One director, appointed to the board prior to March 2003, had a Retirement Allowance Agreement which provided cash benefits in the event of death or retirement from the board. The retirement allowance was based on a sliding scale that provided a maximum benefit after 15 years service, of five times the average fees over the three years preceding retirement or death. Entitlements accrued at March 2003 were frozen.

4.2 Total remuneration

The table below summarises the remuneration details of the non-executive directors.

	Short-term benefits					Post-employment		
	AMP Limited Board and committee fees $	Fees for other group boards $	Other short-term benefits[9] $	Additional board duties	Non-monetary benefits $	Superannuation $	Termination benefits $	Total $
Peter Mason								
2005	**201,626**	**–**	**5,825**	**–**	**–**	**18,671**	**–**	**226,122**
2004	108,000	–	5,825	–	–	10,244	–	124,069
John Astbury[1]								
2005	**125,900**	**75,000**	**5,825**	**–**	**–**	**18,605**	**–**	**225,330**
2004	36,000	8,333	1,942	–	–	4,165	–	50,440
David Clarke[2,3]								
2005	**53,407**	**21,640**	**2,521**	**–**	**–**	**6,981**	**–**	**84,549**
2004	–	–	–	–	–	–	–	–
Richard Grellman[4,5]								
2005	**145,900**	**128,521**	**5,825**	**–**	**–**	**25,222**	**–**	**305,468**
2004	120,000	70,000	5,825	–	–	17,624	–	213,449
Meredith Hellicar[6]								
2005	**133,400**	**30,000**	**5,825**	**–**	**–**	**15,230**	**–**	**184,455**
2004	115,500	17,500	5,825	–	–	12,494	–	151,319
Nora Scheinkestel[7]								
2005	**140,900**	**50,000**	**5,825**	**–**	**–**	**17,705**	**–**	**214,430**
2004	115,500	40,862	5,825	–	–	14,597	–	176,784
Peter Willcox[8]								
2005	**244,428**	**–**	**3,980**	**–**	**–**	**22,357**	**–**	**270,765**
2004	324,000	–	5,824	–	–	29,684	–	359,508
Total for 2005	**1,045,561**	**305,161**	**35,626**	**–**	**–**	**124,771**	**–**	**1,511,119**
2004 for directors disclosed above	819,000	136,695	31,066	–	–	88,808	–	1,075,569
2004 for directors disclosed in 2004[10]	862,000	149,000	34,000	–	–	94,000	–	1,139,000

- Peter Mason is a member of the Remuneration Committee, joined the Nomination Committee on 26 July 2005 and was a member of the Audit Committee until 1 April 2005.
- John Astbury is a member of the Audit Committee.
- David Clarke joined the Remuneration Committee on 26 July 2005.
- Richard Grellman is chair of the Audit Committee, and is a member of the Nomination Committee.
- Meredith Hellicar is chair of the Remuneration Committee.
- Nora Scheinkestel is chair of the Nomination Committee, and member of the Audit Committee.
- Peter Willcox was a member of the Nomination and Remuneration Committees until his retirement from the board on 6 September 2005.

Footnote:

1 Fees were paid to John Astbury as director of AMP Life Limited.
2 David Clarke was appointed as a non-executive director of AMP Limited on 26 July 2005.
3 Fees were paid to David Clarke as director of AMP Capital Investors Limited.
4 Richard Grellman has a retirement allowance agreement which provides cash benefits in the event of death or retirement from the board. This benefit was frozen at March 2003.
5 Fees were paid to Richard Grellman as director of AMP Life Limited, Gordian RunOff Limited, AMPG (1992) Ltd and TGI Australia Limited and for service on the Audit Committee of AMP Capital Investors Limited.
6 Fees were paid to Meredith Hellicar as director of AMP Bank Limited.
7 Fees were paid to Nora Scheinkestel as director of AMP Capital Investors Limited.
8 Peter Willcox retired as a non-executive director of AMP Limited on 6 September 2005.
9 Allowances in respect of incidental expenses related to the business of the company.
10 This total is as shown in the corresponding table in Note 34 of the AMP Limited Financial Report for the year ended 31 December 2004 (excluding the CEO). This does not equal the sum of the 2004 fees shown above as the board is now comprised of different non-executive directors.

4.3 Non-executive directors' shareholdings in AMP Limited

The table below summarises the movements in holdings of shares in AMP Limited held by the non-executive directors and their personally related entities.

Name	Holding at 1 Jan 2005	Granted as remuneration during the period	Received on exercise of performance rights or options	Other changes[3]	Holding at 31 Dec 2005
Non-executive director					
Peter Mason (Chairman)	31,766	–	–	46,388	78,154
John Astbury	11,076	–	–	4,133	15,209
David Clarke[1]	12,831	–	–	1,317	14,148
Richard Grellman	19,409	–	–	4,133	23,542
Meredith Hellicar	24,362	–	–	4,527	28,889
Nora Scheinkestel	26,328	–	–	10,902	37,230
Former non-executive director					
Peter Willcox[2]	81,281	–	–	8,446	89,727

Footnote:

1 For the non-executive director appointed during the year, the opening holding is shown as at the date of appointment.

2 For the former non-executive director, the final holdings are shown as at the date of retirement.

3 Other changes represent individuals' purchases and sales made during the period. Purchases made during the period include those shares purchased and held under the AMP Non-Executive Directors' Share Plan. For further details on the terms and conditions of this plan, see Section 4.1 of this report.

Section 5. Transfer of Related Party Information

ASIC Class Order CO 06/50 allows the transfer of remuneration information required by AASB 124 'Related Party Information' from the Financial Report into the Directors' Report. The following sections comply with the requirements of AASB 124 and have been subject to audit: Sections 1.1, 1.2, 1.3, 1.5, 1.6, 2, 3.1, 3.2, 4.1 and 4.2.

Signed in accordance with a resolution of the directors.

Peter Mason
Chairman

Andrew Mohl
Managing Director and Chief Executive Officer

Sydney, 16 February 2006

Auditor's independence declaration

ERNST & YOUNG

Ernst & Young Centre
680 George Street
Sydney NSW 2000
Australia

GPO Box 2646
Sydney NSW 2001

Tel: +612 9248 5555
Fax: +612 9248 5959
DX Sydney Stock
Exchange 10172

Auditor's Independence Declaration to the Directors of AMP Limited

In relation to our audit of the financial report of AMP Limited for the year ended 31 December 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Brian Long

Brian Long
Partner

Sydney, 16 February 2006

Analysis of shareholder profit

for the year ended 31 December 2005

This table shows a detailed analysis of the source of net profit after income tax attributable to shareholders of AMP Limited by business unit.

All amounts are after income tax	2005 $m	2004 $m
AMP Financial Services	**515**	415
AMP Capital Investors	**92**	73
Cobalt/Gordian	**74**	51
Total business unit operating margins	**681**	539
Discontinued businesses[1]	**–**	(2)
Group Office costs	**(34)**	(35)
Total operating margins	**647**	502
Underlying investment income	**190**	193
Interest expense on Group debt	**(67)**	(113)
Transitional tax relief[2]	**31**	63
Underlying contribution	**801**	645
Investment income market adjustment		
– HHG	**3**	113
– Other	**35**	121
Profit after income tax before other items	**839**	879
Asset sales	**–**	14
Employee defined benefit schemes	**17**	55
Amortisation of intangibles	**(10)**	(5)
Fair value of debt and derivatives	**12**	13
Other items	**37**	(1)
Net profit after income tax before mismatch items	**895**	955
Mismatch items[3]	**(86)**	(82)
Net profit after income tax attributable to shareholders of AMP Limited	**809**	873

Footnote:

1 Relates to AMP Banking discontinued businesses.

2 Refers to the transitional tax relief granted as part of the Australian Review of Business Taxation (1999). The relief ceased to apply after 30 June 2005.

3 Refer to Glossary on inside back cover.

Corporate governance

Approach to corporate governance

AMP has a set of values that recognise our responsibilities to all of our stakeholders, including shareholders, customers, employees, the community and the environment.

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

In March 2003, the Australian Stock Exchange (ASX) Corporate Governance Council published its Principles of Good Corporate Governance and Best Practice Recommendations.

AMP has adopted the principles and practices, meeting all of the ASX Best Practice Recommendations, with the exception of recommendation 9.4 relating to shareholder approval of equity-based remuneration plans. This is primarily because a number of AMP executive equity plans were established prior to the release of the ASX Best Practice Recommendations and did not require shareholder approval under the Corporations Act 2001 and ASX listing rules.

In accordance with the best practice recommendations, AMP has posted copies of our governance practices in the corporate governance section of our website: **www.amp.com.au** including copies of relevant policies and terms of reference.

A copy of the ASX Best Practice Recommendations can be obtained from the ASX website at www.asx.com.au/supervision/governance/index.htm

Role of the board of directors

(ASX Best Practice Recommendation 1.1)
Functions of board and management

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

The board

The AMP Board primarily represents the long-term interests of shareholders by:

- providing strategic direction to AMP through constructive engagement with senior management in the development, execution and modification of AMP's strategy
- appointing the Managing Director and Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the Company Secretary and approving succession plans
- monitoring the performance of the CEO and approving senior management remuneration policies and practices
- reporting to shareholders and ensuring that all regulatory requirements are met
- providing advice and counsel to management
- ensuring appropriate compliance frameworks and controls are in place
- approving policies governing the operations of the AMP group
- approving decisions concerning the capital of the AMP group, including capital restructures and significant changes to major financing arrangements
- making decisions in relation to initiatives or matters otherwise not dealt with as part of the strategy process (e.g. major acquisitions and withdrawal from existing major lines of business)
- monitoring financial results on an ongoing basis
- determining dividends and financing of dividend payments
- ensuring the board's effectiveness in delivering best practice corporate governance
- ensuring AMP's business is conducted ethically and transparently
- reviewing strategic risk management including processes for identifying areas of significant business risk, monitoring risk management policies and procedures, overseeing internal controls and reviewing major assumptions used in the calculation of significant risk exposures
- listening and responding to shareholders' views on the management and direction of the company, and
- considering the interests of all stakeholders.

Role of management

The Chief Executive Officer (CEO) is responsible for the overall management and profit performance of the AMP group. The CEO manages the organisation in accordance with the strategy, plans and policies approved by the board to achieve agreed goals.

Board composition and size

(ASX Best Practice Recommendations 2.4, 2.5)
Independence of directors – board composition and commitment

The directors determine the size of the board, with reference to the Constitution, which provides that there will be a minimum of three directors and a maximum of 16 directors

The AMP Board is made up of a majority of independent non-executive directors and has only one executive director, the CEO. The chairman of the board is non-executive and independent of the role of the CEO.

AMP's Constitution is available on AMP's website.

Appointment of directors

Nominations of new directors, recommended by the Nomination Committee, are considered by the full board. The Nomination Committee considers a wide base of potential directors, taking into account the range of skills and experience required in relation to the:

- current composition of the board
- need for independence
- strategic direction and progress of AMP, and
- geographic spread and diversity of AMP's businesses.

From time to time, the Nomination Committee uses external consultants in this practice.

The board assesses nominated directors against a range of criteria including experience, professional skills, personal qualities and their capacity to commit themselves to the board's activities. Any appointment is subject to any share qualification requirement of AMP's Constitution (Clause 60).

A copy of the Nomination Committee terms of reference is available on AMP's website.

Director independence

It is important that the board operates independently of executive management. Each of the non-executive directors is considered by the board to be independent of management. This means that they do not have any business interest or other relationship that could materially interfere with the exercise of their independent judgement and their ability to act in the best interests of the company.

AMP also includes independent directors on the boards of significant regulated subsidiaries.

Chairman's appointment and responsibilities

(ASX Best Practice Recommendations 2.2 and 2.3)
Independence of directors – board composition and commitment

The chairman is appointed by the board from the non-executive directors. The chairman:

- provides appropriate leadership to the board and AMP
- ensures membership of the board is balanced and appropriate for AMP's needs
- facilitates board discussions to ensure the core issues facing the organisation are addressed
- maintains a regular dialogue and mentor relationship with the CEO
- monitors board performance, and
- guides and promotes the ongoing effectiveness and development of the board and individual directors.

Conduct of board business

The AMP Board normally holds around ten formal board meetings each year and will also meet whenever necessary to carry out its responsibilities.

When conducting AMP Board business, directors have a duty to question, request information, raise any issue of concern, fully canvass all aspects of any issue confronting AMP and vote on any resolution according to their own judgement.

Directors keep confidential: board discussions, deliberations and decisions that are not required to be disclosed publicly.

Conflicts of interest

Directors are required to continually monitor and disclose any potential conflict of interest that may arise. Directors must:

- disclose to the board any actual or potential conflicts of interest that may exist as soon as the situation arises
- take necessary and reasonable steps to resolve any conflict of interest within an appropriate period, if required by the board or deemed appropriate by that director, and
- comply with the Corporations Act 2001 requirements about disclosing interests and restrictions on voting.

Directors discuss with the chairman any proposed board or executive appointments they are considering undertaking and should advise AMP of such appointments to other companies as soon as possible after the appointment is made.

The same requirement exists for related party transactions, including financial transactions with AMP. Related party transactions are reported in writing to the Board Executive and the Company Secretary and, where appropriate, raised for consideration at the next board meeting.

Access to information

Directors are encouraged to access members of senior management at any time to request relevant information.

Directors are entitled to seek independent advice on AMP related matters at AMP's expense. Directors must ensure that the costs are reasonable and must advise the chairman before the advice is sought. The information must be made available to the rest of the board.

CEO and CFO assurance

(ASX Best Practice Recommendations 4.1 and 7.2)
Integrity in financial reporting
Recognise and manage risk

The board receives regular reports about the financial condition and operational results of AMP and its controlled entities. The board has received and considered the annual certification from the CEO and the CFO in accordance with ASX Best Practice Recommendations 4.1 and 7.2 and the Corporations Act 2001 stating that:

- the company's financial statements present a true and fair view of our financial position and performance and are in accordance with Australian accounting standards, and
- the risk management and internal compliance and control systems are sound, appropriate and operating efficiently and effectively in all material respects.

Throughout 2005, significant effort was devoted to the ongoing enhancement of the risk management, internal compliance and control systems. Where internal control deficiencies are identified during the year, additional tests of procedures or tests of resulting account balances included in the financial statements have confirmed that there has been no material impact on the financial statements.

Committees

The board has established committees to consider certain issues and functions in further detail. The chairman of each committee reports on any matter of substance at the next full board meeting. All committee papers and minutes are provided to the board.

There are currently three standing committees:

- Audit Committee
- Nomination Committee, and
- Remuneration Committee.

Other committees may be formed from time to time, as required. Each committee has its own terms of reference, approved by the board and reviewed annually, with additional review when appropriate. The chairman and CEO attend committee meetings where appropriate.

The structure and membership of the board and its committees are summarised in the diagram below.

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

Committees

	AMP Limited Board		
Committee	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**
Chair	Richard Grellman	Nora Scheinkestel	Meredith Hellicar
Members	John Astbury, Nora Scheinkestel	Peter Mason, Richard Grellman	David Clarke, Peter Mason
Duties	• AMP's relationship with the external auditor • Integrity of financial statements • Business risk management framework, including compliance and internal controls	• Composition of the board • Succession planning of the board • Appointment of non-executive directors to subsidiary companies • Continuing education • Board performance reviews • Director remuneration	• Effectiveness, integrity and legal compliance of remuneration programmes • Annual review and recommendation of CEO's total remuneration package

Nomination Committee

(ASX Best Practice Recommendations 2.4 and 2.5)
Independence of directors – board composition and commitment

The Nomination Committee supports and advises the AMP Board on board matters including policies, performance, remuneration, composition and succession planning. This includes identifying, evaluating and recommending candidates to the board and providing advice regarding candidates nominated by shareholders.

The Nomination Committee also oversees the appointment of non-executive directors to the boards of subsidiary companies. The Nomination Committee is responsible for reviewing the remuneration of non-executive directors on the AMP board and on boards of key operating subsidiary boards. AMP has increased the presence of main board non-executive directors on subsidiaries to increase the non-executive directors' knowledge and understanding of the businesses and to enhance the governance of the subsidiary boards.

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

Board performance assessment

(ASX Best Practice Recommendation 8.1)
Performance evaluation of the board and its committees, directors and key executives

On an annual basis, the chairman facilitates a discussion and evaluation of the board's performance. During 2005, the board conducted a review of its operations, in particular focusing on the company as a whole; the board's role, processes and performance; the board's group dynamics and consideration of other relevant issues. The board conducts a formal review of the chairman every two years.

Each director's performance is reviewed annually by the chairman and the board including prior to any director standing for re-election at a general meeting of the company.

An evaluation of the majority of individual directors was conducted during 2005. All directors will have been evaluated prior to the 2006 Annual General Meeting. The criteria against which performance is assessed includes: uses superior judgement; acts in the best interests of stakeholders; provides strategic insight; is results focused; accepts accountability; is a continuous learner and mentor and works constructively in a team.

The performance of each committee is also reviewed.

Retirement of directors

One-third of the directors are required to retire by rotation at each Annual General Meeting (AGM). The directors to retire at each AGM are those who have been longest in office since their last election. Where directors have served for equal periods, they may agree among themselves or determine by lot who will retire. A director must retire at the third AGM since last elected or re-elected.

A director appointed as an additional or casual director by the board will hold office until the next AGM when the director is required to stand for election. This election will be in addition to any rotational retirements.

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

A director who holds any executive office with AMP (including the CEO) ceases to be a director when they no longer hold their executive office.

The tenure of non-executive directors will generally be no longer than nine years. A non-executive director can continue to hold office after a nine-year term only if they are re-elected by shareholders at every subsequent AGM.

Remuneration Committee

(ASX Best Practice Recommendations 9.2 and 9.5)
Remunerate fairly and responsibly

The Remuneration Committee advises the board on the effectiveness, integrity and legal compliance of AMP's remuneration programmes (including share and performance right plans), protocols and practices. Key responsibilities include annually reviewing and recommending to the board the total remuneration package of the CEO, reviewing and approving the remuneration of the CEO's direct reports and the short-term incentive plan performance measures and incentive pool amounts.

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

Directors' and executives' remuneration

Comprehensive information on AMP's remuneration policies and practices is contained in the remuneration report on page 16.

The ASX Best Practice Recommendation 9 states that companies should ensure that payment of equity based remuneration for executives is made in accordance with thresholds set in plans approved by shareholders. While AMP's equity based remuneration plans have been designed around appropriate performance benchmarks and shares are acquired 'on market' under those plans, the plans were established between 1998 and 2001, prior to the release of the ASX Best Practice Recommendations, and were not put to shareholders for approval as the plans did not require shareholder approval under the Corporations Act nor under the ASX and NZX listing rules. In this respect, AMP is not in compliance with this recommendation; however, there is no dilution of shareholder capital as our policy is for shares to be purchased on-market under all plans.

Audit Committee

(ASX Best Practice Recommendations 4.2, 4.3, 4.4, 4.5 and 7.1)
Safeguard integrity in financial reporting
Recognise and manage risk

The Audit Committee assists the board to discharge its corporate governance responsibilities in regard to the:
- business relationship with, and the independence of, the external auditor
- reliability and appropriateness of disclosure of the financial statements and external related financial communication
- maintenance of an effective framework of business risk management, including compliance and internal controls and the assurance provided by internal audit, and
- adequacy of AMP's insurance program, including directors' and officers' professional indemnity insurance cover.

Auditor independence

The independence of the external auditor is of particular importance to shareholders and the board. The board has adopted a Charter of Audit Independence that is reviewed regularly to keep it in line with emerging practices domestically and internationally.

The key points covered by the Charter include:
- rotation of the senior audit partner every five years
- annual confirmation by the auditor that it has satisfied all professional regulations relating to auditor independence
- quarterly reporting on the levels of audit and non-audit fees, and
- specific exclusion of the audit firm from work which may give rise to a conflict.

The Charter of Audit Independence is available on AMP's website.

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

Risk management

The board has overall responsibility for ensuring that there is a sound system of risk management and internal compliance and control across the business. It also has responsibility for establishing risk management policies and the risk appetite of the AMP group, and ensuring that these are implemented.

Specific monitoring and evaluation of the effectiveness of risk management and the internal control environment are delegated to the Audit Committee. The committee approves AMP's accounting policies, reporting practices and production of financial statements and monitors the application of appropriate management controls. It considers internal and external audit reports and reviews the adequacy of AMP's procedures and internal controls in order to monitor financial risks and major operational risks.

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

Appropriate risk management structures exist throughout the organisation, including the Group Risk Committee and business unit risk committees.

The risk management framework enables the business to identify and assess risks and controls, respond promptly and appropriately and continue to monitor risks and issues as they evolve. Risk and compliance information is reported quarterly to the Audit Committee, or more urgently, if required.

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

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

Compliance

Compliance is a key element of risk management.

The board is responsible for ensuring that adequate measures are undertaken to manage compliance with the laws, regulations, contracts, industry codes, internal standards and policies applicable to AMP's operations.

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

Specific responsibility for the monitoring of compliance has been delegated to the Audit Committee. Consistent with AMP's risk management approach, AMP's compliance measures are subject to monitoring and continuous improvement. Any compliance issues or incidents are reported quarterly to the Audit Committee, or more urgently, if required.

Code of conduct

(ASX Best Practice Recommendation 3.1)
Promote ethical and responsible decision-making

AMP has adopted a code of conduct outlining the standards of personal and corporate behaviour required of all directors, officers and employees. This code reinforces an already strong ethical culture for the benefit of all stakeholders.

A copy of the code of conduct is provided to all directors and employees on joining AMP.

AMP's code of conduct is available on AMP's website.

Share trading policy

AMP's Employee Share Trading Policy applies to directors and employees trading in AMP and other securities.

AMP's Employee Share Trading Policy aims to:

- protect stakeholders' interests at all times
- ensure that directors and employees do not use any information they possess for their personal advantage, or to the detriment of AMP; and
- ensure that directors and employees comply with insider trading legislation of the various jurisdictions in which transactions may take place.

Supplementary to the 'inside information' rule, trading in AMP securities for directors, executives and certain employees is restricted to the following trading windows:

- 30-day period beginning on the second day after the release of AMP's half-year results or yearly results
- 30-day period beginning on the second day after the AMP Annual General Meeting, and
- period commencing on the day after the issue of a prospectus offering AMP securities (or a document containing equivalent information) and ending on the day the offer closes.

Outside the formal trading windows, a director or employee may, in the first 10 business days in December each year:

- elect to participate in or vary or cease their participation in the AMP Employee Share Acquisition Plan and/or the AMP Executive Short-term Incentive Plan (or any successor or similar plans including any short-term incentive bonus), and
- apply to receive performance rights under the AMP International Employee Share Ownership Plan.

During this limited trading window, a director or employee who is subject to the additional restrictions may not otherwise trade in AMP securities.

Breaches of this policy may lead to disciplinary action being taken against the employee, including dismissal in serious cases.

The policy is for AMP securities under employee share and incentive plans or the Non-Executive Directors' Share Plan to be acquired on market by an external plan company at the times determined by the respective terms of the plan.

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

Communication with shareholders

(ASX Best Practice Recommendations 5.1, 5.2 and 6.1)
Timely and balanced disclosure

AMP is committed to transparency and quality in its communication to shareholders. Our approach to communicating with shareholders and financial markets is set out in AMP's Market Disclosure Policy.

Information is communicated to shareholders through the distribution of the Annual Report and other communications as required. All significant information is posted on AMP's website as soon as it is disclosed to the ASX.

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

A Market Disclosure Committee ensures that company announcements:

- are made in a timely manner
- are factual
- are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions, and
- do not omit material information.

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

AMP's Market Disclosure Policy is available on AMP's website.
www.amp.com.au/shareholdercentre

Annual General Meeting (AGM)

(ASX Best Practice Recommendations 6.1 and 6.2)
Rights of shareholders

All shareholders are encouraged to attend and/or participate in AMP's AGM. The meeting is webcast live or shareholders can attend in person or send a proxy as their representative. Online proxy voting is also available for all shareholders prior to the meeting. Unless indisposed, all directors and senior management attend the meeting, along with the external auditor.

Full details of the next AGM are included in the mailing for this Annual Report.

Social responsibility

(ASX Best Practice Recommendation 8.1)
Encourage enhanced performance

AMP's purpose in helping people to manage their financial well-being so they can enjoy the future they want is itself an important social responsibility. We also make a positive contribution to the communities in which we operate through lobbying for change within the financial services industry that benefits the community at large, as well as the community investment activities of the AMP Foundation.

AMP's Social Responsibility Plan is endorsed by the board. Our strategy is to identify and act on a small number of issues that are close to our core business where we can make a difference. We will not seek publicity around these activities – our actions will speak for us – and we will be open and honest around what we are doing and why.

AMP's Social Responsibility Plan, summarised below, looks at our social responsibilities from four perspectives and outlines our objectives for each. For AMP, Community relates to the general community in Australia and New Zealand; Marketplace encompasses our planners, customers and suppliers; Workplace is our employees; and Environment is the natural world. The Corporate Responsibility Index (see www.corporate-responsibility.com.au for more information) was used to help develop our strategy and in 2004 we participated in the index to monitor our progress and gain feedback on our social responsibility performance to date.

While the CEO has overall responsibility for the delivery of our Social Responsibility Plan, this responsibility reaches much further into AMP, with senior management and many other employees directly involved.

Comparison of NZX and ASX Corporate Governance rules

As an overseas listed issuer, AMP is deemed to satisfy and comply with the New Zealand Stock Exchange (NZX) listing rules so long as it remains listed on the Australian Stock Exchange (ASX). The only NZX requirements applicable to AMP are to give the NZX the same information and notices it is required to give to the ASX and to include in its annual report this comparison of the material differences between the ASX and NZX corporate governance rules and principles.

As a general matter, the Australian equivalent of a number of the NZX corporate governance rules are contained in the Corporations Act rather than the ASX listing rules.

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

The following differences may be considered material:

– independence is defined similarly under both rules but there are differences;
– the NZX listing rules require that one-third of the directors and at least two directors are independent. The ASX listing rules contain no equivalent requirement, however, the ASX corporate governance rules recommend that the board of a listed issuer consist of a majority of independent directors. AMP's board is comprised of a majority of independent directors;
– the NZX listing rules require the board to make determinations periodically as to the independence of directors and to make appropriate releases to the market. The ASX corporate governance rules require disclosure in the annual report only;
– the ASX principles specifically address additional corporate governance matters in relation to risk management, internal controls and stakeholder interest and require public disclosure of policies and procedures. The NZX principles do not specifically address these matters or require the same level of public disclosure;
– the ASX Listing Rules do not necessarily require shareholder approval of major transactions to the same extent as the NZX Listing Rules require; and
– the level of which shareholder approval must be obtained for related party transactions differs.

AMP's Social Responsibility Plan

	Community	Marketplace	Workplace	Environment
Objective	**Helping to increase the effectiveness of Australia and New Zealand's retirement income systems so that people can better prepare and provide for themselves in retirement. This includes increasing individual saving rates and mandatory saving through superannuation.**			
Objective	**Helping to lift the standard of financial advice available to all Australians and New Zealanders. This includes working to improve how well people understand how to manage their money to prepare for retirement.**			
Objective	**Building community investment programmes that have a positive impact on the community and are aligned to AMP's business.**	**Building sustainable supply chains that benefit both AMP and the supplier and include social and environmental standards.**	**Encouraging AMP employees to increase their skills and capabilities so they are more effective both within and outside AMP.**	**Increasing the efficiency of AMP's operations and reducing its environmental footprint.**
Objective	**Influencing investee companies to improve their corporate governance, operational, environmental and social practices with the objective of maximising returns to their shareholders.**			

Full Financial Report

for the year ended 31 December 2005

Table of contents

Income statement

for the year ended 31 December 2005

	Note	Consolidated 2005 $m	Consolidated 2004 $m	Parent 2005 $m	Parent 2004 $m
Income and expenses of policyholders, shareholders, external unitholders and minority interests[1]					
Insurance premium and related revenue	3	**896**	985	**–**	–
Fee revenue	3	**1,086**	979	**12**	10
Other revenue	3	**220**	541	**–**	–
Investment gains	3	**9,814**	9,300	**485**	1,780
Insurance claims and related expenses	4	**(1,286)**	(1,241)	**–**	–
Operating expenses	4	**(1,600)**	(1,771)	**(12)**	(213)
Finance costs	4	**(522)**	(669)	**–**	–
Change in life insurance contract liabilities[2]		**(948)**	(1,312)	**–**	–
Change in investment contract liabilities[2]		**(5,147)**	(4,688)	**–**	–
Movement in external unitholders' liabilities		**(935)**	(671)	**–**	–
Profit before income tax		**1,578**	1,453	**485**	1,577
Income tax (expense) credit	5	**(768)**	(545)	**29**	(1)
Net profit after income tax		**810**	908	**514**	1,576
Profit attributable to minority interests		**(1)**	(35)	**–**	–
Net profit after income tax attributable to shareholders of AMP Limited[3]		**809**	873	**514**	1,576

	Note	cents	cents
Basic earnings per ordinary share	24	**44.1**	48.0
Diluted earnings per ordinary share	24	**44.0**	47.8

Footnote:

1 Income and expenses include amounts of shareholder interests and also policyholder interests in the life statutory funds. Amounts included in respect of the life statutory funds have a substantial impact on most of the consolidated income statement lines, especially investment gains.

2 In general, policyholders' interests in the transactions for the period are attributed to them in the lines 'Change in investment contract liabilities' and 'Change in life insurance contract liabilities'.

3 As explained further in note 1(d), 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 actual liability to policyholders in respect of the same assets. These mismatches result in policyholder asset movements impacting the net profit after income tax attributable to shareholders and increases volatility of the reported profit. Accounting mismatches arise in respect of gains and losses on 'treasury shares' (loss $35m, 2004: loss $87m), discounting of deferred tax balances in the valuation of investment contract liabilities (loss $22m, 2004: loss $7m), gains and losses on investments in controlled entities of the life statutory funds (loss $3m, 2004: gain $12m) and gains and losses on owner occupied property (loss $26m, 2004: nil). The aggregate impact of the accounting mismatches is a reduction in net profit after tax attributable to shareholders of $86m (2004: $82m).

Balance sheet
as at 31 December 2005

	Note	Consolidated 2005 $m	Consolidated 2004 $m	Parent 2005 $m	Parent 2004 $m
Assets					
Cash and cash equivalents		**978**	1,072	**2**	1
Receivables	6	**1,387**	1,529	**156**	4
Equity securities	7	**38,182**	29,408	**–**	–
Debt securities	7	**30,845**	30,361	**572**	1,882
Property securities	7	**3,598**	2,936	**–**	–
Other financial assets	7	**1,922**	1,368	**–**	–
Investment property	8	**7,215**	7,223	**–**	–
Property, plant and equipment	9	**336**	312	**–**	–
Deferred tax assets	5	**266**	327	**41**	24
Other assets	10	**127**	102	**–**	–
Intangibles	11	**632**	627	**–**	–
Investments in controlled entities	7, 27	**–**	–	**8,193**	9,075
Total assets of policyholders, shareholders, external unitholders and minority interests		**85,488**	75,265	**8,964**	10,986
Liabilities					
Payables	12	**1,756**	1,318	**1**	6
Current tax liabilities		**385**	112	**149**	–
Provisions	13	**328**	351	**5**	4
Outstanding claims liabilities	21	**1,037**	1,243	**–**	–
Borrowings	14	**9,090**	8,640	**–**	1,484
Deferred tax liabilities	5	**1,599**	1,135	**–**	–
Subordinated debt	15	**428**	741	**–**	–
Other financial liabilities		**99**	88	**–**	–
Other liabilities		**23**	50	**–**	–
Life insurance contract liabilities	19	**20,942**	20,639	**–**	–
Investment contract liabilities	20	**38,712**	32,737	**–**	–
External unitholders' liabilities		**8,266**	5,066	**–**	–
Total liabilities of policyholders, shareholders, external unitholders and minority interests		**82,665**	72,120	**155**	1,494
Net assets of shareholders and minority interests		**2,823**	3,145	**8,809**	9,492
Equity					
Contributed equity	17	**4,749**	5,416	**4,959**	5,636
Reserves	18	**(2,002)**	(2,035)	**514**	512
Retained earnings	18	**63**	(240)	**3,336**	3,344
Total equity attributable to shareholders		**2,810**	3,141	**8,809**	9,492
Minority interests		**13**	4	**–**	–
Total equity of shareholders and minority interests		**2,823**	3,145	**8,809**	9,492

Statement of recognised income and expenses

for the year ended 31 December 2005

		Consolidated		Parent	
	Note	2005 $m	2004 $m	2005 $m	2004 $m
Income and expenses (net of tax) recognised directly in equity					
Owner occupied property					
– Valuation gains taken to equity	18	**26**	–	**–**	–
Cash flow hedge movements	18	**–**	(1)	**–**	–
Exchange differences on translation of foreign operations	18	**1**	12	**–**	–
Total net income recognised directly in equity		**27**	11	**–**	–
Net profit after income tax		**810**	908	**514**	1,576
Total recognised income and expenses for the period		**837**	919	**514**	1,576
Attributable to:					
Shareholders of AMP Limited		**836**	884	**514**	1,576
Minority interests		**1**	35	**–**	–
Total recognised income and expenses for the period		**837**	919	**514**	1,576

Statement of cash flows

for the year ended 31 December 2005

	Note	Consolidated 2005 $m	Consolidated 2004 $m	Parent 2005 $m	Parent 2004 $m
Cash flows from operating activities	23(a)				
Cash receipts in the course of operations		**13,474**	11,646	**9**	9
Interest and other items of a similar nature received		**1,500**	1,546	**1**	3
Dividends received		**560**	412	**484**	–
Cash payments in the course of operations		**(11,884)**	(12,045)	**(10)**	(18)
Finance costs		**(590)**	(777)	**–**	(1)
Income tax refunded (paid)		**(214)**	28	**7**	–
Cash flows from (used in) operating activities		**2,846**	810	**491**	(7)
Cash flows from investing activities					
Proceeds from sale of investment property		**92**	665	**–**	–
Proceeds from sale of equity securities		**9,377**	6,970	**–**	–
Proceeds from sale of units in unit trusts		**5,762**	15,805	**–**	–
Proceeds from sale of interest bearing securities		**39,250**	42,419	**–**	–
Proceeds from repayment of loans		**1,042**	661	**2,473**	860
Proceeds from sale of other investments		**73**	62	**–**	–
Proceeds from sale of controlled and associated entities[1]	23(d)	**24**	97	**–**	–
Proceeds from capital return from controlled entity		**–**	–	**882**	–
Payments to acquire investment property		**(609)**	(602)	**–**	–
Payments to acquire equity securities		**(12,698)**	(10,295)	**–**	–
Payments to acquire units in unit trusts		**(7,762)**	(12,017)	**–**	–
Payments to acquire interest bearing securities		**(35,865)**	(42,558)	**–**	–
Loans granted		**(1,343)**	(1,093)	**(1,163)**	(537)
Payments to acquire other investments		**(52)**	(97)	**–**	–
Payments to acquire controlled and associated entities[1]		**(10)**	(25)	**–**	–
Cash flows from (used in) investing activities		**(2,719)**	(8)	**2,192**	323
Cash flows from financing activities					
Proceeds from borrowings		**1,218**	1,120	**168**	–
Payment for the redemption of AMP Reset Preferred Securities		**–**	(1,150)	**–**	–
Payment for AMP Income Securities buy back		**(266)**	(955)	**–**	–
Repayment of borrowings		**(360)**	(799)	**(1,651)**	(8)
Payment of capital return[2]		**(733)**	–	**(746)**	–
Dividends paid[3]		**(444)**	(313)	**(453)**	(320)
Cash flows from (used in) financing activities		**(585)**	(2,097)	**(2,682)**	(328)
Net increase (decrease) in cash		**(458)**	(1,295)	**1**	(12)
Balance at the beginning of the period		**7,706**	8,997	**1**	13
Effect of exchange rate changes on cash balances		**6**	4	**–**	–
Balance at the end of the period	23(b)	**7,254**	7,706	**2**	1

Footnote:
1 Net of cash disposed or acquired.
2 Payment of capital return is presented net of the capital return on treasury shares.
3 Dividends paid is presented net of dividends reinvested and dividends on treasury shares.

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the Financial Report are set out below. These policies have been consistently applied to the current year and comparative period, unless otherwise stated. This Financial Report includes separate financial statements for AMP Limited (the parent entity) as an individual entity and for the consolidated entity (the AMP group) which consists of the parent entity and all entities that AMP Limited controlled during the year and at the balance sheet date.

(a) Basis of preparation

This general purpose Financial Report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), Urgent Issues Group Interpretations and the Corporations Act 2001. Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of the AMP group comply with International Financial Reporting Standards.

This is AMP's first full Financial Report to comply with AIFRS and the comparative financial information has been restated accordingly. AIFRS has been retrospectively applied, subject to the following exemptions permitted under AASB 1 *First time adoption of AIFRS*:

- Business combinations – carrying value of goodwill on 1 January 2004 is deemed to be the cost.
- Property, plant and equipment – carrying value of all owner occupied property on 1 January 2004 is deemed to be the cost.
- Share based payments – AIFRS has only been applied to equity instruments granted after 7 November 2002 that had not vested on or before 1 January 2005.

The 31 December 2004 full Financial Report was prepared under the Australian Accounting Standards applicable to reporting periods beginning prior to 1 January 2005 (AGAAP). The following reconciliations between previously reported AGAAP amounts and AIFRS amounts are included in note 34:

- total equity of shareholders and minority interests as at 1 January 2004
- total equity of shareholders and minority interests as at 31 December 2004
- net profit after income tax attributable to shareholders for the year to 31 December 2004.

No Australian Accounting Standards issued but not yet effective have been early adopted. It is not considered early adoption of these standards would have a material impact on the results of the AMP group.

The AMP group is predominantly a wealth-management business conducting operations through AMP Life Limited (AMP Life), a registered life insurance entity and other entities. As described in note 1(c) below, the assets, liabilities, revenues and expenses arising from investment contracts, life insurance contracts and general 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 Financial Report are also measured on a fair value basis.

Assets and liabilities have been presented on the face of the balance sheet 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, life insurance contract and general 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 is not always known, estimates have been provided in note 20 (for life statutory funds) and note 21 (for general insurance). 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.

(b) Principles of consolidation

This Financial 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. In certain cases an entity or business may be controlled even though the AMP group does not own more than half of the voting power. In these cases control has been determined based on the AMP group's power to obtain benefits from the entity or business.

The financial information for subsidiaries is prepared for the same reporting period 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 and life insurance 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 Financial 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, revenue 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 balance sheet.

The share of the net assets of controlled companies attributable to minority interests is disclosed separately on the balance sheet. In the income statement, the net profit or loss of the controlled entities relating to minority interests is removed before determining the net profit or loss attributable to shareholders of 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 there is a loss of control of a controlled entity, the consolidated Financial Report includes the results for the part of the reporting period 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.

As at 1 January 2004, the life statutory funds held a controlling interest in the Diversified Utility and Energy Trusts (DUET). During the first half of 2004, AMP sold down its holding in DUET to 21% and also sold half of the management rights. As a consequence, the life statutory funds no longer control DUET. The results of DUET are consolidated for the period up to the date when the life statutory funds ceased to control DUET. The consolidated balance sheet does not include the individual assets and liabilities of DUET from that date.

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 programme. These securitisation vehicles are deemed by accounting standards to be controlled by the AMP group and are therefore consolidated.

(c) Accounting for wealth management and insurance business

The accounting treatment of certain transactions in this Financial Report varies depending on the nature of the contract underlying the transactions. The three major contract classifications relevant to the wealth management and insurance business of the AMP group are:

- investment contracts
- life insurance contracts
- general 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 Financial Report, holders of investment contracts or life insurance contracts are collectively and individually referred to as *policyholders*.

1. Summary of significant accounting policies continued

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 Financial 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*.

General insurance contracts
The general insurance operations of the AMP group comprise the management of the outstanding claims liability on previously issued direct and reinsurance contracts. These contracts transfer significant insurance risk by agreeing to compensate the insured on the occurrence of a specified insured event, such as damage to property or the crystallisation of a third party liability (or the reinsurance thereof), within a given timeframe.

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

Assets backing investment contract and life and general 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.

As life insurance contract liabilities and general insurance contract liabilities are measured as described in note 1(x) and 1(r) and investment contract liabilities are measured at fair value, per note 1(w), 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. The general insurance business also maintains separate insurance funds that segregate the assets backing general insurance contract liabilities.

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 AIFRS, 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 net profit after income tax attributable to shareholders and increase volatility of the reported profit. Accounting mismatches primarily arise in respect of:

- gains and losses on 'treasury shares'
- discounting of deferred tax balances in the valuation of investment contract liabilities
- gains and losses on investments in controlled entities of the life statutory funds
- gains and losses on owner occupied properties.

'Treasury shares'
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 AIFRS, the AMP group cannot recognise 'treasury shares' on the consolidated balance sheet. 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 impacting the net profit after income tax attributable to shareholders.

Discounting of deferred tax balances in the valuation of investment contract liabilities
Investment contract and life insurance contract liabilities include the policyholders' share of current tax payable and deferred tax balances of the AMP group. Under AIFRS, deferred tax cannot be discounted. However where the deferred tax liability arises in respect of investment contracts, and is charged to policyholders on a discounted basis, this discounting must be recognised in determining the fair value of the investment contract liabilities. This mismatch results in the tax impact on policyholder asset movements impacting the net profit after income tax attributable to shareholders.

Differences between valuations of life funds' investments in controlled entities and underlying net assets of the controlled entities
The majority of the life statutory funds' investments are held through controlling interests in a number of separate entities and those 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. These 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 impacting the net profit after income tax attributable to shareholders.

Owner occupied property
Under AIFRS, property in the AMP life statutory funds which is occupied by the AMP group is considered property, plant and equipment in the consolidated balance sheet. Upward revaluations on 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.

1. Summary of significant accounting policies continued

However, 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 results in policyholder asset movements impacting the net profit after income tax attributable to shareholders.

(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 carried 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 balance sheet.

(f) Receivables
Receivables are financial assets and are measured at fair value. Given the short-term nature of most receivables, the recoverable amount approximates fair value. Reinsurance and other recoveries receivable are discounted to present value in a manner consistent with the outstanding claims liability. See note 1(r).

(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 balance sheet 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.

(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. For 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 balance sheet 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. The fair value of a listed interest bearing security reflects the quoted bid price at the balance sheet date. 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 comprise 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 balance sheet 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 derivatives. See note 1(w).

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 equity securities described above. See note 1(g).

Cash trusts
The fair value of units in a listed cash trust reflects the quoted bid price at the balance sheet 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 measured at cost, including transaction costs, and is subsequently measured at fair value. Any gains or losses arising from changes in fair value are recognised in the income statement in the period in which they arise.

All property valuations are undertaken at least annually by independent registered valuers. Fair value is based on appropriate market evidence using earnings capitalisation, discounted cash flow analysis, comparable sales transactions or a combination of these methods. The valuations are adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value. There is no reduction for realisation costs in the value of investment property.

(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 measured 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 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 measured as the excess of the cost of a business combination over the acquirer's interest in 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. Management rights are amortised over the period in which the AMP group is expected to recognise the related revenue.

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).

(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.

(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, occurring after the implementation date.

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 balance sheet. 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 of the policyholders' share of any current tax payable and deferred tax balances of the AMP group. Where deferred tax is charged to policyholders on a discounted basis, then this discounting is recognised in determining the fair value of the investment contract liabilities.

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 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 balance sheet carrying amounts
– unused tax losses.

Deferred tax
Deferred tax assets and liabilities are recognised for temporary differences at the tax rates 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.

1. Summary of significant accounting policies continued

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 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 which 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 a receivable or payable in the balance sheet.

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*.

(q) Payables
Payables are financial liabilities and are measured at fair value. Given the short-term nature of most payables, the recoverable amount approximates fair value.

(r) Outstanding claims
The outstanding claims liability in respect of general insurance contracts is measured as the best estimate of the present value of expected future payments for claims incurred at the balance date. A risk margin is added to allow for the inherent uncertainty in the best estimate and to increase the probability that the liability is adequately provided for. The level of risk margin applied for financial reporting is the same as that applied for regulatory solvency purposes.

The liability includes an allowance for inflation and superimposed inflation and is discounted to present value using a risk-free rate.

Claims incurred at the balance date comprise:
- claims which have been reported but not yet paid
- claims incurred but not yet reported
- claims incurred but not enough reported and the anticipated direct and indirect costs of settling these claims.

Outstanding claims are determined by the Approved Actuary in accordance with Actuarial and Prudential Standards.

(s) Provisions
Provisions are recognised when:
- the AMP group has a present obligation (legal or constructive) as a result of a past event
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and
- a reliable estimate can be made of the amount of the obligation.

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

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
Provision is made for employee entitlements accumulated as a result of employees rendering services up to the balance date. These entitlements include salaries, wages, bonuses, annual leave and long service leave, but exclude share based payments. See note 1(gg).

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 balance 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.

(t) Borrowings and subordinated debt
All borrowings and subordinated debt are financial liabilities and are initially recognised at fair value, net of directly attributable incremental transaction costs.

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 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(u).

Borrowings of the controlled entities of the life statutory funds are subsequently measured at fair value with movements recognised in the income statement.

(u) 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 held for risk and asset management purposes within mandates only, and not for the purpose of speculation. The AMP group does not hold a derivative trading portfolio.

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 carried 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).

The AMP group documents the relationship between hedging instruments and hedged items at inception of the transaction, as well as its 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.

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 are 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.

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 for 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 balance sheet 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.

(v) Recognition and derecognition of financial instruments

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.

(w) 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 risk-free 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 term of the contract liabilities.

(x) 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.

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.

1. Summary of significant accounting policies continued

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(ee).

(y) 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.

(z) Foreign currency transactions
Functional and presentation currency
Items included in the financial statements in 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 Financial 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 balance sheet 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 balance sheet 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.

(aa) 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 balance sheet.

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(bb).
- amounts credited directly to investment contract liabilities. See note 1(w).

(bb) 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(w).

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(ee).

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

1. Summary of significant accounting policies continued

Performance-based fees are recognised as revenue when the contractual performance criteria have been met and the right to receive the fee has been established.

(cc) 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 gains and losses represent the change in value between the previously reported value and the amount received on sale of the asset. Unrealised gains and losses represent changes in the fair value of financial assets and investment property recognised in the period.

(dd) 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 policy 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(w).

General insurance contracts
A claims expense in respect of general insurance contracts is recognised in the income statement either as claims are incurred or as movements in outstanding claims occur.

(ee) Operating expenses
All operating expenses, other than those allocated to life insurance contracts, are expensed as incurred. See note 1(x).

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 services 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(bb).

(ff) Finance costs
Finance costs include:
(i) borrowing costs: interest on bank overdrafts; borrowings and subordinated debt; amortisation of discounts or premiums related to borrowings; and finance charges in relation to finance leases and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs
(ii) 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(u).

(gg) 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. There is an equivalent increase 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 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 balance sheet date, the AMP group revises 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. This purchase results in a decrease in the share based payments reserve.

(hh) 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.

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 balance sheet. 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, including full recognition of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions over the period, are recognised in the income statement.

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

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

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

2. Segment information

Business segments	AMP Financial Services 2005 $m	AMP Capital Investors 2005 $m	General Insurance 2005 $m	Other 2005 $m	Eliminations 2005 $m	Total 2005 $m
External revenue	11,533	245	120	118	–	12,016
Inter-segment revenue	72	247	40	–	(359)	–
Total revenue[1,2]	11,605	492	160	118	(359)	12,016
Profit (loss) before income tax	1,397	167	121	(107)	–	1,578
Income tax (expense) credit	(757)	(49)	(17)	55	–	(768)
Net profit (loss) after income tax	640	118	104	(52)	–	810
Profit attributable to minority interests	(1)	–	–	–	–	(1)
Net segment profit (loss) after income tax attributable to shareholders of AMP Limited[3]	639	118	104	(52)	–	809
Total assets	82,221	589	2,285	2,842	(2,449)	85,488
Total liabilities	79,993	351	1,119	3,651	(2,449)	82,665
Depreciation	20	–	–	–	–	20
Amortisation	15	–	–	25	–	40
Other non cash expenses	6,100	2	(18)	13	–	6,097
Assets acquired during the year	25	–	–	–	–	25

Geographic segments	Australia 2005 $m	New Zealand 2005 $m	Other 2005 $m	Eliminations 2005 $m	Total 2005 $m
Revenue from external sales	11,428	567	28	(7)	12,016
Total assets	82,767	2,638	285	(202)	85,488
Assets acquired during the year	22	3	–	–	25

2. Segment information continued

Business segments	AMP Financial Services 2004 $m	AMP Capital Investors 2004 $m	General Insurance 2004 $m	Other 2004 $m	Eliminations 2004 $m	Total 2004 $m
External revenue	11,255	281	77	192	–	11,805
Inter-segment revenue	71	178	24	–	(273)	–
Total revenue[1,2]	11,326	459	101	192	(273)	11,805
Profit (loss) before income tax	1,330	160	106	(143)	–	1,453
Income tax (expense) credit	(605)	(48)	(29)	137	–	(545)
Net profit (loss) after income tax	725	112	77	(6)	–	908
Profit attributable to minority interests	(35)	–	–	–	–	(35)
Net segment profit (loss) after income tax attributable to shareholders of AMP Limited[3]	690	112	77	(6)	–	873
Total assets	71,039	560	2,431	2,400	(1,165)	75,265
Total liabilities	69,110	146	1,357	2,672	(1,165)	72,120
Depreciation	70	–	–	1	–	71
Amortisation	17	–	–	16	–	33
Other non cash expenses	6,005	1	(7)	–	–	5,999
Assets acquired during the year	79	–	–	–	–	79

Geographic segments	Australia 2004 $m	New Zealand 2004 $m	Other 2004 $m	Eliminations 2004 $m	Total 2004 $m
Revenue from external sales	11,083	668	60	(6)	11,805
Total assets	69,957	3,421	2,129	(242)	75,265
Assets acquired during the year	75	4	–	–	79

Footnote:
1 Segment revenue is the aggregate of insurance premium and related revenue, fee revenue and other revenue and investment gains (losses) as detailed in note 3.
2 Segment revenue includes operating revenue activity between segments. These transactions are priced on an arm's length basis and are eliminated on consolidation.
3 Other includes the impact of accounting mismatches on net profit after income tax. See the income statement footnotes and note 1(d) for further information on accounting mismatches.

Business segment information
AMP Financial Services (AFS) – provides financial planning, investment services, superannuation, mortgage and savings products (provided by AMP Bank) and life insurance products in Australia and New Zealand. The AFS segment also includes investments of the life statutory funds which have controlling equity interests in trusts and companies which conduct investment activities and operating businesses. The individual assets, liabilities, revenues and expenses of those operating businesses are recognised in the AFS segment.

AMP Capital Investors (AMPCI) – provides investment management services in Australia, New Zealand and Asia including private capital and property portfolios and socially responsible investments.

General Insurance – comprises reinsurance and corporate insurance operations in run-off.

Other – includes the provision of support services to the business units, corporate funding and investment of shareholder capital not allocated to reportable segments.

3. Income

	Note	Consolidated 2005 $m	Consolidated 2004 $m	Parent 2005 $m	Parent 2004 $m
(a) Insurance premium and related revenue					
Life insurance contract premium and related revenue	19	**876**	986	**–**	–
General insurance contract premium and related revenue	21	**20**	(1)	**–**	–
Total insurance premium and related revenue		**896**	985	**–**	–

	Consolidated 2005 $m	Consolidated 2004 $m	Parent 2005 $m	Parent 2004 $m
(b) Fee revenue				
Investment management and origination fees	**995**	908	**–**	–
Financial advisory fees	**61**	55	**–**	–
Banking business fees	**24**	11	**–**	–
Service fees	**6**	5	**12**	10
Total fee revenue	**1,086**	979	**12**	10

	Consolidated 2005 $m	Consolidated 2004 $m	Parent 2005 $m	Parent 2004 $m
(c) Other revenue				
Defined benefit fund gains	**28**	59	**–**	–
Other revenue[1]	**192**	482	**–**	–
Total other revenue	**220**	541	**–**	–

	Consolidated 2005 $m	Consolidated 2004 $m	Parent 2005 $m	Parent 2004 $m
(d) Investment gains				
Interest				
– subsidiaries	**–**	–	**1**	2
– other entities	**1,519**	1,607	**–**	–
Dividends and distributions				
– subsidiaries	**–**	–	**483**	–
– associated entities	**196**	130	**–**	–
– other entities	**2,103**	1,499	**1**	–
Net rents	**568**	498	**–**	–
Net realised and unrealised gains[2,3]	**5,400**	5,413	**–**	1,778
Other investment income	**28**	153	**–**	–
Total investment gains	**9,814**	9,300	**485**	1,780

Footnote:
1 Other revenue includes trading revenue of operating businesses in which the life statutory funds hold a controlling equity interest. The amount in 2004 includes $264m for controlled entities of DUET which ceased being controlled entities of the life statutory funds during 2004.
2 Net realised and unrealised gains includes $12m (2004: $131m) in respect of the retained investment in the demerged UK operations; the investment was disposed of during 2005.
3 Net realised and unrealised gains of $1,778m in AMP Limited parent entity in 2004 is the reversal of a previous impairment loss on the carrying value of its investment in controlled entities. The reversal was due to a change in the estimates used to determine the recoverable amount of the investment since the impairment loss was recognised.

4. Expenses

	Note	Consolidated 2005 $m	Consolidated 2004 $m	Parent 2005 $m	Parent 2004 $m
(a) Claims and related expenses					
Life insurance contract claims and related expenses	19	**(1,262)**	(1,258)	**–**	–
General insurance contract claims and related expenses	21	**(24)**	17	**–**	–
Total insurance claims and related expenses		**(1,286)**	(1,241)	**–**	–
(b) Operating expenses					
Commission expense		**(360)**	(345)	**–**	–
External investment management expenses		**(133)**	(89)	**–**	–
Fee expense on banking business		**(11)**	(13)	**–**	–
Fees and commission expenses		**(504)**	(447)	**–**	–
Wages and salaries		**(426)**	(446)	**(8)**	(7)
Contributions to defined contribution funds		**(33)**	(33)	**–**	–
Defined benefit fund losses		**(2)**	(5)	**–**	–
Share based payments expense		**(9)**	(6)	**(2)**	(2)
Other staff costs		**(30)**	(24)	**–**	–
Staff and related expenses		**(500)**	(514)	**(10)**	(9)
Occupancy and property maintenance expenses		**(159)**	(140)	**–**	–
Information technology and communication		**(117)**	(110)	**–**	–
Professional fees		**(72)**	(62)	**–**	–
Advertising and marketing		**(24)**	(22)	**–**	–
Travel and entertainment		**(21)**	(19)	**–**	–
Other expenses[1]		**(203)**	(457)	**(2)**	(1)
Writedown of investment in controlled entities to recoverable amount		**–**	–	**–**	(203)
Other operating expenses		**(437)**	(670)	**(2)**	(204)
Total operating expenses		**(1,600)**	(1,771)	**(12)**	(213)
(c) Finance costs					
Interest expense on borrowings and subordinated debt		**(466)**	(531)	**–**	–
Other finance costs		**(56)**	(138)	**–**	–
Total finance costs		**(522)**	(669)	**–**	–

Footnote:
1 Other expenses includes trading expenses of operating businesses in which the life statutory funds hold a controlling equity interest. The amount in 2004 includes $155m for controlled entities of DUET which ceased being controlled entities of the life statutory funds during 2004.

5. Income tax

	Consolidated		Parent	
	2005 $m	2004 $m	2005 $m	2004 $m
(a) Analysis of income tax (expense) credit				
Current tax	**(241)**	(252)	**–**	1
(Decrease) increase in deferred tax assets	**(9)**	5	**29**	(2)
Decrease (increase) in deferred tax liabilities	**(555)**	(406)	**–**	–
Over provided in previous years	**37**	108	**–**	–
Income tax (expense) credit	**(768)**	(545)	**29**	(1)

(b) Relationship between income tax expense and accounting profit
The table below 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 2005 and 2004 is 30% for Australia and 33% for New Zealand. There are certain differences between the amounts of income and expenses recognised in the Financial 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 life insurance contract liabilities and investment contract 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. Rates applicable to New Zealand life insurance business range between 30–33%.

	Consolidated		Parent	
	2005 $m	2004 $m	2005 $m	2004 $m
Profit before income tax per income statement	**1,578**	1,453	**485**	1,577
Policyholder tax recognised as a charge to policyholders in determining profit before income tax	**(504)**	(340)	**–**	–
Profit before income tax excluding tax charged to policyholders	**1,074**	1,113	**485**	1,577
Prima facie tax at the rate of 30% (2004: 30%)	**(322)**	(334)	**(146)**	(473)
Tax effect of differences between amounts of income and expenses recognised for accounting and the amounts deductible/assessable in calculating taxable income:				
Shareholder impact of par-business tax treatment	**(19)**	(25)	**–**	–
Non-deductible expenses	**(11)**	(23)	**–**	–
Non-assessable income	**4**	61	**–**	–
Transitional tax relief on fees from life statutory funds	**32**	63	**–**	–
Tax offsets and credits	**15**	19	**–**	–
Dividend income from controlled entities	**–**	–	**146**	–
Adjustments to valuation of investments in controlled entities	**–**	–	**–**	472
Other items	**(15)**	(19)	**–**	–
Over (under) provided in previous years after excluding amounts attributable to policyholders	**(3)**	36	**–**	–
Benefit arising from previously unrecognised tax losses	**58**	21	**29**	–
Difference in overseas tax rates	**(3)**	(4)	**–**	–
Income tax expense attributable to shareholders	**(264)**	(205)	**29**	(1)
Income tax expense attributable to policyholders	**(504)**	(340)	**–**	–
Income tax (expense) credit per income statement	**(768)**	(545)	**29**	(1)

5. Income tax continued

	Consolidated		Parent	
	2005 $m	2004 $m	2005 $m	2004 $m
(c) Analysis of deferred tax asset				
Amounts recognised in income:				
– Provisions	**104**	108	**1**	1
– Expenditure deductible in future years	**18**	29	**–**	–
– Unrealised movements on borrowings and derivatives	**20**	18	**–**	–
– General insurance claims costs	**28**	46	**–**	–
– Losses available for offset against future taxable income	**42**	16	**32**	12
– Other	**54**	110	**8**	11
Total deferred tax assets	**266**	327	**41**	24
(d) Analysis of deferred tax liability				
Amounts recognised in income:				
– Unrealised investment gains	**1,545**	985	**–**	–
– Unrealised movements on borrowings and derivatives	**30**	14	**–**	–
– Other	**24**	136	**–**	–
Total deferred tax liability	**1,599**	1,135	**–**	–
(e) Unused tax losses and deductible temporary differences not recognised				
Revenue losses	**246**	263	**–**	–
Capital losses	**564**	576	**–**	–
Total unused tax losses and deductible temporary differences not recognised	**810**	839	**–**	–

6. Receivables

		Consolidated		Parent	
	Note	2005 $m	2004 $m	2005 $m	2004 $m
Investment income and sales proceeds receivable		**563**	545	**–**	–
Life and general insurance contract premiums receivable		**288**	285	**–**	–
Reinsurance and other recoveries receivable	21	**115**	174	**–**	–
Reinsurers' share of life insurance contract liabilities		**44**	49	**–**	–
Trade debtors		**78**	76	**–**	–
Other receivables					
– subsidiaries – tax related amounts		**–**	–	**149**	–
– subsidiaries – other		**–**	–	**7**	4
– associated entities		**1**	–	**–**	–
– other entities		**298**	400	**–**	–
Total receivables[1]		**1,387**	1,529	**156**	4

Footnote:
1 $652m (2004: $719m) of Total receivables is expected to be realised 12 months or more from the reporting date.

7. Equity, debt and property securities and other financial assets

	Consolidated 2005 $m	Consolidated 2004 $m	Parent 2005 $m	Parent 2004 $m
Equity securities				
Directly held				
– associated entities	**366**	382	**–**	–
– other entities	**32,692**	27,099	**–**	–
Held via unit trusts				
– associated entities	**3,855**	1,708	**–**	–
– other entities	**1,269**	219	**–**	–
Total equity securities[4]	**38,182**	29,408	**–**	–
Debt securities[1]				
Interest bearing securities directly held	**19,039**	20,607	**–**	–
Interest bearing securities held via unit trusts				
– associated entities	**79**	4	**–**	–
– other entities	**4,444**	2,827	**–**	–
Secured loans				
– subsidiaries	**–**	–	**572**	1,882
– associated entities	**1**	2	**–**	–
– other entities[1]	**6,712**	6,192	**–**	–
Unsecured loans				
– associated entities	**–**	4	**–**	–
– other entities	**531**	701	**–**	–
Convertible notes	**39**	24	**–**	–
Total debt securities[2,4]	**30,845**	30,361	**572**	1,882
Property securities				
Held via unit trusts				
– associated entities	**2,148**	1,678	**–**	–
– other entities	**1,450**	1,258	**–**	–
Total property securities[4]	**3,598**	2,936	**–**	–
Other financial assets				
Cash securities held via unit trusts	**1,070**	584	**–**	–
Other financial assets[3]	**852**	784	**–**	–
Total other financial assets[4]	**1,922**	1,368	**–**	–
Investments in controlled entities[5]	**–**	–	**8,193**	9,075

Footnote:
1 All debt securities are recorded at fair value, with the exception of $6,430m (2004: $6,046m) of secured loans held by banking operations which are recorded at amortised cost.
2 Total debt securities includes $4,469m (2004: $4,312m) of debt securities in consolidated securitisation vehicles.
3 The Other category includes derivative financial assets and investment held via vehicles such as joint ventures and partnerships.
4 Details about the expected timing of recoverability of investment assets are provided in note 20(f), note 21(c) and note 22(h).
5 The reduction in the carrying value of Investments in controlled entities by the parent entity is due to capital returns of $882m.

8. Investment property

	Consolidated		Parent	
	2005 $m	2004 $m	2005 $m	2004 $m
Investment property				
Directly held	**7,215**	7,223	**–**	–
Total investment property	**7,215**	7,223	**–**	–
Movements in investment property				
Balance at the beginning of the period	**7,223**	6,860	**–**	–
Additions				
– through direct acquisition	**470**	1,003	**–**	–
– subsequent expenditure recognised in carrying amount	**138**	–	**–**	–
Disposals[1]	**(1,052)**	(692)	**–**	–
Net gains (losses) from fair value adjustments	**433**	(4)	**–**	–
Foreign currency exchange differences	**3**	26	**–**	–
Transfers from owner occupied property	**–**	30	**–**	–
Balance at the end of the period	**7,215**	7,223	**–**	–

Footnote:
1 Disposals includes amounts for investment entities in which the life statutory funds held a controlling interest and which ceased being controlled entities during the year.

9. Property, plant and equipment

2005	Owner Occupied Property $m	Leasehold Improvements $m	Plant & Equipment $m	Total $m
Property, plant and equipment				
Gross carrying amount	**261**	**83**	**95**	**439**
Less: accumulated depreciation and impairment losses	**–**	**(49)**	**(54)**	**(103)**
Property, plant and equipment at written down value	**261**	**34**	**41**	**336**
Movements in property, plant and equipment				
Balance at the beginning of the period	**232**	**34**	**46**	**312**
Additions				
– through direct acquisitions	**–**	**9**	**16**	**25**
– subsequent expenditure recognised in carrying amount	**3**	**–**	**–**	**3**
Disposals	**–**	**(2)**	**(9)**	**(11)**
Increases (decreases) from revaluations and impairment losses recognised directly in equity	**26**	**–**	**–**	**26**
Impairment losses reversed in profit	**1**	**–**	**–**	**1**
Depreciation expense for the period	**(1)**	**(7)**	**(12)**	**(20)**
Balance at the end of the period	**261**	**34**	**41**	**336**

2004	Owner Occupied Property $m	Leasehold Improvements $m	Plant & Equipment $m	Total $m
Property, plant and equipment				
Gross carrying amount	232	81	103	416
Less: accumulated depreciation and impairment losses	–	(47)	(57)	(104)
Property, plant and equipment at written down value	232	34	46	312
Movements in property, plant and equipment				
Balance at the beginning of the period	232	40	1,916	2,188
Additions				
– through direct acquisitions	–	12	67	79
– subsequent expenditure recognised in carrying amount	32	–	–	32
Disposals	–	(10)	(1,876)	(1,886)
Impairment losses recognised in profit	(1)	–	–	(1)
Depreciation expense for the period	(1)	(8)	(62)	(71)
Transfers to (from) owner occupied property	(30)	–	–	(30)
Foreign currency exchange differences	–	–	1	1
Balance at the end of the period	232	34	46	312

10. Other assets

	Consolidated		Parent	
	2005 $m	2004 $m	2005 $m	2004 $m
Inventories	**17**	20	**–**	–
Prepayments	**61**	50	**–**	–
Other assets	**49**	32	**–**	–
Total other assets[1]	**127**	102	**–**	–

Footnote:
1 $86m (2004: $69m) of Total other assets is expected to be realised 12 months or more from the reporting date.

11. Intangibles

	Consolidated		Parent	
	2005 $m	2004 $m	2005 $m	2004 $m
Goodwill				
Gross carrying amount	**517**	517	**–**	–
Less: accumulated impairment losses	**–**	–	**–**	–
Total goodwill at written down value	**517**	517	**–**	–
Capitalised costs				
Gross carrying amount	**199**	148	**–**	–
Less: accumulated amortisation and impairment losses	**(90)**	(53)	**–**	–
Capitalised costs at written down value	**109**	95	**–**	–
Management rights				
Gross carrying amount	**8**	25	**–**	–
Less: accumulated amortisation and impairment losses	**(2)**	(10)	**–**	–
Management rights at written down value	**6**	15	**–**	–
Total intangibles	**632**	627	**–**	–
Movements in capitalised costs				
Balance at the beginning of the period	**95**	70	**–**	–
Additions through internal development	**58**	54	**–**	–
Amortisation expense for the period	**(37)**	(28)	**–**	–
Impairment losses (recognised) or reversed in profit	**(6)**	(1)	**–**	–
Other movements	**(1)**	–	**–**	–
Balance at the end of the period	**109**	95	**–**	–
Movements in management rights				
Balance at the beginning of the period	**15**	20	**–**	–
Amortisation expense for the period	**(3)**	(5)	**–**	–
Impairment losses (recognised) or reversed in profit	**(6)**	–	**–**	–
Balance at the end of the period	**6**	15	**–**	–

Impairment testing for goodwill

The goodwill amount arose from a Life Act Part 9 transfer into the life statutory funds of AMP Life. The amount of goodwill 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. AMP Life is deemed to be the cash generating unit for the purposes of impairment testing required by accounting standards. The carrying value of $517m was determined on 1 January 2004 according to the rules applying on adoption of AIFRS.

The amount of goodwill is subject to annual impairment testing at the cash generating unit level.

Key financial indicators are considered when testing goodwill for impairment including: cash flows, AMP Life margins and embedded value of the AMP Life business.

An analysis of these key financial indicators and other valuations performed for the current year confirm that at 31 December 2005 there has been no impairment in the value of goodwill.

12. Payables

	Consolidated		Parent	
	2005 $m	2004 $m	2005 $m	2004 $m
Accrued expenses	**95**	113	**–**	–
Interest payable	**70**	77	**–**	–
Investment purchases payable	**687**	208	**–**	–
Life insurance and investment contracts in process of settlement	**254**	311	**–**	–
Trade creditors	**36**	39	**–**	–
Other payables				
– subsidiaries – tax related amounts	**–**	–	**–**	5
– associated entities	**2**	1	**–**	–
– other entities	**612**	569	**1**	1
Total payables[1]	**1,756**	1,318	**1**	6

Footnote:
1 $709m (2004: $532m) of Total payables is expected to be settled 12 months or more from the reporting date.

13. Provisions

	Consolidated		Parent	
	2005 $m	2004 $m	2005 $m	2004 $m
(a) Provisions				
Employee entitlements	**163**	168	**5**	4
Restructuring	**10**	34	**–**	–
Other	**155**	149	**–**	–
Total provisions[1]	**328**	351	**5**	4

	Employee entitlements $m	Restructuring $m	Other $m	Total $m
(b) Movements in provisions – consolidated				
Balance at the beginning of the period	**168**	**34**	**149**	**351**
Additional provisions recognised	**100**	**1**	**86**	**187**
Reductions from remeasurement or settlement without cost	**–**	**–**	**(35)**	**(35)**
Payments/other sacrifices of economic benefits	**(105)**	**(25)**	**(54)**	**(184)**
Other movements	**–**	**–**	**9**	**9**
Balance at the end of the period	**163**	**10**	**155**	**328**

	Employee entitlements $m	Restructuring $m	Other $m	Total $m
(b) Movements in provisions – parent				
Balance at the beginning of the period	**4**	**–**	**–**	**4**
Additional provisions recognised	**5**	**–**	**–**	**5**
Payments/other sacrifices of economic benefits	**(4)**	**–**	**–**	**(4)**
Balance at the end of the period	**5**	**–**	**–**	**5**

Footnote:
1 $150m (2004: $78m) of Total provisions is expected to be settled 12 months or more from the reporting date.

14. Borrowings

	Note	Consolidated 2005 $m	Consolidated 2004 $m	Parent 2005 $m	Parent 2004 $m
Bank overdrafts		**78**	55	**–**	–
Bank loans	22(g)	**108**	379	**–**	–
Bonds and notes[1]	22(g)	**6,925**	6,323	**–**	–
Deposits[2]		**1,970**	1,863	**–**	–
Other loans					
– subsidiaries		**–**	–	**–**	1,484
– other entities		**9**	20	**–**	–
Total borrowings[3,4]		**9,090**	8,640	**–**	1,484

Footnote:

1 The AMP group uses interest rate and foreign exchange derivatives to manage risks inherent in certain debt issues. From 1 January 2005, the AMP group applied hedge accounting as discussed in note 1(u) and note 22(d). As a result of applying hedge accounting, at 31 December 2005, the carrying value of bonds and notes is $36m lower (2004: nil) reflecting changes in fair value on the underlying hedged item for the period that effective hedge relationships were in place.

2 Deposits is mainly comprised of at call cash on deposit and term deposits at variable interest rates within the AMP group's banking operations.

3 Borrowings includes amounts to fund:
   i) AMP Bank and operating businesses in which the life statutory funds hold a controlling equity interest – borrowings of $8,198m (2004: $7,680m).
   ii) Corporate activities of AMP – borrowings of $892m (2004: $960m).

4 Total borrowings include $4,601m (2004: $4,406m) of debt in consolidated securitisation vehicles.

15. Subordinated debt

	Consolidated 2005 $m	Consolidated 2004 $m	Parent 2005 $m	Parent 2004 $m
Subordinated Floating Rate Note (3 month BBSW + 0.56% maturing in April 2009)	**100**	101	**–**	–
7.125% GBP Subordinated Guaranteed Step-Up Bonds (maturing 2019)	**241**	253	**–**	–
6.875% GBP Subordinated Guaranteed Bonds (maturing 2022)	**87**	87	**–**	–
9.49% Subordinated Fixed Rate Annuity Bonds (maturing October 2027)	**–**	35	**–**	–
AMP Income Securities (guaranteed perpetual floating rate notes at 3 month BBSW + 1.3%)[1]	**–**	265	**–**	–
Total subordinated debt[2,3]	**428**	741	**–**	–

Footnote:

1 All AMP Income Securities were redeemed during the period at face value ($100 per security).

2 The AMP group uses interest rate and foreign exchange derivatives to manage risks inherent in certain debt issues. From 1 January 2005, the AMP group applied hedge accounting as discussed in note 1(u) and note 22(d). As a result of applying hedge accounting, at 31 December 2005, the carrying value of subordinated debt is $4m higher (2004: nil) reflecting changes in fair value on the underlying hedged item for the period that effective hedge relationships were in place.

3 Subordinated debt includes amounts to fund:
   i) AMP Bank and operating businesses in which the life statutory funds hold a controlling equity interest – subordinated debt of $100m (2004: $136m).
   ii) Corporate activities of AMP – subordinated debt of $328m (2004: $605m).

16. Dividends

	Consolidated 2005 $m	Consolidated 2004 $m	Parent 2005 $m	Parent 2004 $m
Final dividends paid 2004 paid in 2005: 14 cents per ordinary share franked to 75% (2003 paid in 2004: 9 cents per ordinary share franked to 85%)	**260**	166	**260**	166
Interim dividends paid 2005: 14 cents per ordinary share franked to 75% (2004: 13 cents per ordinary share franked to 75%)	**262**	241	**262**	241
Total dividends paid[1,2]	**522**	407	**522**	407
Final dividend proposed but not recognised 2005: 18 cents per ordinary share franked to 75%[3]	**337**	n/a	**337**	n/a

	Consolidated 2005 $m	Consolidated 2004 $m	Parent 2005 $m	Parent 2004 $m
Dividend franking account[4,5] Franking credits available to shareholders of AMP Limited (at 30%)	**174**	172	**174**	172

Footnote:
1 Total dividends paid includes dividends paid on 'treasury shares'. See note 18 for further information regarding the impact of 'treasury shares' on dividends paid and retained profits.
2 All dividends are franked at a tax rate of 30%.
3 As AMP has consolidated negative retained earnings (consisting of retained earnings and the Demerger loss reserve), it is required to obtain approval from APRA under APRA's prudential standards prior to the payment of dividends. APRA approval has been granted for the payment of the final dividend proposed.
4 The above available amounts are based on the balance of the dividend franking account at year end 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.
5 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 $108m.

17. Contributed equity

	Consolidated 2005 $m	Consolidated 2004 $m	Parent 2005 $m	Parent 2004 $m
Movements in issued capital				
Balance at the beginning of the period	**5,636**	5,549	**5,636**	5,549
Reduction in share capital through capital return[1]	**(746)**	–	**(746)**	–
9,735,714 (2004: 14,794,374) shares issued under Dividend Reinvestment Plan[2]	**69**	87	**69**	87
7,623 (2004: 144) shares issued to former members of the AMP Society[3]	**–**	–	**–**	–
Nil (2004: 76,374) shares issued under employee share plans[4]	**–**	–	**–**	–
Balance at the end of the period	**4,959**	5,636	**4,959**	5,636
Total issued capital				
1,869,892,007 (2004: 1,860,148,670) ordinary shares fully paid	**4,959**	5,636	**4,959**	5,636
Movements in 'treasury shares'[5]				
Balance at the beginning of the period	**(220)**	(272)	**–**	–
Decrease (increase) in cost of 'treasury shares' due to sales and purchases	**(3)**	52	**–**	–
Decrease in cost of 'treasury shares' due to capital return	**13**	–	**–**	–
Balance at the end of the period	**(210)**	(220)	**–**	–
Total contributed equity				
1,839,095,014 (2004: 1,829,154,868) ordinary shares fully paid[5]	**4,749**	5,416	**4,959**	5,636

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

Footnote:

1 On 17 February 2005, AMP announced a capital return of 40 cents per share to the shareholders of AMP Limited. The capital return was approved by shareholders at the annual general meeting on 19 May 2005. The record date for entitlement to the capital return was 26 May 2005 and payment was made on 16 June 2005.

2 Under the terms of the Dividend Reinvestment Plan, shareholders may elect to have part of their dividend entitlements satisfied by the issue of new shares rather than being paid in cash. Shares were issued under the Dividend Reinvestment Plan for the 2005 interim dividend (paid in October 2005) at $7.30 per share, the 2004 final dividend (paid in April 2005) at $6.91 per share, the 2004 interim dividend (paid in October 2004) at $6.18 per share and for the 2003 final dividend (paid in April 2004) at $5.62 per share.

3 The former members of AMP Society exchanged their membership rights for shares in AMP Limited on demutualisation. 1,043,353,242 (2004: 1,043,345,619) shares have been issued to former members at an issue price of $3.00 per share. Ongoing minor adjustments represent shares issued to former members out of the Capital reserve (see note 18).

4 Exercises of options or performance rights since 1 January 2005 have been satisfied through the on market purchase of AMP shares rather than the issue of new shares as was the practice in previous periods.

5 Of the ordinary shares on issue, AMP Life Limited (a wholly owned controlled entity) holds 30,796,993 (2004: 30,993,802) 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.

18. Reserves and retained earnings

	Consolidated		Parent	
	2005 $m	2004 $m	2005 $m	2004 $m
Capital reserve[1]				
Balance at the beginning of the period	**510**	510	**510**	510
Movements during the period	**–**	–	**–**	–
Balance at the end of the period	**510**	510	**510**	510
Equity contribution reserve[2]				
Balance at the beginning of the period	**1,019**	1,019	**–**	–
Movements during the period	**–**	–	**–**	–
Balance at the end of the period	**1,019**	1,019	**–**	–
Share based payments reserve[3]				
Balance at the beginning of the period	**13**	10	**2**	1
Expense during the period	**9**	5	**2**	1
Share purchases	**(3)**	(2)	**–**	–
Balance at the end of the period	**19**	13	**4**	2
Cash flow hedges reserve[4]				
Balance at the beginning of the period	**3**	4	**–**	–
Gains from changes in fair value	**1**	–	**–**	–
Transferred to income statement	**(1)**	(1)	**–**	–
Balance at the end of the period	**3**	3	**–**	–
Owner occupied property revaluation reserve[5]				
Balance at the beginning of the period	**–**	–	**–**	–
Revaluations during the period	**26**	–	**–**	–
Balance at the end of the period	**26**	–	**–**	–
Foreign currency translation reserve[6]				
Balance at the beginning of the period	**5**	(9)	**–**	–
Net translation adjustment on self-sustaining foreign operations	**1**	12	**–**	–
Transferred to retained earnings	**–**	2	**–**	–
Balance at the end of the period	**6**	5	**–**	–
Demerger loss reserve[7]				
Balance at the beginning of the period	**(3,585)**	(3,585)	**–**	–
Movements during the period	**–**	–	**–**	–
Balance at the end of the period	**(3,585)**	(3,585)	**–**	–
Total reserves	**(2,002)**	(2,035)	**514**	512

18. Reserves and retained earnings continued

	Note	Consolidated 2005 $m	Consolidated 2004 $m	Parent 2005 $m	Parent 2004 $m
Retained earnings					
Balance at the beginning of the period[8]		**(240)**	(698)	**3,344**	2,175
Net profit (loss) after tax attributable to shareholders of AMP Limited		**809**	873	**514**	1,576
Gain (loss) on sale of 'treasury shares' recognised directly in retained earnings		**7**	(13)	**–**	–
Transferred from foreign currency translation reserve		**–**	(2)	**–**	–
Dividends paid[9]	16	**(522)**	(407)	**(522)**	(407)
Less: dividends paid on 'treasury shares'[9]		**9**	7	**–**	–
Balance at the end of the period		**63**	(240)	**3,336**	3,344

Footnote:

1 The Capital reserve is the balance remaining from the amount capitalised in 1998 on the demutualisation of AMP Society after allotting shares to former members under the terms of the demutualisation. Minor adjustments are made from time to time which involve the issue of further shares to former members.

2 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.

3 The Share based payments 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.

4 The Cash flow hedges reserve represents the cumulative impact of changes in the fair value of derivatives designated as cash flow hedges.

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

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

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

8 The balance at the beginning of the period for 2004 is after the adjustment arising from the adoption of AIFRS.

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.

19. Life insurance contracts

	Consolidated 2005 $m	Consolidated 2004 $m	Parent 2005 $m	Parent 2004 $m
(a) Analysis of life insurance contract premium and related revenue				
Total life insurance contract premiums received and receivable	**2,043**	1,917	**–**	–
Less: component recognised as a change in life insurance contract liabilities	**(1,198)**	(955)	**–**	–
Life insurance contract premium revenue[1]	**845**	962	**–**	–
Reinsurance recoveries	**31**	24	**–**	–
Total life insurance contract premium and related revenue	**876**	986	**–**	–
(b) Analysis of life insurance contract claims and related expenses				
Total life insurance contract claims paid and payable	**(3,081)**	(2,871)	**–**	–
Less: component recognised as a change in life insurance contract liabilities	**1,853**	1,646	**–**	–
Life insurance contract claims expense	**(1,228)**	(1,225)	**–**	–
Outwards reinsurance expense	**(34)**	(33)	**–**	–
Total life insurance contract claims and related expenses	**(1,262)**	(1,258)	**–**	–
(c) Analysis of life insurance contract operating expenses				
Life insurance contract acquisition expenses				
– Commission	**(45)**	(44)	**–**	–
– Other	**(68)**	(80)	**–**	–
Life insurance contract maintenance expenses				
– Commission	**(59)**	(55)	**–**	–
– Other	**(238)**	(276)	**–**	–
Investment management expenses	**(46)**	(46)	**–**	–

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

19. Life insurance contracts continued

	Consolidated		Parent	
	2005 $m	2004 $m	2005 $m	2004 $m
(d) Life insurance contract liabilities				
Life insurance contract liabilities determined using projection method				
Best estimate liability				
– Value of future life insurance contract benefits	**12,316**	12,235	**–**	–
– Value of future expenses	**2,288**	2,158	**–**	–
– Value of future premiums	**(7,698)**	(6,995)	**–**	–
Total best estimate liability – projection method	**6,906**	7,398	**–**	–
Value of future profits				
– Life insurance contract holder bonuses	**2,584**	2,312	**–**	–
– Shareholders' profit margins	**2,010**	1,571	**–**	–
Total value of future profits – projection method	**4,594**	3,883	**–**	–
Life insurance contract liabilities determined using accumulation method				
Best estimate liability				
– Value of future life insurance contract benefits	**7,800**	7,864	**–**	–
– Value of future acquisition expenses	**(25)**	(32)	**–**	–
Total best estimate liability – accumulation method	**7,775**	7,832	**–**	–
Value of declared bonus	**465**	435	**–**	–
Unvested life insurance contract holder benefits[1]	**1,158**	1,042	**–**	–
Total life insurance contract liabilities before reinsurance	**20,898**	20,590	**–**	–
Add: Reinsurers' share of life insurance contract liabilities	**44**	49	**–**	–
Total life insurance contract liabilities	**20,942**	20,639	**–**	–

Footnote:
1 For life statutory funds which include participating business, part of the assets in excess of the life insurance contract and other liabilities calculated under MoS is attributed to policyholders. Under the Life Insurance Act 1995, this is referred to as Policy owner retained profits. For the purpose of reporting under AASB 1038 Life Insurance Contracts, 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 in specific policyholder entitlements.

	Note	Consolidated		Parent	
		2005 $m	2004 $m	2005 $m	2004 $m
(e) Reconciliation of changes in life insurance contract liabilities					
Total life insurance contract liabilities at the beginning of the period		**20,639**	19,904	**–**	–
Change in life insurance contract liabilities recognised in the income statement		**948**	1,312	**–**	–
Premiums recognised as an increase in life insurance contract liabilities	19(a)	**1,198**	955	**–**	–
Claims recognised as a decrease in life insurance contract liabilities	19(b)	**(1,853)**	(1,646)	**–**	–
Change in reinsurers share of life insurance contract liabilities		**(5)**	7		
Foreign exchange adjustment		**15**	107	**–**	–
Total life insurance contract liabilities at the end of the period	19(d)	**20,942**	20,639	**–**	–

19. Life insurance contracts continued

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

Life insurance contract liabilities, and hence the net profit from life insurance contracts, are calculated by applying the principles of Margin on Services (MoS). Refer to note 1(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	Projection/modified accumulation	Interest credits
Risk	Projection/accumulation	Expected claim payments
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.

			31 December 2005		31 December 2004	
Business type		Basis	Australia	New Zealand	Australia	New Zealand
Retail risk		10 year government bond rate	**5.3%**	**5.8%**	5.4%	6.0%
Group risk	Outstanding claims	2 year government bond rate	**5.3%**	**n/a**	5.1%	n/a
Life annuities	Non-CPI	Zero coupon inter-bank swap curve	**5.7%–5.8%**	**n/a**	5.4%–5.9%	n/a
	CPI	Commonwealth Indexed bond curve + 20 basis points	**2.4%–2.7%**	**n/a**	3.0%	n/a
	New Zealand	Government bond curve + 30 basis points	**n/a**	**4.1%–4.3%**	n/a	4.5%–4.1%

(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 2005	**3.0%**	**2.5%**	**2.0%**	**0.5%**	**0.0%**	**(1.0%)**
31 December 2004	3.0%	2.3%	2.0%	0.5%	0.0%	(1.0%)
New Zealand						
31 December 2005	**3.0%**	**2.5%**	**2.0%**	**0.5%**	**0.0%**	**(1.0%)**
31 December 2004	3.0%	2.3%	2.0%	0.5%	0.0%	(1.0%)

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.

19. Life insurance contracts continued

The averages of the asset mixes assumed for the purpose of setting investment assumptions at the valuation date are as shown in the table below.

	Equities	Property	Fixed interest	Cash
Australia				
31 December 2005	**31%**	**12%**	**42%**	**15%**
31 December 2004	31%	12%	42%	15%
New Zealand				
31 December 2005	**38%**	**17%**	**38%**	**7%**
31 December 2004	43%	19%	36%	2%

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

(iii) Future participating benefits
For participating business, the total value of future bonuses (and the associated shareholders' profit margin) that is included in life insurance contract liabilities is the amount supported by the value of 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 2004 in parentheses).

Reversionary bonus	Bonus on sum insured	Bonus on existing bonuses
Australia	0.7–1.0% (0.7–1.1%)	1.0–1.5% (1.1–1.4%)
New Zealand	0.5–0.7% (0.6–0.8%)	0.5–0.7% (0.6–0.8%)

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

Crediting rates (investment account)

Australia	2.4–5.8% (2.1–5.8%)
New Zealand	2.0–4.1% (1.7–5.0%)

(iv) Future maintenance and investment expenses
Unit maintenance costs are based on budgeted expenses in the year following the reporting date (including GST as appropriate and excluding one-off expenses). For future years, these are increased for inflation as described in (v) below. These expenses include fees charged to the life statutory funds by service companies in the AMP group. Unit costs vary by product line and class of business based on an apportionment which 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 for inflation. Future take-up of these indexation options is based on AMP's own experience with the annual inflation rates derived from:
- the difference between long-term government bonds and indexed government bonds for Australia
- long-term government bonds for New Zealand.

The assumed annual inflation rates at the valuation date are:

	Australia	New Zealand
31 December 2005	**3.1%**	**2.5%**
31 December 2004	2.7%	2.5%

The assumptions for expense inflation are also based on these rates and due regard to the terms of the relevant service company agreement, as appropriate.

19. Life insurance contracts continued

(vi) Bases of taxation
The bases of taxation for Australia and New Zealand (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'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, 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 is extremely diverse.

Future rates of discontinuance used at 31 December 2005 are unchanged from those assumed at 31 December 2004 except for:
– Australia – a 1.1% reduction in the surrender rate on ordinary conventional products and a change in the duration, occupation and smoking factors affecting the lapse rate on disability business
– New Zealand – lower withdrawal rates on risk as well as some conventional and investment account products.

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

	31 December 2005		31 December 2004	
Business type	**Australia**	**New Zealand**	**Australia**	**New Zealand**
Conventional	**3.7–4.4%**	**2.3–2.4%**	4.2–4.8%	2.3–2.7%
Investment account	**15–25%**	**–**	15–25%	–
Retail risk	**10–11%**	**6.7–8.7%**	10–11%	7.2–9.5%

(viii) Surrender values
The surrender bases assumed are those current at the reporting date. There have been no changes to the bases during the year (or the prior year) which 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 which take account of AMP'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.

Following analysis of the latest available data, rates of mortality assumed at 31 December 2005 are lower than those assumed at 31 December 2004 in New Zealand (namely conventional and term business) but unchanged in Australia. Initial rates of annuitant mortality in Australia and New Zealand have been reduced by the annual allowance for future annuitant mortality improvement, implying no change in the underlying basis.

Typical mortality assumptions, in aggregate, are as follows:

	Conventional – % of IA95-97		Term – % of IA95-97	
Risk products	**Male**	**Female**	**Male**	**Female**
Australia	83%	83%	74%	74%
New Zealand	82%	82%	70%	70%

Annuities	**Male – % of IM80 C10**	**Female – % of IF80 C10**
Australia	72% in 2006	72% in 2006

For disability income business, the claim assumptions are currently based on CIDA85, which is derived from North American experience. It is adjusted for AMP's experience, with the adjustment dependent on age, sex, waiting period, occupation, smoking status and claim duration. As at 31 December 2005, changes have been made to the occupation factors, cost of ancillary benefits and impact of offsets and partial benefits such that, on average, the assumed rates of claim incidence in Australia are approximately 6% lower than those assumed at 31 December 2004. For New Zealand, the claim incidence rate assumed is unchanged from that assumed at 31 December 2004 but the termination rates have been brought in line with the Australian assumptions.

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's recent claim experience. Assumptions at 31 December 2005 are unchanged from those used at 31 December 2004.

The Actuarial tables used were:

IA95-97	A mortality table developed by the Institute of Actuaries of Australia based on Australian insured lives experience from 1995–1997.
IM80 / IF80	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 which allow for mortality improvements since the date of the investigation.
CIDA85	A disability table developed by the Society of Actuaries based on North American disability income experience from 1973–1979.

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 sheet date.

The impact on future profit margins of changes in actuarial assumptions from 31 December 2004 to 31 December 2005 in respect of life insurance contracts (excluding new business contracts which are measured using assumptions at balance sheet date) is as shown in the table below.

Assumption change	Change in future profit margins $m
Non-market related changes to discount rates	(14)
Mortality and morbidity	93
Discontinuance rates	53
Maintenance expenses	84
Other assumptions	55

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.

(g) Insurance risk sensitivity analysis – life insurance contracts

For life insurance contracts which 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		Gross of reinsurance $m	Net of reinsurance $m	Gross of reinsurance $m	Net of reinsurance $m
Mortality	10% increase in mortality rates	(3)	(3)	3	3
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 & decrease in recovery rates	9	7	(9)	(6)
Discontinuance rates	10% increase in discontinuance rates	–	–	–	–
Maintenance expenses	10% increase in maintenance expenses	1	1	(1)	(1)

(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 involved in AMP Life are covered in note 22.

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 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 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. 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.

19. Life insurance contracts continued

Terms and conditions of life insurance contracts

The nature of the terms of the life insurance contracts written by AMP Life 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 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 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.

20. Other life insurance and investment contracts disclosures

	Consolidated 2005 $m	Consolidated 2004 $m	Parent 2005 $m	Parent 2004 $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	**320**	302	**–**	–
– Profits (losses) arising from difference between actual and assumed experience	**11**	16	**–**	–
Profit related to life insurance and investment contract liabilities	**331**	318	**–**	–
Attributable to:				
– Life insurance contracts	**208**	190	**–**	–
– Investment contracts	**123**	128	**–**	–
Investment earnings on assets in excess of life insurance and investment contract liabilities	**104**	208	**–**	–

(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 2005 $m	Consolidated 2004 $m	Parent 2005 $m	Parent 2004 $m
Life insurance contracts with a discretionary participating feature				
– Amount of the liabilities that relate to guarantees	**15,273**	15,540	**–**	–
Investment linked contracts				
– Amount of the liabilities subject to investment performance guarantees	**1,069**	919	**–**	–
Other life insurance contracts with a guaranteed termination value				
– Current termination value	**188**	211	**–**	–

(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 actuarial standards. AMP 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:
- solvency requirement
- 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 period. Across all the life statutory funds, the excess assets, expressed as a percentage of the solvency reserve, at 31 December 2005 were 57% (31 December 2004 – 87%).

The excess assets at 31 December 2004 are before a $750m transfer out of the statutory funds approved by the AMP Life Board in February 2005, which took place in 2005. After taking the transfer into account, the excess assets expressed as a percentage of the solvency reserve would have been 58% at 31 December 2004.

Capital adequacy requirements

The capital adequacy requirement is a separate requirement (usually higher) which 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 period. For this purpose, the capital adequacy reserve is defined as the solvency reserve, plus the difference between the capital adequacy requirement and the solvency requirement. Across all the life statutory funds, the excess assets, expressed as a percentage of the capital adequacy reserve, as at 31 December 2005 was 17%. In 2004 this figure was 52%.

20. Other life insurance and investment contracts disclosures continued

The excess assets at 31 December 2004 were before a $750 million transfer out of the statutory funds approved by the AMP Life Board in February 2005, which took place in 2005. After taking the transfer into account, the excess assets expressed as a percentage of the capital adequacy reserve would have been 28% at 31 December 2004.

(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 Financial Report and in the tables in this note.

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.

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

Investment assets of the life statutory funds comprising cash, equity securities, debt securities, property securities, other financial assets, investment property and owner occupied property are held to back investment contract liabilities amounting to $38,712 million (2004: $32,737 million) and life insurance contract liabilities amounting to $20,942 million (2004: $20,639 million). Investment assets are traded on a regular basis taking into account the movements in liabilities as well as incoming cash flows.

For the majority of investment contract and life insurance contract liabilities, there is no fixed settlement date. Based on AMP's assumptions as to likely withdrawal patterns in the various product groups, it is estimated that approximately $9.0 billion (2004: $8.4 billion) may be settled within 12 months of the reporting date.

(g) Disaggregated information at statutory fund level

Under the Life Act, the life insurance business of AMP Life is conducted within separate life statutory funds that are distinguished from each other and from the AMP Life shareholders' fund. The financial statements of AMP Life, prepared in accordance with AASB 1038, (and which are lodged with the relevant Australian regulators) show all major components of the financial statements disaggregated between the various life insurance statutory funds, and the shareholders' fund.

21. General insurance contracts

	Consolidated		Parent	
	2005 $m	2004 $m	2005 $m	2004 $m
(a) Analysis of general insurance underwriting result				
Direct insurance premiums	**2**	2	**–**	–
Inwards reinsurance premiums	**4**	3	**–**	–
Reinsurance and other recoveries	**14**	(6)	**–**	–
Total premium and related revenue	**20**	(1)	**–**	–
Direct claims expense	**(47)**	46	**–**	–
Inwards reinsurance claims expense	**22**	(32)	**–**	–
Outwards reinsurance expense	**1**	3	**–**	–
Total claims and related expenses	**(24)**	17	**–**	–
Other underwriting income	**2**	–	**–**	–
Underwriting expenses	**(2)**	(1)	**–**	–
Underwriting result[1]	**(4)**	15	**–**	–

Footnote:
1 The underwriting result is one of the components taken into account in determining the net profit of the general insurance operations for the year which also includes investment gains (losses) (including investment gains (losses) on shareholder capital invested) and operating expenses.

21. General insurance contracts continued

(b) Analysis of claims incurred

The claims incurred relate to a reassessment of the risks borne in all previous financial years. There were no risks borne in the current reporting period.

	Consolidated 2005 $m	Consolidated 2004 $m	Parent 2005 $m	Parent 2004 $m
Direct insurance				
Gross claims incurred and related expenses – undiscounted	**13**	(89)	**–**	–
Reinsurance and other recoveries – undiscounted	**–**	5	**–**	–
Net claims incurred – undiscounted	**13**	(84)	**–**	–
Discount and discount movement – gross claims incurred	**34**	43	**–**	–
Discount and discount movement – reinsurance and other recoveries	**(11)**	(3)	**–**	–
Net discount movement	**23**	40	**–**	–
Net claims incurred – direct insurance	**36**	(44)	**–**	–
Inwards reinsurance				
Gross claims incurred and related expenses – undiscounted	**(38)**	(22)	**–**	–
Reinsurance and other recoveries – undiscounted	**(2)**	5	**–**	–
Net claims incurred – undiscounted	**(40)**	(17)	**–**	–
Discount and discount movement – gross claims incurred	**15**	54	**–**	–
Discount and discount movement – reinsurance and other recoveries	**–**	(1)	**–**	–
Net discount movement	**15**	53	**–**	–
Net claims incurred – inwards reinsurance	**(25)**	36	**–**	–
Total net claims incurred	**11**	(8)	**–**	–

21. General insurance contracts continued

	Consolidated 2005 $m	Consolidated 2004 $m	Parent 2005 $m	Parent 2004 $m
(c) Analysis of outstanding claims				
Gross central estimate of present value of future claims payments	**902**	1,087	**–**	–
Risk margin	**135**	156	**–**	–
Total outstanding claims liability	**1,037**	1,243	**–**	–
Percentage risk margin adopted in determining the outstanding claims liability	**15%**	14%	**–**	–
Probability of sufficiency achieved by the risk margin	**75%**	75%	**–**	–
The expected settlement pattern of the outstanding claims liability is as follows:				
Current	**179**	397	**–**	–
Non-current	**858**	846	**–**	–
Total outstanding claims liability	**1,037**	1,243	**–**	–
The liability for outstanding claims is segmented as follows:				
Direct insurance	**467**	492	**–**	–
Inwards reinsurance	**570**	751	**–**	–
Total outstanding claims liability	**1,037**	1,243	**–**	–

Amounts expected to be recovered or settled no more than 12 months after the reporting date
Investment assets in the form of debt securities are held to back the liability for outstanding claims and are realised on a regular basis to meet claims. The amount of claims likely to be settled within 12 months of the reporting date is set out above.

21. General insurance contracts continued

(d) Claims development

The general insurance operations of the AMP group involve managing the run-off of the outstanding claims liability arising from direct and reinsurance general insurance contracts issued prior to 1999, and risks accepted as part of portfolio transfers in connection with the divestment of general insurance business in 2001.

The operations have been closed to new business since 1999 and there have been no new general insurance contracts issued in the five years prior to and including this Financial Report.

As described in note 1(r), the outstanding claims liability is the best estimate of the present value of expected future payments, after the inclusion of a risk margin. At each balance date, the amount of the liability is reassessed and it is likely that changes will arise in the estimates of liabilities. The table below shows the estimates of total ultimate claims at successive years' ends.

The AMP group previously conducted significant general insurance activities in other entities, which were sold by the AMP group in 2001. The information in the table relates to the remaining entities as described above.

	Inwards Reinsurance		Direct Insurance		Total	
	Net $m	Gross $m	Net $m	Gross $m	Net $m	Gross $m
31 December 2001	**6,132**	**6,698**	**2,038**	**2,818**	**8,170**	**9,516**
31 December 2002	**6,085**	**6,686**	**2,060**	**2,909**	**8,145**	**9,595**
31 December 2003	**6,037**	**6,634**	**2,095**	**2,923**	**8,132**	**9,557**
31 December 2004	**6,030**	**6,620**	**2,042**	**2,842**	**8,072**	**9,462**
31 December 2005	**6,001**	**6,575**	**2,088**	**2,891**	**8,089**	**9,466**
Current estimate of cumulative claims	**6,001**	**6,575**	**2,088**	**2,891**	**8,089**	**9,466**
Cumulative payments	**(5,491)**	**(6,060)**	**(1,747)**	**(2,445)**	**(7,238)**	**(8,504)**
Undiscounted central estimate	**510**	**515**	**341**	**446**	**851**	**962**
Effect of discounting	**(90)**	**(90)**	**(49)**	**(67)**	**(139)**	**(157)**
Discounted central estimate	**420**	**425**	**292**	**379**	**712**	**805**
Risk margin						**135**
Claims handling provision						**97**
Outstanding claims as per the balance sheet						**1,037**

21. General insurance contracts continued

	Consolidated 2005 $m	Consolidated 2004 $m	Parent 2005 $m	Parent 2004 $m
(e) Reinsurance and other recoveries receivable				
Reinsurance recoveries receivable on the outstanding claims liability	**81**	111	**–**	–
Reinsurance recoveries receivable on paid claims	**34**	63	**–**	–
Total reinsurance and other recoveries receivable	**115**	174	**–**	–

Footnote:
1 Reinsurance and other recoveries receivable are included in Receivables (note 6).

(f) Reconciliation of movements in assets and liabilities arising from general insurance contracts

	Consolidated 2005 $m	Consolidated 2004 $m	Parent 2005 $m	Parent 2004 $m
Reinsurance and other recoveries receivable				
Reinsurance and other recoveries receivable at the beginning of the period	**174**	266	**–**	–
Reinsurance and other recoveries received in the period	**(35)**	(35)	**–**	–
Effect of changes in assumptions	**(24)**	(54)	**–**	–
Effect of changes in exchange rates	**–**	(3)	**–**	–
Reinsurance and other recoveries receivable at the end of the period	**115**	174	**–**	–
Outstanding claims liability				
Gross outstanding claims at the beginning of the period	**1,243**	1,644	**–**	–
Claims payments made in the period	**(217)**	(326)	**–**	–
Effect of changes in assumptions	**(7)**	(66)	**–**	–
Effect of changes in exchange rates	**18**	(9)	**–**	–
Gross outstanding claims at the end of the period	**1,037**	1,243	**–**	–

21. General insurance contracts continued

(g) Assumptions and methodology applied in the valuation of general insurance contract liabilities

Actuarial methods and assumptions

The AMP group's general insurance operations have written both direct insurance business and inwards reinsurance business. The process for determining the value of outstanding claims liabilities is generally consistent between the two classes. This process is described below.

Claims estimates are derived from analysis of the results of several different actuarial models. These models take case estimates as well as payments into account and assume that reported incurred amounts or reported payment amounts will develop steadily from period to period. Other models adopt an ultimate loss ratio for each year that reflects both the long-term expected level, as well as incorporating recent experience. The analysis is performed by underwriting year for the inwards reinsurance class and by accident year for the direct insurance class.

Claims are first estimated on an undiscounted basis and are then discounted to allow for the time value of money.

The valuation methods adopted include an implicit allowance for future inflation but do not identify the explicit rate. This allows for both general economic inflation as well as any superimposed inflation detected in the modelling of payments experience. Superimposed inflation arises from non-economic factors such as developments of legal precedent.

The product liability class of business may be subject to the emergence of new types of latent claims, but no specific allowance is included for this as at the balance sheet date. Such uncertainties are considered when setting the risk margin appropriate for this class.

A description of the processes used to determine the key assumptions is provided below:

- The **average weighted term to settlement** is calculated separately by class of business, based on historical settlement patterns.
- The **reinsurance percentage** for the direct insurance business is calculated based on past reinsurance recovery rates and the structure of the reinsurance arrangements in place.
- The **discount rates** are derived from market yields on government securities as at the balance date, in the currency of the expected claim payments.
- **Expense rate**. Claim handling expenses are calculated based on the projected costs of administering the remaining claims until expiry.
- The **ultimate to incurred claims ratio** is derived by accident year or underwriting year based on the historical development of claims from period to period.

The effects of changes in the assumptions have been shown in the reconciliations of general insurance assets and liabilities in note 21(f) above.

Process for determining risk margin

The risk margin was determined initially for each portfolio, allowing for the uncertainty of the outstanding claims estimate for each portfolio. Uncertainty was analysed for each portfolio, taking into account:

- past volatility in general insurance claims
- potential uncertainties relating to the actuarial models and assumptions
- the quality of the underlying data used in the models
- the general insurance environment.

The estimate of uncertainty is generally greater for long tailed classes when compared to short tailed classes due to the longer time until settlement of outstanding claims.

The overall risk margin was determined allowing for diversification between the different portfolios and the relative uncertainty of each portfolio. The assumptions regarding uncertainty for each class were applied to the net central estimates, and the results were aggregated, allowing for diversification, in order to arrive at an overall provision that is intended to have a 75% probability of adequacy.

21. General insurance contracts continued

(h) Sensitivity analysis – general insurance contracts

There are a number of variables that impact on the amounts recognised in the financial statements arising from insurance contracts. The profit or loss and equity of AMP are sensitive to movements in a number of key variables as described below.

Variable	Impact of movement in variable
Direct and reinsurance	
Average weighted term to settlement	Expected payment patterns are used in determining the outstanding claims liability. A decrease in the average term to settlement would lead to claims being paid sooner than anticipated.
Discount rate	The outstanding claims liability is calculated by reference to expected future payments. These payments are discounted to adjust for the time value of money.
Expense rate	An estimate for the internal costs of administering claims is included in the outstanding claims liability.
Ultimate to incurred claims ratio	The estimated ultimate claims cost is generally greater than the claims reported as incurred to date, due to claims that are incurred but not reported (IBNR) or due to future developments on existing claims.
Direct only	
Reinsurance percentage	The direct class assumes money will be recoverable from reinsurers on future claims paid.

The following table provides an analysis of the sensitivity of the profit after income tax and total equity to changes in these assumptions both gross and net of reinsurance.

	Assumptions as at 31/12/2005			Change in shareholder profit after income tax and equity	
Variable	Gross of reinsurance	Net of reinsurance	Change in variable	Gross of reinsurance $m	Net of reinsurance $m
Average weighted term to settlement	4.3 years	4.4 years	+0.5 year	12.5	11.3
			-0.5 year	(15.5)	(14.0)
Reinsurance percentage (as % of gross IBNR)	n/a	28%	+1%	0.0	0.5
			-1%	0.0	(0.5)
Discount Rate[1]	4.8%	4.8%	+1%	23.1	21.4
			-1%	(24.8)	(23.9)
Expense Rate	14%	n/a	+1%	(6.2)	(6.2)
			-1%	6.2	6.2
Ultimate to incurred claims ratio[2]	105%	105%	+1%	(29.6)	(26.7)
			-1%	19.2	17.6

Footnote:
1 This sensitivity reflects the liability movements only. As assets are invested to match the term of liabilities, there is little overall profit impact from a change to interest rates.
2 This ratio has only been adjusted for years that are not considered to be fully developed.

(i) General insurance risk

The AMP group's general insurance operations have an objective of achieving a profitable run-off of remaining books of general and reinsurance business whilst maximising returns to shareholders.

In accordance with Prudential Standards GPS 220 *Risk Management for General Insurers* and GPS 230 *Reinsurance Arrangements for General Insurers* issued by the Australian Prudential Regulation Authority (APRA), the relevant subsidiary boards and senior management have developed, implemented and maintain a sound and prudent Risk Management Strategy (RMS) and a Reinsurance Management Strategy (REMS).

The RMS and REMS identify the AMP group's general insurance operations' policies and procedures, processes and controls that comprise its risk management and control systems. These systems address all material risks, financial and non-financial, likely to be faced. Annually, certification is provided to APRA by the relevant subsidiary boards that:
– adequate strategies have been put in place to monitor those risks
– there are systems in place to ensure compliance with legislative and prudential requirements
– the relevant subsidiary board has satisfied itself as to the compliance with the RMS and REMS.

The RMS and REMS have been approved by both the relevant subsidiary boards and APRA.

Development of claims
There is a possibility that changes may occur in the estimate of our obligations at the end of a contract period. The tables in note 21(d) show estimates of total ultimate claims at successive year-ends.

21. General insurance contracts continued

Terms and conditions of insurance and inwards reinsurance business
Insurance and reinsurance contracts were written on terms and conditions generally prevailing in the market at the time they were accepted. Such contracts transferred risk by indemnifying the insureds and reinsureds against the occurrence of specified events.

Concentration of insurance risk
The exposure to concentrations of insurance risk is mitigated by a portfolio diversified into several classes of business across various territories.

22. Risk management and financial instruments information

The AMP group's overall risk management program is carried out in accordance with policies set by the AMP Limited Board. These policies provide a clear structure for managing financial risks including delegations, escalations and reporting.

The AMP group's activities expose it to a variety of financial risks:
– market risk, including interest rate risk and currency risk
– financing and liquidity risk
– credit risk.

The AMP group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures.

(a) Market risk
Market risk is the risk of loss arising from movements in market variables including observable variables such as interest rates, exchange rates and equity markets, and others which may be indirectly observable such as volatilities and correlations. Market risk in the AMP group primarily arises from operating activities in the wealth management and general insurance businesses and from non-trading market risk positions from balance sheet and capital management activities.

(i) Interest rate risk
Interest rate risk is the risk to the AMP group's earnings or capital arising from movements in 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 pound sterling and euro denominated fixed-rate euro medium term notes and subordinated bonds, and converts the exposure 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 in fixed rate instruments. At the balance date, 50% (2004: 48%) of the AMP group's borrowings and subordinated debt were at fixed rates.

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 instruments (basis risk). AMP Bank uses interest-rate swaps and basis swaps to hedge the mismatches within exposure limits.

General insurance
Interest rate risk arises in general insurance to the extent that there is a mismatch between the fixed-interest portfolios used to back the outstanding claims liability and those outstanding claims. The interest rate risk is managed by matching the duration profiles of the investment assets and the outstanding claims liability.

AMP Life
Interest rate risk arises in AMP Life, to the extent that there is a mismatch between statutory fund assets and policyholder liabilities. Interest rate and market risks are managed by AMP Life pursuant to an asset and liability management policy that has regard to policyholder expectations and risks to target surplus for both capital adequacy and solvency as advised by the Appointed Actuary.

The following tables provide information about financial assets and financial liabilities. They show the weighted average effective interest rate and the earlier of either the contractual repricing or the maturity date for each class of interest-bearing financial instrument in the balance sheet. Interest-bearing securities may be traded before their contractual or maturity dates. The weighted average effective interest rates are based on carrying amounts and rates applicable at balance date, net of the impact of derivatives. Where applicable, the rates are net of directly attributable transaction costs.

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 comprising cash, equity securities, debt securities, property securities, other financial assets, investment property and owner occupied property are held to back investment contract liabilities and life insurance contract liabilities. A similar situation applies for debt securities that back general insurance contract liabilities. A substantial portion of the interest-bearing financial assets outlined in the following tables represent investments held in life insurance funds in respect of policyholders' interests.

In respect of debt securities, the exposure to interest rate risk is indicated in the tables. To the extent that those assets are held to back investment contract liabilities and life insurance and general insurance contract liabilities, the impact of the risk is reflected within the valuation of the related liabilities.

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

22. Risk management and financial instruments information continued

31 December 2005	Non interest bearing $m	Interest bearing $m Contractual repricing or maturity date (whichever is earlier) 1 year or less	1-5 years	5 years or more	Total carrying amount $m	Weighted average effective interest rate
Financial assets						
Cash and cash equivalents	7	971	–	–	978	5.4%
Receivables	1,387	–	–	–	1,387	–
Equity securities	38,182	–	–	–	38,182	–
Debt securities						
– Interest bearing securities	–	7,163	4,690	7,186	19,039	5.8%
– Loans associated entities	1	–	–	–	1	–
– Loans secured	161	189	826	5,536	6,712	6.9%
– Loans unsecured	19	131	61	320	531	7.5%
– Convertible notes	–	8	2	29	39	6.7%
– Debt unit trusts	4,523	–	–	–	4,523	–
Property securities	3,598	–	–	–	3,598	–
Other financial assets	1,882	33	4	3	1,922	–
Total financial assets	49,760	8,495	5,583	13,074	76,912	
Other assets					8,576	
Total assets					85,488	
Financial liabilities						
Payables	1,756	–	–	–	1,756	–
Borrowings						
– Bank overdrafts	–	78	–	–	78	3.2%
– Bank loans	–	108	–	–	108	6.1%
– Bonds and notes	–	939	988	4,998	6,925	6.0%
– Deposits	65	1,877	28	–	1,970	5.3%
– Other loans	1	8	–	–	9	8.1%
Subordinated debt						
– 6.875% GBP Subordinated Guaranteed Bonds	–	–	–	87	87	7.9%
– 7.125% GBP Subordinated Guaranteed Step-Up Bonds	–	–	241	–	241	7.4%
– Subordinated Floating Rate Note	–	–	–	100	100	6.4%
Other financial liabilities	–	60	23	16	99	–
Investment contract liabilities	38,712	–	–	–	38,712	–
Total financial liabilities	40,534	3,070	1,280	5,201	50,085	
Other liabilities					32,580	
Total liabilities					82,665	
Impact of interest rate swaps[1]		(374)	896	(522)		
Total financial liabilities after interest rate swaps		2,696	2,176	4,679		

Footnote:
1 Notional principal amounts. Includes swaps affecting interest rate sensitivity only. The impact of the swaps has been incorporated into the effective interest rates. On a net basis, the AMP group receives interest on interest rate swaps at variable rates and pays interest on interest rate swaps at fixed rates.

22. Risk management and financial instruments information continued

31 December 2004	Non interest bearing $m	Interest bearing $m Contractual repricing or maturity date (whichever is earlier) 1 year or less	1-5 years	5 years or more	Total carrying amount $m	Weighted average effective interest rate
Financial assets						
Cash and cash equivalents	6	1,064	–	2	1,072	5.1%
Receivables	1,529	–	–	–	1,529	–
Equity securities	29,408	–	–	–	29,408	–
Debt securities						
– Interest bearing securities	–	8,717	4,517	7,373	20,607	5.4%
– Loans associated entities	6	–	–	–	6	–
– Loans secured	12	1,781	725	3,674	6,192	6.6%
– Loans unsecured	103	113	24	461	701	7.5%
– Convertible notes	–	–	2	22	24	7.2%
– Debt unit trusts	2,831	–	–	–	2,831	–
Property securities	2,936	–	–	–	2,936	–
Other financial assets	1,249	110	8	1	1,368	–
Total financial assets	38,080	11,785	5,276	11,533	66,674	
Other assets					8,591	
Total assets					75,265	
Financial liabilities						
Payables	1,318	–	–	–	1,318	6.6%
Borrowings						
– Bank overdrafts	–	55	–	–	55	5.4%
– Bank loans	–	371	8	–	379	5.9%
– Bonds and notes	–	280	1,350	4,693	6,323	5.9%
– Deposits	195	1,641	27	–	1,863	5.1%
– Other loans	3	7	–	10	20	7.2%
Subordinated debt						
– 6.875% GBP Subordinated Guaranteed Bonds	–	–	–	87	87	7.6%
– 7.125% GBP Subordinated Guaranteed Step-Up Bonds	–	–	253	–	253	7.3%
– AMP Income Securities	–	265	–	–	265	7.2%
– Subordinated Floating Rate Note	–	101	–	–	101	6.4%
– Subordinated Fixed Rate Annuity Bonds	–	–	–	35	35	9.5%
Other financial liabilities	–	54	24	10	88	–
Investment contract liabilities	32,737	–	–	–	32,737	–
Total financial liabilities	34,253	2,774	1,662	4,835	43,524	
Other liabilities					28,596	
Total liabilities					72,120	
Impact of interest rate swaps[1]		155	785	(940)		
Total financial liabilities after interest rate swaps		2,929	2,447	3,895		

Footnote:
1 Notional principal amounts. Includes swaps affecting interest rate sensitivity only. The impact of the swaps has been incorporated into the effective interest rates. On a net basis, the AMP group receives interest on interest rate swaps at variable rates and pays interest on interest rate swaps at fixed rates.

22. Risk management and financial instruments information continued

(ii) Currency risk
Currency risk is the risk of loss resulting from changes in exchange rates.

The AMP group holds long-term borrowings and subordinated debt denominated in euros, pounds sterling and US dollars as well as Australian dollars. This converts the foreign currency exposure to floating rate Australian dollars through cross-currency swaps. The AMP group's policy is to convert all group borrowings and subordinated debt into Australian dollars.

From time to time the AMP group may hedge significant expected foreign currency receipts and payments.

The AMP group elects to not hedge the capital invested in overseas entities, thereby accepting the foreign currency translation risk on invested capital.

(b) Financing and liquidity risk
Financing and liquidity risk is the risk that the AMP group will not be able to refinance debt obligations or may not be able to raise cash when required and on acceptable terms.

The AMP group ensures that no more than 30% of outstanding borrowings and subordinated debt will expire in any of the next three years, and no more than 35% of committed standbys are from a single source.

The AMP group treasury function maintains sufficient liquid assets to cover external interest obligations and unforeseen expenses for the AMP group.

(c) Credit risk
Credit risk is the risk of loss that arises from a counter party failing to meet their contractual commitments in full and on time, or from losses arising from the change in value of a traded financial instrument as a result of changes in credit risk on that instrument.

Credit risk management is decentralised in business units within the AMP group; however, credit risk directly impacting shareholder capital is measured and managed by the AMP group treasury function by aggregating risk from credit exposures taken in business units.

The maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the balance sheet.

At balance date, the AMP group had no specific concentration of credit risk with a single counter party arising from the use of financial instruments, other than the normal clearing-house exposures associated with dealings through recognised exchanges.

The counter parties to non-exchange traded contracts are limited to companies with strong credit ratings. The credit risks associated with these counter parties are assessed under the same management policies as applied to direct investments in the AMP group's portfolio.

(d) Derivative financial instruments
Derivative financial instruments are carried at fair value and recorded in the balance sheet as assets and liabilities. Asset and liability values on different transactions are only netted if the transactions are with the same counter party 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 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. Derivative financial instruments are held for risk and asset management purposes within mandates and not for the purpose of speculation.

In respect of the risks associated with the use of derivative financial instruments, price risk is controlled through the setting of 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.

i) *Swaps* – a swap transaction obliges the two parties to the contract to exchange a series of cash flows at specified intervals known as 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 specific 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 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.

22. Risk management and financial instruments information continued

Derivative transactions may qualify for hedges for accounting purposes if they are fair value or cash flow hedges. 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 which provide economic hedges but do not meet the requirements for hedge accounting treatment.

Fair value hedges
The AMP group's fair value hedges principally consist of cross-currency swaps and interest rate swaps that are used to protect against changes in the fair value of fixed-rate long-term debt due to movements in market interest rates and exchange rates.

The AMP group achieved fair value hedge accounting on various corporate and AMP Bank borrowings and subordinated debt effective from 1 January 2005. For the year ended 31 December 2005, the AMP group recognised a net loss of $3 million (2004: nil) representing the ineffective portion of fair value hedges. The fair values of outstanding derivatives designated as fair value hedges was a net liability of $72 million at 31 December 2005 (2004: nil).

Cash flow hedges of forecast transactions
The AMP group is exposed to variability in future interest cash flows on debt securities held by AMP Bank which bear interest at variable rates. Gains and losses on the effective portions of derivatives designated as cash flow hedges of forecast transactions are initially recorded in the cash flow hedges reserve and are transferred to the income statement when the forecast cash flows are realised. The gains and losses on the ineffective portions of these derivatives are recognised immediately in the income statement. The AMP group achieved cash flow hedge accounting effective from 1 January 2005. In 2005, no gains or losses from hedge ineffectiveness arose.

As at 31 December 2005, the fair values of outstanding derivatives recognised as cash flow hedges of forecast transactions were a net liability of $3 million (2004: nil).

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.

(e) Net 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 balance sheet		Aggregate fair value	
	2005 $m	2004 $m	2005 $m	2004 $m
Financial assets				
Loans – secured	**6,712**	6,192	**6,730**	6,221
Total financial assets	**6,712**	6,192	**6,730**	6,221
Financial liabilities				
AMP Income Securities	–	265	–	269
Bonds and notes	**6,925**	6,323	**7,104**	6,449
6.875% GBP Subordinated Guaranteed Bonds	**87**	87	**96**	96
7.125% GBP Subordinated Guaranteed Step-Up Bonds	**241**	253	**255**	268
Subordinated Floating Rate Note	**100**	101	**103**	100
Total financial liabilities	**7,353**	7,029	**7,558**	7,182

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
Loans secured are recognised at amortised cost net of impairment losses. The estimated fair value of loans secured and advances represents the discounted amount of estimated future cash flows expected to be received, based on the maturity profile of the loans. 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 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.

22. Risk management and financial instruments information continued

Subordinated debt

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

(f) Securitisation

During the year, mortgages totalling $1,456 million (2004: $2,163 million) were transferred to securitisation vehicles. At 31 December 2005, AMP has outstanding securitised assets amounting to $4,429 million (2004: $4,258 million) after allowing for amortisation of the initial assets securitised.

(g) Terms, conditions and accounting policies

The accounting policies and terms and conditions for each class of financial asset and financial liability at the balance date, are outlined in note 1. Further details in relation to the terms and conditions of financial instruments are also provided in note 15 in relation to subordinated debt and note 23 in relation to cash, deposits and financing arrangements. Terms and conditions relating to significant borrowings are outlined below:

	Note	Average interest rate 2005	Average interest rate 2004	2005 $m	2004 $m
Bank loans					
A$93m Secured bill facility at BBSW + 35 basis points due January 2006				**94**	355
Other secured loans				**14**	24
Total bank loans	14			**108**	379
Bonds and notes					
A$100m Medium Term Notes due April 2006		**5.9%**	5.9%	**100**	100
EUR186m (2004: EUR421m) Euro Medium Term Notes due November 2008		**4.9%**	4.9%	**273**	730
EUR254m Euro Medium Term Notes due June 2012		**3.4%**	–	**400**	–
A$50m Floating Rate Notes due April 2006		**5.8%**	5.8%	**50**	50
GBP94m Euro Medium Term Notes due November 2010		**6.4%**	6.4%	**219**	230
Negotiable Certificates of Deposit due predominantly in 1–3 months		**5.7%**	5.7%	**211**	244
Senior Fixed Rate Annuity Bonds due October 2027		**–**	8.3%	**–**	62
Senior CPI Linked Annuity Bonds due October 2027		**–**	5.6%	**–**	37
Fixed Rate Notes due November 2008		**6.8%**	6.8%	**210**	210
Floating Rate Notes due November 2008		**BBSW+0.5**		**260**	260
A$425m Medium Term Notes due April 2008		**5.8%**	–	**425**	–
A$186m Commercial Paper due in 1–3 months		**5.7%**	–	**186**	–
Floating Rate Notes due October 2030		**6.0%**	5.7%	**60**	85
Floating Rate Notes due December 2037		**5.8%**	5.6%	**195**	849
Floating Rate Notes due April 2035		**5.9%**	5.7%	**602**	709
Floating Rate Notes due December 2028		**6.1%**	5.9%	**187**	274
Floating Rate Notes due June 2034		**6.0%**	5.8%	**173**	248
US$150m (2004: US$216m) floating rate notes due September 2034		**6.1%**	5.8%	**205**	276
EUR152m (2004: EUR219m) floating rate notes due September 2034		**6.1%**	5.8%	**246**	380
A$26m (2004: A$27m) floating rate notes due September 2034		**6.5%**	6.3%	**26**	27
US$236m (2004: US$330m) floating rate notes due July 2035		**6.0%**	5.8%	**321**	421
EUR236m (2004: EUR330m) floating rate notes due July 2035		**6.0%**	5.8%	**379**	572
A$34m (2004: A$34m) floating rate notes due July 2035		**6.4%**	6.1%	**34**	34
Floating Rate Notes due April 2035		**5.8%**	5.8%	**379**	525
Floating Rate Notes due April 2035		**5.8%**	–	**816**	–
Floating Rate Notes due August 2036		**5.8%**	–	**968**	–
Total bonds and notes	14			**6,925**	6,323

(h) Amounts expected to be recovered 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 $120 million (2004: $174 million) in consolidated securitisation vehicles which are expected to be recovered no more than 12 months after the reporting date.

23. Notes to the statement of cash flows

	Consolidated		Parent	
	2005 $m	2004 $m	2005 $m	2004 $m
(a) Reconciliation of the net profit after income tax to cash flows from operating activities				
Net profit after income tax	**810**	908	**514**	1,576
Depreciation of operating assets	**20**	71	**–**	–
Amortisation and writedown of intangibles	**40**	33	**–**	–
Net (profit) loss on sale of investments and operating assets	**(1,376)**	(1,189)	**–**	–
Decrease (increase) in investment asset values	**(3,136)**	(3,320)	**–**	(1,575)
Dividend and distribution income reinvested	**(370)**	(330)	**–**	–
Share based payments	**9**	6	**2**	2
Decrease (increase) in receivables and other assets	**152**	(286)	**(4)**	1
(Decrease) increase in net policy liabilities	**6,261**	5,371	**–**	–
(Decrease) increase in income tax balances	**822**	520	**(22)**	1
(Decrease) increase in other payables	**(386)**	(974)	**1**	(12)
Cash flows from (used in) operating activities	**2,846**	810	**491**	(7)
(b) Reconciliation of cash				
Comprises:				
Cash on hand	**783**	620	**2**	1
Cash on deposit	**195**	452	**–**	–
Bank overdrafts (included in Borrowings)	**(78)**	(55)	**–**	–
Short-term bills and notes (included in Debt securities)	**6,354**	6,689	**–**	–
Balance at the end of the period	**7,254**	7,706	**2**	1
(c) Financing arrangements				
(i) Overdraft facilities				
Bank overdraft facility available	**300**	300	**–**	–
(ii) Credit standby facilities				
Revolving and standby credit facilities				
Available	**510**	692	**–**	–
Used	**–**	–	**–**	–
Unused	**510**	692	**–**	–
(iii) Loan facilities				
In addition to facilities arranged through bond and note issues (refer notes 14 and 15), financing facilities are provided through bank loans under normal commercial terms and conditions.				
Available	**222**	669	**–**	–
Used	**(116)**	(395)	**–**	–
Unused	**106**	274	**–**	–
(iv) Bond and note funding programs				
Available	**22,488**	17,266	**–**	–
Used	**(7,353)**	(2,663)	**–**	–
Unused	**15,135**	14,603	**–**	–

23. Notes to the statement of cash flows continued

(d) Acquisition and disposal of controlled entities

In the course of normal operating investment activities, life statutory funds acquire and dispose of equity interests in entities including unit trusts. In some cases, acquisition transactions result in AMP holding a controlling interest in the investee entity. The underlying net assets of such entities typically comprise investment assets including cash, and the consideration paid for a particular acquisition reflects the fair value of the investment assets acquired at the date of acquisition after taking into account minority interests.

From time to time, AMP also acquires equity interests in operating entities. Details of significant acquisitions and disposals of such entities are set out below.

Acquisition of controlled entities
There were no significant acquisitions of controlled operating entities during 2005 or 2004.

Disposal of controlled entities
2005: There were no significant disposals of controlled operating entities during 2005.
2004: On 17 June 2004, AMP disposed of a controlling interest in the Diversified Utility and Energy Trusts (DUET).

	Consolidated		Parent	
	2005 $m	2004 $m	2005 $m	2004 $m
Consideration				
Cash received (net of sale costs paid)	–	120	–	–
Value of minority holding in DUET retained at date of loss of control	–	250	–	–
Total consideration	–	370	–	–
Assets				
Cash at bank and on deposit	–	67	–	–
Receivables	–	89	–	–
Equities in associate	–	42	–	–
Property	–	–	–	–
Other investments	–	80	–	–
Operating assets	–	1,852	–	–
Deferred tax assets	–	24	–	–
Other assets	–	17	–	–
Intangible assets	–	1,182	–	–
Total assets sold	–	3,353	–	–
Liabilities				
Payables	–	202	–	–
Provisions	–	20	–	–
Deferred tax liability	–	78	–	–
Borrowings	–	2,539	–	–
Total liabilities sold	–	2,839	–	–
Less outside equity interest at the date of disposal	–	152	–	–
Net assets sold	–	362	–	–
Net cash effect				
Cash consideration received (net of sale costs paid)	–	120	–	–
Less: cash at bank and on deposit included in net assets of entities disposed	–	(67)	–	–
Net cash received from disposal of controlled entities	–	53	–	–

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 2005 and 2004, they have been determined not to be dilutive for those periods. Performance rights have been determined to be dilutive in 2005 and 2004. 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 dilutionary effect on the value of AMP shares.

Since the end of the financial year and up to the date of this report there have been no movements in options, shares or performance rights.

Of the ordinary shares on issue, AMP Life (a wholly owned controlled entity) holds 30,796,993 (2004: 30,993,802) 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, a reduction is made for the average number of shares held by AMP Life in AMP Limited during the period.

	Consolidated	
	2005 million	**2004 million**
(b) Weighted average number of ordinary shares used		
Weighted average number of ordinary shares used in calculation of basic earnings per share	**1,834**	1,819
Add: potential ordinary shares considered dilutive	**7**	6
Weighted average number of ordinary shares used in calculation of diluted earnings per share	**1,841**	1,825

	Consolidated	
	2005 $m	**2004 $m**
(c) Level of earnings used		
Basic earnings (loss) per share	**809**	873
Diluted earnings (loss) per share	**809**	873

25. Superannuation funds

AMP contributes to two defined benefit 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. The defined benefit sections have approximately 30 current employee members and 3,580 deferred and pension members. New employees are only offered defined contribution style benefits.

The following disclosures 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 and the net amounts recognised in the consolidated balance sheet for the defined benefit funds.

	Consolidated	
	2005 $m	**2004 $m**
(a) Defined benefit (gains) losses recognised in income		
Current service cost	**5**	7
Interest cost	**16**	17
Expected return on plan assets[1,2]	**(21)**	(17)
Actuarial (gains) losses	**(26)**	(61)
Past service cost	**–**	–
Effect of curtailments and settlements	**–**	–
Total defined benefit (gains) losses recognised in the income statement	**(26)**	(54)
(b) Defined benefit deficit (surplus)		
Present value of wholly funded defined benefit obligations	**368**	375
Less: fair value of plan assets	**(348)**	(329)
Net defined benefit deficit (surplus) recognised in the balance sheet	**20**	46
Movement in net defined benefit deficit (surplus)		
Deficit (surplus) at the beginning of the period	**46**	140
Less: total (gains) losses recognised in the income statement	**(26)**	(54)
Plus: employer contributions	**–**	(40)
Deficit (surplus) at the end of the period	**20**	46

Footnote:
1 The actual return on fund assets for the period in Australia was $38m (2004: $68m).
2 The actual return on fund assets for the period in New Zealand was $5m (2004: $4m).

25. Superannuation funds continued

(c) 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	
	2005	**2004**	**2005**	**2004**
Discount rate (before tax)	**5.20%**	5.30%	**5.90%**	5.93%
Expected return on assets (before tax)	**7.50%**	7.50%	**5.25%**	5.25%
Expected rate of pension increases	**3.00%**	3.00%	**1.88%**	1.88%
Expected rate of salary increases	**4.50%**	4.50%	**n/a**	n/a
Proportion of benefits expected to be taken as pensions	**60%**	60%	**n/a**	n/a
Inflation increases	**n/a**	n/a	**2.50%**	2.50%

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

The information set out in notes 25(a) and (b) regarding the measurement and recognition of defined benefit funds' surpluses or deficits is 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 AAS 25 *Financial Reporting by Superannuation Plans* which determines the funds' liabilities according to different measurement rules. The surplus determined under AAS 25 differs from the net deficit recognised in the balance sheet under AASB 119 largely due to the use of different discount rates in valuing benefits.

At the dates of the most recent financial reports of the plans the surplus measured as the difference between the net market value of plan assets and the accrued benefits of the plans were $6m for the Australian defined benefit fund and $8m for the New Zealand defined benefit fund.

Funding methods and current recommendations – Australia

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

The economic assumptions used to determine the current contribution recommendations are the same as the actuarial assumptions in note 25(c) above, except for the discount rate which is assumed to be 6.75% (before tax) for the purposes of determining accrued benefits.

Funding methods and current recommendations – New Zealand

The New Zealand defined benefit funds' 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.

Given the surplus position of the fund at the last triennial valuation (1 January 2003), and actuarial advice at that time, AMP has been on a contribution holiday. The next actuarial valuation of the fund is due as at 1 January 2006 and AMP will reconsider its funding policy, taking into account actuarial advice, once the results of that valuation are available.

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, motivate and retain high performing employees who contribute to the success of the business.

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, due to the requirement to record the share based payments expense over the vesting period of the payments, the plans do form part of the share based payments expense for the period. As such, information about these plans is provided below as well as plans which AMP currently offers as part of its long-term incentive program.

On adoption of AIFRS, exemptions were permitted which allowed AMP to only recognise a share based payments expense for equity instruments granted after 7 November 2002 and that had not vested on or before 1 January 2005. All plans described below form part of the share based payments expense recorded in the income statement except the Employee and Executive Option Plan which ceased to be offered prior to 7 November 2002. Details of this plan have been provided below however no expense has been recorded in relation to these instruments. The table below provides a list of AMP's share based payment plans and the share based payments expense recorded in relation to those plans during the year:

	Consolidated	
	2005 $'000	2004 $'000
Plans currently offered		
Performance rights	**7,303**	4,535
Restricted shares	**874**	194
Employee share acquisition plan – matching shares	**215**	119
Plans no longer offered		
Executive Short-term Incentive Program – matching shares	**861**	660
Employee and Executive Option Plans	**n/a**	n/a
Total share based payments expense	**9,253**	5,508

(b) Performance rights

Plan description

AMP offers long-term incentives in the form of performance rights to those executives considered to have the most direct personal influence on AMP's business performance. A performance right is a right to acquire one fully paid ordinary share in AMP after three years, 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). In 2002, 2003 and 2004 AMP offered share bonus rights to employees in overseas domiciles where it was 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 is Total Shareholder Return (TSR) relative to the top 50 industrials in the S&P/ASX 100. The number of performance rights that vest is determined by a vesting scale based on the level of company performance relative to the comparator group. Performance rights granted prior to October 2003 also had an earnings per share (EPS) performance measure.

At the end of the performance period, AMP's Remuneration Committee uses data from an independent external consultant to determine AMP's TSR performance relative to the comparator group. The Remuneration Committee then determines the number of performance rights that vest by applying this data to the vesting scale. The use of an independent external consultant ensures objectivity in measuring AMP's performance. The individual has 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). If the performance hurdle is not achieved the performance rights lapse immediately without re-testing of the performance hurdle. For example, the 2002 grant of performance rights lapsed without value for AMP employees during 2005 as the performance hurdle was not met.

When executives exercise performance rights, these AMP shares are bought 'on market' so there is no dilutionary effect on the value of existing AMP shares.

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 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 performance period and, for the 2002 performance rights grant, to reflect an EPS performance hurdle. Grants made after 2002 are not subject to an EPS performance hurdle.

For the purposes of the valuation it is assumed that performance rights are exercised as soon as 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.

26. Share based payments continued

The table below shows the factors which were considered in determining the fair value of the performance rights granted during the current period and the comparative period:

Grant date	Share price	Contractual life	Dividend yield	Volatility	Risk free rate	Performance hurdle discount	Fair value
01/09/2005	$7.43	4.9 years	4.0%	21%	4.9%	44%	$4.19
06/09/2004	$6.31	4.9 years	3.0%	37%	5.4%	44%	$3.55

The table below shows the movements during the period of all performance rights that were still outstanding at the beginning of the year:

Grant date	Exercise period	Exercise price	Balance at 1 Jan 2005	Exercised during the year	Granted during the year	Lapsed during the year	Balance at 31 Dec 2005
25/11/2002	31/08/2005 – 30/08/2007	Nil	1,956,140	19,351	–	1,936,789	**–**
22/02/2003	22/02/2006 – 21/02/2008	Nil	36,771	–	–	–	**36,771**
23/10/2003	30/08/2006 – 29/08/2008	Nil	2,066,828	–	–	37,226	**2,029,602**
18/03/2004	31/08/2005 – 30/08/2007	Nil	223,230	–	–	223,230	**–**
18/03/2004	30/08/2006 – 29/08/2008	Nil	415,014	–	–	7,475	**407,539**
18/03/2004	22/02/2006 – 21/02/2008	Nil	8,292	–	–	–	**8,292**
06/09/2004	01/08/2007 – 31/07/2009	Nil	2,167,086	–	93,279	21,430	**2,238,935**
01/09/2005	31/07/2008 – 31/07/2010	Nil	–	–	2,306,028	–	**2,306,028**
Total			**6,873,361**	**19,351**	**2,399,307**	**2,226,150**	**7,027,167**

Since the end of the financial year and up to the date of the 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 are exercisable.

2005 capital return
On 19 May 2005, shareholders approved a 40 cent per share capital return to shareholders. To compensate for the diminution in the value of the performance rights granted (that would otherwise occur by reason of the 40 cents per share capital return) participating employees will be paid 40 cents for each performance right that vests and is converted into an AMP share. This is only applicable to grants made on 22/02/2003, 23/10/2003, 06/09/2004 and 01/09/2005. The terms and conditions of the performance rights were not altered as a result of the capital return.

(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.

Restricted shares are offered to selected high performing employees with the potential to contribute significantly to AMP's overall business success. The purpose of the grant is to recognise such employees and to assist in retaining them.

As this program is designed as a means of retaining and aligning these employees' interests with shareholder interests, a three year holding period is placed on these shares. If the individual resigns from AMP 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.

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.

The following table shows the number of restricted shares that have been granted during the current period and comparative period and the fair value of restricted shares as at the grant date.

Grant date	Number granted	Weighted average fair value
01/09/2005[1]	442,307	$7.43
18/03/2005	50,000	$7.52
31/07/2004	240,400	$6.31

Footnote:
1 In 2005, 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.

26. Share based payments continued

2005 capital return and demerger
No adjustments were made to the restricted shares for the 2005 capital return or the demerger.

(d) Employee Share Acquisition Plan

Plan description
AMP currently offers all eligible employees the opportunity to become shareholders in AMP through the Employee Share Acquisition Plan (ESAP). Under ESAP, eligible employees, including executives, 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 all employee participants use salary sacrifice to acquire these shares.

As an additional incentive to acquire shares, participants are entitled to receive (for no cash consideration) one matching share for every 10 shares acquired (up to a maximum of 100 matching shares in any 12 month period). To receive the matching shares, shares must be held in the plan for a minimum of three years. There are no further performance conditions for receiving matching shares.

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, depending on the reason for ceasing employment.

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.

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 restricted shares as at the grant date.

Grant date	Estimated number of matching shares to be granted	Weighted average fair value
2005 – various	**42,072**	**$6.47**
2004 – various	47,621	$5.32

2005 capital return
On 19 May 2005, shareholders approved a 40 cent per share capital return to shareholders. To compensate for the reduction in the value of the entitlement to matching shares in respect of shares held in the plan immediately prior to the capital return, participating employees will be paid 40 cents per share if those entitlements vest and are converted into AMP shares. The terms and conditions of the plan were not altered as a result of the capital return.

Demerger
To compensate participants for the effect of the demerger and the AMP rights offer on the value of the entitlements to matching shares, the number of matching shares that participants may receive for ESAP shares acquired before the demerger was increased. For every 10 of these pre demerger ESAP shares held in the plan as at 23 December 2003, each participant may receive 1.2255 matching shares, with the resulting number to be rounded up to the next highest whole number (up to a maximum of 123 matching shares in any 12 month period).

(e) Executive Short-term Incentive Program

Plan description
At the time the plan was offered, AMP invited selected executives to nominate up to 25% of any 2002 and 2003 short-term incentive to be received in AMP shares. In addition, selected senior executives were required to take 30% of their 2002 and 2003 short-term incentive as shares. As executives salary sacrificed their short-term incentive for AMP shares, no performance hurdles applied after the short-term incentive was granted.

For shares acquired as part of the Executive Short-term Incentive Program, each participant has a maximum entitlement of one matching share (for no cash consideration) for each share held in the plan for three years.

A three year holding lock is imposed on these shares, however if executives remain in employment for three years they receive a full entitlement of matching shares. There are no other performance criteria attached to receiving matching shares. Participants who cease to be employed by AMP within the three year holding period may lose their entitlement to receive some or all of their matching shares, depending on the reason their employment ceases.

26. Share based payments continued

Matching shares valuation

Under the Executive Short-term Incentive Program, participating executives receive matching shares at the end of a three year vesting period. During this vesting period, the executive 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 (date of the deferral of the short-term incentive into the Executive Short-term Incentive Program) less the present value of the expected dividends (not received). In determining the share based payments expense for the period, the number of matching shares expected to be granted has been adjusted to reflect the number of employees expected to remain with AMP until the end of the three year vesting period.

The following table shows the number of matching shares expected to be granted based on the shares purchased by employees under the Executive Short-term Incentive Program and the fair value of restricted shares as at the grant date.

Grant date	Estimated number of matching shares to be granted	Weighted average fair value
2005 – not offered	**n/a**	**n/a**
10/03/2004	253,319	$4.52
29/03/2004	34,188	$5.68
28/03/2003	168,760	$5.93
06/06/2003	102,993	$5.03

2005 capital return

On 19 May 2005, shareholders approved a 40 cent per share capital return to shareholders. To compensate for the reduction in the value of the entitlement to matching shares in respect of shares held in the plan immediately prior to the capital return, participating employees will be paid 40 cents per share if those entitlements vest and are converted into AMP shares. The terms and conditions of the matching shares were not altered as a result of the capital return.

Demerger

For shares acquired in March 2003 as part of the 2002 Executive Short-term Incentive Program, each participant has a maximum entitlement of 1.2255 matching shares (for no cash consideration) for each share held in the plan for three years. This is because each participant's original entitlement to matching shares on a one-for-one basis was increased by 22.55% to compensate for the effect of the demerger and the AMP rights offer on the value of matching shares.

(f) Employee and Executive Option Plan

Plan description

In the past, employees and executives were granted options to purchase AMP shares, subject to various performance hurdles. However, options have not been offered since 2002.

The ability to exercise options is subject to a performance hurdle that is tested at the end of a three year performance period. Prior to their exercise, option holders do not receive dividends or have other shareholder benefits (including any voting rights).

The performance hurdle is Total Shareholder Return (TSR) relative to a group of comparable companies by size. The number of options that vest is determined by a vesting scale based on the level of company performance relative to the comparator group.

At the end of the performance period, AMP's Remuneration Committee uses data from an independent external consultant to determine AMP's TSR performance relative to the comparator group. The use of an independent external consultant ensures objectivity in measuring AMP's performance. If some or all options do not vest at this time, then the performance period is extended by two years. Options that have not vested at the end of the extended performance period lapse. Options that have vested can be exercised up to 10 years from the grant date.

As mentioned previously, all options were granted prior to 7 November 2002 and therefore are exempt from being included in the calculation of the share based payments expense which is recorded in the income statement.

The current exercise prices of outstanding options are significantly above the market price of AMP shares in recent years.

26. Share based payments continued

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

Grant date	Exercise period	Exercise price[1]	Balance at 1 Jan 2005	Exercised during the year	Granted during the year	Lapsed during the year	Balance at 31 Dec 2005
Executive Option Plan							
26/06/1999	26/06/2002 – 25/06/2009	$12.24	1,429,772	–	–	352,944	**1,076,828**
28/08/1999	26/06/2002 – 25/06/2009	$11.97	98,478	–	–	34,056	**64,422**
30/10/1999	30/10/2002 – 29/10/2009	$11.63	20,000	–	–	–	**20,000**
18/12/1999	18/12/2002 – 17/12/2009	$12.15	40,000	–	–	–	**40,000**
01/01/2000	01/01/2003 – 31/12/2009	$12.70	29,544	–	–	–	**29,544**
19/02/2000	19/02/2003 – 18/02/2010	$10.71	30,000	–	–	–	**30,000**
30/06/2000	30/06/2003 – 29/06/2010	$12.37	2,811,969	–	–	2,811,969	**–**
26/08/2000	26/08/2003 – 25/08/2010	$13.62	20,000	–	–	20,000	**–**
09/12/2000	09/12/2003 – 08/12/2010	$14.45	110,000	–	–	110,000	**–**
21/03/2001	21/03/2004 – 20/03/2011	$14.99	39,791	–	–	–	**39,791**
21/07/2001	21/07/2004 – 20/07/2011	$15.55	2,624,089	–	–	423,602	**2,200,487**
15/12/2001	15/12/2004 – 14/12/2011	$13.69	40,400	–	–	–	**40,400**
23/03/2002	23/03/2005 – 22/03/2012	$14.60	100,000	–	–	–	**100,000**
Employee Option Plan							
26/06/1999	26/06/2002 – 25/06/2009	$12.24	901,503	–	–	180,395	**721,108**
28/08/1999	20/08/2002 – 25/06/2009	$11.97	26,895	–	–	109	**26,786**
01/01/2000	01/01/2003 – 31/12/2009	$12.70	658,758	–	–	338,826	**319,932**
30/06/2000	30/06/2003 – 29/06/2010	$12.37	2,038,777	–	–	341,833	**1,696,944**
28/10/2000	28/10/2003 – 27/10/2010	$13.09	41,406	–	–	10,000	**31,406**
09/12/2000	09/12/2003 – 08/12/2010	$14.45	10,000	–	–	–	**10,000**
21/07/2001	21/07/2004 – 20/07/2011	$15.55	1,177,324	–	–	253,788	**923,536**
15/12/2001	15/12/2004 – 14/12/2011	$13.69	17,475	–	–	21	**17,454**
Total			**12,266,181**	**–**	**–**	**4,877,543**	**7,388,638**

Footnote:
1 The exercise prices shown in this column became effective on 19 May 2005. To compensate for the impact of the 2005 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.

Since the end of the financial year and up to the date of the report, no options have lapsed and no options have been exercised. The total number of options on issue at the date of the report is 7,388,638.

2005 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 share following the 2005 capital return of 40 cents per share to shareholders. The terms and conditions of the options were not altered as a result of the capital return as the reduction in exercise prices occurred under their original terms.

Demerger
The exercise prices of options were reduced to reflect the impact of the demerger and the AMP rights offer. The table above shows the exercise price after these adjustments.

27. Group controlled entity holdings

Details of investments in controlled entities are as follows:

Name of company	Country of incorporation	Share type	Footnote	% Holdings 2005	2004
1 York Street Holdings Pty Ltd	Australia	Ord		**100**	100
145 Old Pittwater Road Pty Ltd	Australia	Ord	4	**100**	100
255 George Street Investment A Pty Ltd	Australia	Ord		**100**	100
255 George Street Investment B Pty Ltd	Australia	Ord		**100**	100
500 Collins Street Pty. Limited	Australia	Ord A, B & C	2	**–**	100
A and B Properties Pty Ltd	Australia	Ord	4	**100**	100
A.C.N. 063 600 260 Pty Limited	Australia	Ord		**100**	100
A.C.N. 086 091 643 Pty Limited	Australia	Ord		**100**	100
Abbey Capital Properties (NSW) Pty Ltd	Australia	Ord	4	**100**	100
Abbey Capital Real Estate Pty Limited	Australia	Ord		**100**	100
ABN 43 102 756 990 Limited [formerly Magnify Financial Planners Limited]	Australia	Ord		**80**	80
ACPP Industrial Pty Ltd	Australia	Ord		**100**	100
ACPP Office Pty Ltd	Australia	Ord		**100**	100
ACPP Retail Pty Ltd	Australia	Ord		**100**	100
AG Australia Holdings Limited	Australia	Ord		**100**	100
Allmarg Corporation Limited	NZ	Ord, Pref		**100**	100
AMP (Bermuda) Limited	Bermuda	Ord, Red Pref		**100**	100
AMP (UK) Finance Services Plc	UK	Ord		**100**	100
AMP ASAL Pty Ltd	Australia	Ord		**100**	100
AMP Australia Nominees Pty Limited	Australia	Ord	3	**100**	100
AMP Australian Financial Services Holdings Limited	Australia	Ord		**100**	100
AMP Australian Real Estate Holdings Pty Ltd	Australia	Ord	4	**100**	100
AMP Bank Limited	Australia	Ord		**100**	100
AMP Capital Holdings Limited	Australia	Ord		**100**	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. 4 Limited	NZ	Ord A & B, Pref		**100**	100
AMP Capital Investments No. 5 Limited	NZ	Ord A & B, Pref	2	**–**	100
AMP Capital Investments No. 7 Limited	NZ	Ord A & B, Pref	2	**–**	100
AMP Capital Investments No. 8 Limited	NZ	Ord A & B, Pref		**100**	100
AMP Capital Investments No. 9 Limited	NZ	Ord A & B, Pref	2	**–**	100
AMP Capital Investments No. 10 Limited	NZ	Ord A & B, Pref	2	**–**	100
AMP Capital Investments No. 11 Limited	NZ	Ord A & B		**100**	100
AMP Capital Investments No. 12 Limited	NZ	Ord A & B	2	**–**	100
AMP Capital Investments No. 14 Limited	NZ	Ord A & B		**100**	100
AMP Capital Investments No. 15 Limited	NZ	Ord		**100**	100
AMP Capital Investors (C.I.) Limited	Jersey	Ord	1	**100**	–
AMP Capital Investors (New Zealand) Limited	NZ	Ord		**100**	100
AMP Capital Investors (Property Funds Management Jersey) Limited	Jersey	Ord	1	**100**	–
AMP Capital Investors (Singapore) Pte Ltd	Singapore	Ord		**100**	100
AMP Capital Investors (UK) Limited	UK	Ord	1	**100**	–
AMP Capital Investors International Holdings Limited	Australia	Ord	1	**100**	–
AMP Capital Investors Limited	Australia	Ord		**100**	100
AMP Capital Office and Industrial Pty Limited [formerly Commercial & Industrial Management Pty Limited]	Australia	Ord		**100**	100
AMP Capital Property Nominees Ltd	Australia	Ord		**100**	100
AMP Capital Shopping Centre Pty Limited [formerly AMP Retail 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 (Asia) Pte Ltd	Singapore	Ord		**100**	100
AMP Financial Services Holdings Limited	Australia	Ord		**100**	100

27. Group controlled entity holdings continued

Name of company	Country of incorporation	Share type	Footnote	% Holdings 2005	2004
AMP GBS Limited	Australia	Fixed		**100**	100
AMP General Insurance Holdings Limited	Australia	Ord		**100**	100
AMP General Insurance 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		**100**	100
AMP Holdings Limited	Australia	Ord A, Ord B, Red Pref B Class		**100**	100
AMP IFA Holdings Limited	Australia	Ord A		**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	1	**100**	–
AMP Life Limited	Australia	Ord		**100**	100
AMP Macquarie Holding Pty Limited	Australia	Ord		**100**	100
AMP Macquarie Pty Limited	Australia	Ord		**100**	100
AMP NZ Retirement Properties Limited [formerly AMPCI No. 1 Holdings Limited]	NZ	Ord		**100**	100
AMP NZSSP Trustee Limited	NZ	Ord		**100**	100
AMP Overseas Investments (NZ) Limited	NZ	Ord	2	**–**	100
AMP Pacific Fair Pty Limited	Australia	Ord		**100**	100
AMP Papamoa Beach Gardens Limited	NZ	Ord	1	**100**	–
AMP Personal Investment Services Limited	Australia	Ord		**100**	100
AMP Private Advice 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 NZ Holdings Limited	NZ	Ord	2	**–**	100
AMP Private Capital Pty Limited	Australia	Ord		**100**	100
AMP Private Investments Pty Limited	Australia	Ord		**100**	100
AMP Property Investments (Qld) Pty Ltd	Australia	Ord		**100**	100
AMP Real Estate Pty Ltd	Australia	Ord		**100**	100
AMP Remuneration Reward Plans Nominees Pty Limited	Australia	Ord		**100**	100
AMP Riverside Plaza Pty Limited	Australia	Ord		**100**	100
AMP Royal Randwick Pty Limited	Australia	Ord		**100**	100
AMP Services (NZ) Limited	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
AMPG (1992) Ltd	Australia	Ord		**100**	100
APEREF II Limited	NZ	Ord	1	**100**	–
Arrive Wealth Management Limited	Australia	Ord		**100**	100
Arthur Ellis & Co. Limited	NZ	Ord		**88**	58
Arthur Ellis Limited	NZ	Ord		**88**	58
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
Balclutha Holdings Limited	NZ	Ord, Pref		**100**	100
Bolfend Pty Limited	Australia	Ord		**100**	100
Carillon Avenue Pty Limited	Australia	Ord		**93**	100
Cloud Investments Limited	NZ	Ord	2	**–**	100
Cobalt Solutions Australia Limited [formerly Cobalt Runoff Services Limited]	Australia	Ord		**100**	100
Collins Place No. 2 Pty Ltd	Australia	Ord		**100**	100
Collins Place Pty Limited	Australia	Ord		**100**	100
Compania Contractual Minera Equatorial Resources	Chile	Ord		**97**	96

27. Group controlled entity holdings continued

Name of company	Country of incorporation	Share type	Footnote	% Holdings 2005	2004
Compania Contractual Minera Leonor	Chile	Ord A, B		**97**	96
Culinary Air Limited	NZ	Ord		**100**	100
Donaghys Australia Pty Limited	NZ	Ord		**75**	75
Donaghys Industries Limited	NZ	Ord		**75**	75
Donaghys International Limited	NZ	Ord		**75**	75
Donaghys Limited	NZ	Ord, Pref		**75**	75
Donaghys Sarlon Pty Limited	NZ	Ord		**75**	75
Eagle Towers Pty Ltd	Australia	Ord	2	**–**	100
ELOANNZ.CO.NZ LIMITED	NZ	Ord	2	**–**	100
Equatorial Mining Limited	Australia	Ord		**97**	96
Equatorial Mining North America, Inc.	USA	Ord, Pref		**97**	96
Equatorial Resources Limited	Bermuda	Ord, Red Pref		**97**	96
Equatorial Tonopah, Inc.	USA	Ord, Pref		**97**	96
Equatorial Treasure Limited	Bermuda	Ord, Pref		**97**	96
ERGO Personal Financial Services Limited	NZ	Ord		**100**	100
Financial Services Distribution Ltd	NZ	Ord	4	**100**	100
Forms Investment Limited	NZ	Ord	2	**–**	100
Frozen Foods Investment Limited	NZ	Ord		**100**	100
Genlis Pty Limited	Australia	Ord		**100**	100
Gordian Mortgage Insurance Limited	Australia	Ord	4	**100**	100
Gordian RunOff (UK) Limited	UK	Ord		**100**	100
Gordian RunOff Limited	Australia	Ord		**100**	100
Hillross Financial Services Limited	Australia	Ord		**100**	100
Honeysuckle 231 Pty Limited	Australia	Ord	1	**60**	–
INSSA Pty Limited	Australia	Ord		**100**	100
Inversiones Mineras Los Andes Limitada	Chile	Ord		**100**	100
Investment Services Nominees Pty Limited	Australia	Ord		**100**	100
Jetcloud Pty Ltd	Australia	Ord	4	**100**	100
Kadella Park Pty Limited	Australia	Ord		**100**	100
Kent Street Pty Limited	Australia	Ord		**100**	100
KMH Holdings Pty Ltd	Australia	Red Pref		**100**	100
Knox City Shopping Centre Investments (No. 2) Pty Limited	Australia	Ord		**100**	100
Maritime Insurance Agency Pty Ltd	Australia	Ord		**100**	100
Marrickville Metro Shopping Centre Pty Limited	Australia	Ord		**100**	100
Merson (Qld) Pty Ltd	Australia	Ord	2	**–**	100
Merson Property Pty Limited	Australia	Ord, Red Pref	4	**100**	100
Mowla Pty Ltd	Australia	Ord		**100**	100
Muirfield Properties Pty Limited	Australia	Ord	2	**–**	100
Narrawa Pty Limited	Australia	Ord	4	**100**	100
Omega (Australia) Pty Limited	Australia	Ord		**100**	100
PHF No. 1 Management Pty Limited	Australia	Ord		**100**	100
PHF No. 1 Pty Limited	Australia	Ord		**100**	100
PremierOne Mortgage Advice Pty Limited	Australia	Ord		**85**	85
Principal Healthcare Finance (NZ) Limited	Australia	Ord, Red Pref A, Red Pref B	2	**–**	75
Principal Healthcare Finance No. 2 Pty Limited	Australia	Ord	2	**–**	100
Principal Healthcare Finance No. 3 Pty Limited	Australia	Ord	2	**–**	75
Principal Healthcare Finance Pty Limited	Australia	Ord	2	**–**	100
Principal Healthcare Holdings Pty Limited	Australia	Ord	2	**–**	100
Priority One Agency Services Pty Ltd	Australia	Ord		**100**	100
Priority One Financial Services Limited	Australia	Ord		**100**	100
Quay Asset Management (Asia) Sdn Bhd	Malaysia	Ord	3	**100**	100
Quay Asset Management Limited	Australia	Ord		**100**	100
Quay Mining Pty Limited	Australia	Ord		**100**	100
Rodatam Company Pty Limited	Australia	Ord	1, 2	**–**	–
SADS Pty Limited	Australia	Ord		**100**	100
SAPM Limited	Australia	Ord, Red Pref		**100**	100
Scrabster Bay Pty Limited	Australia	Ord		**100**	100
Shanghai AMP Property Co Ltd	Republic of China	Ord	3	**81**	81
South Pacific Agricultural Company Pty Limited	Australia	Ord	3	**100**	100
SPP No. 1 (Alexandra Canal) Pty Limited	Australia	Ord		**86**	100
SPP No. 1 (H) Pty Limited	Australia	Ord		**86**	100
SPP No. 1 (Mona Vale) Pty Limited	Australia	Ord		**86**	90
SPP No. 1 (Newcastle) Pty Limited	Australia	Ord	1	**86**	–

27. Group controlled entity holdings continued

Name of company	Country of incorporation	Share type	Footnote	% Holdings 2005	2004
SPP No. 1 (North Melbourne) Pty Limited	Australia	Ord		**86**	90
SPP No. 1 (Pakenham) Pty Limited	Australia	Ord		**86**	90
SPP No. 1 (Point Cook) Pty Limited	Australia	Ord		**86**	90
SPP No. 1 (Q Stores) Pty Limited	Australia	Ord		**86**	90
SPP No. 1 (Rosebery) Pty Limited	Australia	Ord		**86**	90
SPP No. 1 Holdings Pty Limited	Australia	Ord		**86**	90
SPP No. 1 (Hawthorn) Pty Limited	Australia	Ord	1	**86**	–
SPP No. 1 (Mt. Waverley Financing) Pty Limited	Australia	Ord	1	**86**	–
SPP No. 1 (Mt. Waverley) Pty Limited	Australia	Ord	1	**86**	–
SPP No. 1 (Port Melbourne) Pty Limited	Australia	Ord		**86**	100
Sugarland Shopping Centre Pty Limited	Australia	Ord	1	**100**	–
Sunshine West Development Pty Limited	Australia	Ord		**75**	75
Sunshine West Income Pty Limited	Australia	Ord		**100**	100
TGI Australia Limited	Australia	Ord		**100**	100
The India Infrastructure Fund LLC	Mauritius	Red Pref		**100**	100
TOA Pty Ltd	Australia	Ord		**100**	100
Tonopah CTMC, Inc.	USA	Ord		**97**	96
Victoria Avenue Nominees Limited	Australia	Ord		**100**	100
Warringah Mall Holdings Pty Limited	Australia	Ord	4	**100**	100
Warringah Mall Pty Limited	Australia	Ord	4	**100**	100
Waterfront Place (No. 2) Pty. Ltd.	Australia	Ord		**100**	100
Waterfront Place (No. 3) Pty. Ltd.	Australia	Ord		**100**	100

Footnote:
1 Companies acquired in 2005.
2 Companies disposed in 2005.
3 Company became an associate entity during 2005.
4 Companies not audited by Ernst & Young.

Details of investments in controlled trusts are as follows:

Trusts and other entities Name of entity	Country of registration	Footnote	% Holdings 2005	2004
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		**60**	60
AHGI Martineau Fund	Australia		**100**	100
AHGI Martineau Galleries Fund	Australia		**100**	100
Allco CAS Sub-Trust No.1	Australia	1	**100**	–
AMP Balanced Enhanced Equity	Australia	1	**99**	–
AMP Capital Asia ex-Japan Fund	Australia	1	**96**	–
AMP Capital Diversified TAA	Australia	1	**100**	–
AMP Capital Investors Direct Property Retail Portfolio	Australia	2	**–**	100
AMP Capital Investors Enhanced Income Fund	Australia		**52**	73
AMP Capital Investors Structured High Yield Fund	Australia	2	**–**	56
AMP Conservative Enhanced Equity Fund	Australia	1	**86**	–
AMP Investments Asia Pacific Power Fund	Australia	2	**–**	100
AMP Investments Australian Pacific Airports Fund	Australia		**72**	72
AMP Investments Infrastructure Debt Fund	Australia		**68**	67
AMP Liverpool Trust X	Australia		**100**	100
AMP Macquarie Holdings Trust	Australia		**100**	100
AMP Macquarie Trust	Australia		**100**	100
AMP NZ Property Fund	NZ	2	**–**	71
AMP Pacific Fair Trust	Australia		**100**	100
AMP Premium Property Trust	NZ	2	**–**	100
AMP Private Capital Trust No. 4	Australia		**100**	100
AMP Private Capital Trust No. 9	Australia		**100**	100
AMP Private Equity Fund IIIA	Australia	1	**91**	–
AMP Private Equity Fund IIIB	Australia	1	**91**	–
AMP Property Securities Fund	NZ		**61**	82

27. Group controlled entity holdings continued

Trusts and other entities Name of entity	Country of registration	Footnote	% Holdings 2005	2004
AMP UK Shopping Centre Fund	Australia	1	**100**	–
AMP US Property Trust	Australia		**100**	100
AMP Wholesale Office Fund	Australia		**84**	100
AMP Shopping Centre Fund [formerly AMP Wholesale Shopping Centre Trust No 1]	Australia		**90**	100
AMP Wholesale Shopping Centre Trust No 2	Australia		**90**	90
AMPAM Bull Ring Fund	Australia	2	**–**	100
Australian Share Ex AMP Fund	Australia		**67**	93
Australian Share Index Fund	Australia	2	**–**	83
Bishopsgate Trust	Australia		**100**	100
Bourke Place Trust	Australia	2	**–**	57
BT Active Balanced Pooled Superannuation Trust	Australia	2	**–**	60
BT Active Conservative Pooled Superannuation Trust	Australia	2	**–**	73
Crossroads Trust	Australia		**100**	100
Davidson Road Trust	Australia		**100**	100
Diversified Hi Yield Fund	Australia	2	**–**	56
Enhanced Index International Share Fund	Australia		**78**	87
Enhanced Index Share Fund	Australia		**74**	63
Enhanced Property Securities Index Fund	Australia	2	**–**	100
External Fund Manager Australian Share Fund 1	Australia		**96**	96
External Fund Manager Australian Share Fund 2	Australia		**99**	100
External Fund Manager Australian Share Fund 3	Australia		**99**	99
External Fund Manager Australian Share Fund 4	Australia		**88**	54
External Fund Manager Australian Share Fund 5	Australia		**95**	68
External Fund Manager Australian Share Fund 6	Australia		**100**	100
External Fund Manager Australian Share Fund 7	Australia		**100**	100
External Fund Manager Diversified Fund 1	Australia		**100**	100
External Fund Manager Diversified Fund 2	Australia		**100**	100
External Fund Manager Diversified Fund 3	Australia		**100**	100
External Fund Manager Diversified Fund 4	Australia		**100**	100
External Fund Manager Diversified Fund 5	Australia		**100**	100
External Fund Manager Fixed Interest Fund 1	Australia		**100**	100
External Fund Manager Fixed Interest Fund 2	Australia		**99**	100
External Fund Manager Fixed Interest Fund 3	Australia		**99**	100
External Fund Manager International Share Fund 1	Australia		**99**	100
External Fund Manager International Share Fund 2	Australia		**97**	97
External Fund Manager International Share Fund 3	Australia		**97**	98
External Fund Manager International Share Fund 4	Australia		**100**	100
External Fund Manager International Share Fund 5	Australia		**97**	98
External Fund Manager International Share Fund 6	Australia		**100**	100
External Fund Manager Listed Property Fund 1	Australia		**96**	97
Future Direction Australian Bond Fund	Australia		**66**	69
Future Directions Australian Share Fund	Australia		**64**	65
Future Directions Balanced Fund	Australia	1	**91**	–
Future Directions Conservative Fund	Australia		**76**	68
Future Directions Enhanced Index International Share Fund	Australia		**65**	69
Future Directions Fund	Australia	2	**–**	89
Future Directions Geared Australian Share Fund [formerly WT Future Directions Geared Australian Share Fund]	Australia		**85**	84
Future Directions Growth Fund	Australia		**87**	85
Future Directions High Growth Fund	Australia		**81**	73
Future Directions International Bond Fund	Australia		**63**	69
Future Directions International Bond Fund 1	Australia	1	**66**	–
Future Directions International Bond Fund 2	Australia	1	**66**	–
Future Directions International Bond Fund 3	Australia	1	**66**	–
Future Directions International Bond Fund 4	Australia	1	**66**	–
Future Directions International Share Fund	Australia		**62**	65
Future Directions International Share Fund 1	Australia		**93**	99
Future Directions International Share Fund 2	Australia		**86**	85
Future Directions International Share Fund 3	Australia	1	**99**	–
Future Directions International Share Fund 4	Australia		**96**	83
Future Directions International Share Fund 5	Australia		**99**	99
Future Directions Moderate Conservative Fund	Australia		**85**	79

27. Group controlled entity holdings continued

Trusts and other entities Name of entity	Country of registration	Footnote	% Holdings 2005	2004
Future Directions Property Feeder Fund	Australia		**93**	100
Future Directions Total Return Fund	Australia	2	**–**	66
Global Credit Strategies Fund [formerly WT Global Credit Strategies Fund]	Australia		**87**	87
Global Defender Fund	NZ		**92**	91
Global Growth Opportunities Fund	Australia		**89**	88
Hedged International Share Fund	Australia		**93**	88
Highway Trust	Australia		**100**	100
International Bond Fund	Australia		**81**	75
International Share Fund	Australia		**76**	76
International Unlisted Investment Fund	Australia		**100**	100
Kent Street Investment Trust	Australia		**100**	100
Kent Street Unit Trust	Australia		**100**	50
Listed Property Trusts Fund	Australia	1	**52**	–
Loftus Street Trust	Australia		**100**	100
Macquarie Australian Enhanced	Australia	1	**61**	–
Macquarie Fixed Interest Plus Fund	Australia	1	**64**	–
Macquarie Life Capital Stable Fund	Australia	1	**80**	–
Merrill Lynch Mercury Balanced Pooled Super Fund	Australia		**71**	52
Monash House Trust	Australia		**100**	100
Progress 1997 – 1 Trust	Australia		**100**	100
Progress Warehouse Trust No. 1	Australia		**100**	100
Progress Warehouse Trust No. 2	Australia		**100**	100
Progress 2002 – 1 Trust	Australia		**100**	100
Progress 2003 – 1 Trust	Australia		**100**	100
Progress 2003 – E1 Trust	Australia		**100**	100
Progress 2004 – E1 Trust	Australia		**100**	100
Progress 2004 – 2 Trust	Australia		**100**	100
Progress 2005 – 1 Trust	Australia	1	**100**	–
Progress 2005 – 2 Trust	Australia	1	**100**	–
Principal Healthcare Finance Trust No. 1	Australia	2	**–**	75
Principal Healthcare Finance Trust No. 2	Australia	2	**–**	75
Principal Healthcare Holding Trust	Australia	2	**–**	100
Responsible Investment Leaders Australian Share Fund [formerly WT Responsible Investment Leaders Australian Share Fund]	Australia		**78**	100
Responsible Investment Leaders Balanced Fund A	Australia	1	**100**	–
Responsible Investment Leaders Conservative Fund	Australia	1	**98**	–
Responsible Investment Leaders Growth Fund [formerly WT Responsible Investment Leaders Growth Fund]	Australia		**100**	100
Riverside Plaza Trust	Australia		**100**	100
Royal Randwick Trust	Australia		**100**	100
Select Property Portfolio No. 1	Australia		**86**	86
Strategic Infrastructure Trust of Europe No.1	Australia	1	**88**	–
Strategic Infrastructure Trust of Europe No.2	Australia	1	**88**	–
Sustainable Future Australian Share Fund	Australia	1	**67**	–
The Pinnacle Fund	Australia		**99**	99
Warringah Mall Trust	Australia		**100**	100
Wholesale Australian Bond Fund	Australia		**86**	88

Footnote:
1 Trusts acquired in 2005.
2 Trusts disposed in 2005.

28. Investments in associated entities

Details of investments in associated companies are as follows:

Companies[1] Name of company	Principal activity[2]	Ownership interest 2005 %	Ownership interest 2004 %	Carrying amount 2005 $m	Carrying amount 2004 $m
Held by life insurers					
Gove Aluminium Finance Limited	Aluminium smelting	**30**	30	**213**	236
Minera El Tesoro[3]	Copper mining	**39**	39	**112**	83
Shark Bay Resources Pty Limited	Salt mining	**–**	50	**–**	20
Others (each less than $20m)		Various		**41**	43
Total investments in associated companies				**366**	382

Footnote:
1 The balance date for all significant associated companies is 31 December.
2 In the course of normal operating investment activities, the life statutory funds hold investments in various operating businesses. Investments in associated entities reflect investments where the life statutory funds hold between a 20% and 50% equity interest.
3 The investment in Minera El Tesoro is held by Equatorial Mining Limited, an investment controlled entity of the life statutory funds.

Details of investments in associated unit trusts are as follows:

Unit trusts[1] Name of trust	Principal activity	Ownership interest 2005 %	Ownership interest 2004 %	Carrying amount 2005 $m	Carrying amount 2004 $m
Held by life insurers					
AMPCI Australian Equity Long Short Fund	Investment trusts	**29**	–	**84**	–
AMP Equity Trust	Investment trusts	**28**	–	**252**	–
AMP Hendersons Structure High Yield Fund	Investment trusts	**34**	–	**79**	–
AMP Investment Global Equity Fund (NZ)	Investment trusts	**16**	16	**79**	75
AMP Investments World Index Fund	Investment trusts	**36**	38	**142**	142
AMP NZ Property Fund	Investment trusts	**45**	71	**287**	–
AMP Small Companies Trust	Investment trusts	**26**	24	**64**	52
Auburn Mega Centre Trust	Investment trusts	**50**	50	**50**	56
Bourke Place Unit Trust	Investment trusts	**46**	–	**192**	–
Darling Park Property Trust	Investment trusts	**50**	50	**190**	184
Dresdner RCM International Equities Fund	Investment trusts	**–**	33	**–**	336
Diversified Utility and Energy Trust 1	Investment trusts	**–**	21	**–**	106
Diversified Utility and Energy Trust 2	Investment trusts	**–**	21	**–**	106
Future Direction Australian Share Fund 1	Investment trusts	**31**	30	**257**	165
Future Directions Core International Fund 2	Investment trusts	**43**	50	**2,333**	1,950
Future Directions Total Return Fund	Investment trusts	**41**	–	**128**	–
Global Property Securities Fund	Investment trusts	**40**	42	**405**	214
Henderson Shopping Centre Fund (UK)	Investment trusts	**23**	–	**314**	–
Infrastructure Equity Fund	Investment trusts	**30**	32	**132**	121
Macquarie Balanced Growth	Investment trusts	**25**	–	**79**	–
Managed Treasury Fund	Investment trusts	**–**	34	**–**	97
Marrickville Metro Trust	Investment trusts	**50**	50	**74**	79
Property Income Fund	Investment trusts	**42**	42	**225**	211
Southland Trust	Investment trusts	**50**	50	**402**	365
Sugarland Shopping Centre Trust	Investment trusts	**50**	–	**55**	–
Sustainable Future Australian Share Fund	Investment trusts	**–**	25	**–**	63
Tea Tree Plaza Trust	Investment trusts	**50**	50	**204**	184
Others (each less than $50m)	Investment trusts			**281**	153
Investment in associated unit trusts				**6,308**	4,659
Balance of non associated unit trust investments				**8,823**	3,619
Total investment in unit trusts				**15,131**	8,278

Footnote:
1 The balance date for all significant associated unit trusts is 31 December.

29. Forward investments, leasing and other commitments

	Consolidated 2005 $m	Consolidated 2004 $m	Parent 2005 $m	Parent 2004 $m
Commitments to provide credit	**554**	422	**–**	–
Forward investment – due within one year				
Balance outstanding under contracts for the purchase of freehold and leasehold properties and/or erection of buildings thereon	**1**	9	**–**	–
Total forward investment	**1**	9	**–**	–
Operating lease commitments (non cancellable)				
Due within one year	**16**	22	**–**	–
Due within one year to five years	**57**	72	**–**	–
Due later than five years	**11**	14	**–**	–
Total operating lease commitments	**84**	108	**–**	–
Finance lease commitments				
Due within one year	**–**	–	**–**	–
Due within one year to five years	**–**	–	**–**	–
Due later than five years	**–**	4	**–**	–
Total finance lease commitments	**–**	4	**–**	–

30. Contingent liabilities

The following matters are not recognised in the statement of financial position:

(a) Litigation and Arbitration

i) Australian Agricultural Company Limited ('AACo') commenced proceedings in the Federal Court on 18 September 2003 against AMP Life Limited and AMP Capital Investors Ltd ('AMP') seeking to restrain AMP from completing the sale of Stanbroke Pastoral Pty Ltd to Nebo Holdings and Investments Pty Limited ('Nebo') and also seeking damages against AMP for loss of opportunity to profit from the sale and costs incurred in participating in the tender process.

AACo's application for an interim order restraining completion of the sale to Nebo was dismissed with costs in favour of AMP. AACo's claim for damages against AMP for loss of opportunity to profit from the sale and costs incurred in participating in the tender process is still proceeding through the Federal Court.

AMP denies the allegations made against it and continues to defend these proceedings.

ii) IFMN, an investor in Australian Energy Fund No. 2 (AEF2) commenced proceedings against AMP Capital Investors Ltd (AMPCI) and AMP Investment Services Pty Ltd (AMPIS). AMPIS is the trustee of AEF2 and AMPCI is the investment manager. The claim arises from the restructure of an asset held by AEF2, namely Multinet, a private gas distribution business in Victoria. In broad terms IFMN has alleged that AMPIS has breached the duties owed to unitholders in AEF2 including IFMN, under the relevant trust deed and general law. These allegations are denied by AMPCI and AMPIS.

The matter is proceeding through the Supreme Court of Victoria. AMPCI and AMPIS continue to defend the proceedings.

iii) In the course of normal business operations AMP is exposed to legal issues, which involve litigation.

(b) Contingent liabilities considered to be covered under an insurance policy, but where indemnity has not been granted yet, are not reported here, to avoid making an admission which prejudices the insurer's rights.

(c) In the normal course of business, the AMP group enters into various types of investment contracts that can give rise to contingent liabilities. These include foreign exchange contracts, financial futures, interest rate derivatives and exchange traded options. These contracts are entered into in the normal management of the investment portfolio.

(d) AMP Limited has entered into a deed to provide capital maintenance and liquidity support to AMP Bank Limited.

(e) In the normal course of business, AMP enters into various types of business contracts that give rise to contingent liabilities. These include guarantees for performance obligations and undertakings for financial support to controlled entities in the AMP group.

(f) Other items	Consolidated 2005 $m	Consolidated 2004 $m	Parent 2005 $m	Parent 2004 $m
Uncalled capital on shares in relation to:[1]				
– Associated entities	**34**	25	**–**	–
– Other entities	**44**	44	**–**	–
Uncalled capital on units in relation to:[1]				
– Associated unit trusts	**87**	171	**–**	–
– Other unit trusts	**16**	78	**–**	–
Estimated maximum liabilities under legal actions pending	**–**	–	**–**	–
Financial guarantees	**–**	–	**–**	–
Bank guarantees and other contingent liabilities	**350**	58	**–**	–

Footnote:

1 Uncalled capital represents a commitment to make further capital contributions for shares, unit trusts and certain private capital investments.

31. Related party disclosures

(a) Key management personnel details

AASB 124 *Related Party Disclosures* defines key management personnel as including all Non-executive directors, the Chief Executive Officer (CEO) and other persons having authority and responsibility for planning, directing and controlling the activities of the entity (nominated executives). The following Non-executive directors, CEO and nominated executives of AMP Limited held office during the year:

Name	Position	Name	Position
Peter Mason[1]	Chairman	Andrew Mohl	Chief Executive Officer
John Astbury	Non-executive director	Craig Dunn	Managing Director, AMP Financial Services
David Clarke[2]	Non-executive director	Stephen Dunne	Managing Director, AMP Capital Investors
Richard Grellman	Non-executive director	Paul Leaming	Chief Financial Officer
Meredith Hellicar	Non-executive director	Peter Hodgett	General Manager, Human Resources & Strategy
Nora Scheinkestel	Non-executive director	David Cohen	General Counsel
Peter Willcox[3]	Chairman (retired)	Matthew Percival	General Manager, Public Affairs

Footnote:
1 Peter Mason was appointed Chairman on 6 September 2005. Prior to that he was a Non-executive director.
2 David Clarke was appointed to the AMP Limited Board on 26 July 2005.
3 Peter Willcox retired from the AMP Limited Board on 6 September 2005.

(b) Performance rights and options holdings of key management personnel

The table below summarises the holdings of performance rights and options granted to the key management personnel.

Name	Holding at 1 Jan 05	Granted	Exercised	Lapsed	Holding at 31 Dec 05	Vested and exercisable at 31 Dec 2005
Performance Rights						
Andrew Mohl	933,742	372,129	–	113,087	**1,192,784**	**–**
Craig Dunn	342,289	116,291	–	57,938	**400,642**	**–**
Stephen Dunne	140,808	87,290	–	19,227	**208,871**	**–**
Paul Leaming	301,176	103,025	–	55,793	**348,408**	**–**
Peter Hodgett	224,129	78,561	–	40,781	**261,909**	**–**
David Cohen	222,720	74,426	–	–	**297,146**	**–**
Matthew Percival	163,200	66,157	–	30,900	**198,457**	**–**
Options						
Andrew Mohl	350,000	–	–	250,000	**100,000**	**100,000**
Craig Dunn	210,000	–	–	40,000	**170,000**	**30,000**
Stephen Dunne	82,500	–	–	35,000	**47,500**	**10,000**
Paul Leaming	110,000	–	–	35,000	**75,000**	**40,000**
Peter Hodgett	120,000	–	–	35,000	**85,000**	**40,000**
David Cohen	–	–	–	–	**–**	**–**
Matthew Percival	150,000	–	–	100,000	**50,000**	**–**

(c) Shareholdings of key management personnel

The table below summarises the movements in holdings of shares in AMP Limited held by the key management personnel and their personally related entities.

Name	Holding at 1 Jan 05	Granted as remuneration during the period	Received on exercise of performance rights or options	Other changes	Holding at 31 Dec 05
Peter Mason	31,766	–	–	46,388	**78,154**
John Astbury	11,076	–	–	4,133	**15,209**
David Clarke	12,831	–	–	1,317	**14,148**
Richard Grellman	19,409	–	–	4,133	**23,542**
Meredith Hellicar	24,362	–	–	4,527	**28,889**
Nora Scheinkestel	26,328	–	–	10,902	**37,230**
Peter Willcox	81,281	–	–	8,446	**89,727**
Andrew Mohl	410,409	–	–	–	**410,409**
Craig Dunn	68,465	–	–	–	**68,465**
Stephen Dunne	525	–	–	–	**525**
Paul Leaming	44,500	–	–	–	**44,500**
Peter Hodgett	80,232	–	–	43,272	**123,504**
David Cohen	29,538	–	–	–	**29,538**
Matthew Percival	52,191	–	–	(1,224)	**50,967**

31. Related party disclosures continued

(d) Remuneration of key management personnel

The table below provides a total of the remuneration received by the key management personnel. For further details regarding remuneration of key management personnel see the Remuneration Report which forms part of the Directors' Report.

	Short-term benefits $'000	Post employment benefits $'000	Share based payments $'000	Other long-term benefits $'000	Termination benefits $'000	Total $'000
2005[1]	**12,810**	**961**	**3,920**	**8**	**–**	**17,699**
2004[1]	10,799	804	3,117	3,001	–	17,721
2004 – as disclosed in 2004[2]	10,419	756	3,180	3,251	4,490	22,096

Footnote:
1 These amounts represent the total remuneration paid to the key management personnel listed in note 31(a) for 2005 and 2004.
2 This represents the amount paid to those individuals considered key management personnel and disclosed as such in the 2004 Financial Report.

(e) Transactions with key management personnel

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

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

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

The following tables provide details of loans made to key management personnel by AMP or any of its subsidiaries:

All loans to key management personnel

	Balance 1 Jan 2005 $'000	Written off $'000	Net advances (repayments) $'000	Balance at 31 Dec 2005 $'000	Interest charged $'000	Interest not charged $'000	Number in group
Key management personnel	3,104	–	(728)	**2,376**	187	–	3

Individuals with loans above $100,000 in reporting period

	Balance 1 Jan 2005 $'000	Written off $'000	Net advances (repayments) $'000	Balance at 31 Dec 2005 $'000	Interest charged $'000	Interest not charged $'000	Highest indebtedness in period $'000
Andrew Mohl	3,037	–	(903)	**2,134**	173	–	3,132
Stephen Dunne	–	–	200	**200**	10	–	200

(f) Other related party transactions

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

32. Auditors' remuneration

	Consolidated		Parent	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Amounts received or due and receivable by Auditors of AMP Limited for:				
Auditing the financial statements of AMP Limited and its controlled entities				
Half year review	**500**	500	**–**	–
Full year audit	**3,355**	3,028	**140**	140
Total financial statement audits	**3,855**	3,528	**140**	140
Other audit services				
Audit of trusts and superannuation funds	**2,214**	1,738	**–**	–
Audit of statutory returns	**337**	446	**–**	–
Other audit work[1]	**1,716**	2,069	**–**	–
Total other audit services	**4,267**	4,253	**–**	–
Total audit services	**8,122**	7,781	**140**	140
Technical advice	**15**	39	**–**	–
Independent accountant's report	**22**	–	**–**	–
Other assurance services[2]	**2,001**	209	**–**	–
Total assurance related services	**2,038**	248	**–**	–
Other services				
Transaction support	**253**	867	**–**	–
Tax and compliance advice	**99**	280	**–**	–
Actuarial assistance	**33**	351	**–**	–
Other services	**29**	215	**–**	–
Total other services	**414**	1,713	**–**	–
Total non audit services	**2,452**	1,961	**–**	–
Total amounts received or due and receivable by Auditors of AMP Limited[3]	**10,574**	9,742	**140**	140
Other auditors for:				
Auditing of financial statements of certain controlled entities	**94**	27	**–**	–
Total amounts received or due and receivable by other auditors	**94**	27	**–**	–

Footnote:
1 Other audit work includes fees for reviews of the full year and half year Investor Reports, audit related work in relation to adoption of AIFRS, AMP Bank securitisation opinions, fund prospectus reviews and other audit procedures performed for multiple investment vehicles owned by the life statutory funds.
2 Fees for other assurance services include $1,732,000 (2004: $188,000) attributable to a significant review of investment pricing systems.
3 Includes fees paid to Ernst & Young affiliates overseas.

33. Events occurring after reporting date

At the date of this report, the directors are not aware of any matter or circumstance that has arisen since the end of the period which 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.

Dividends
Since 31 December 2005, AMP has proposed a final dividend on ordinary shares.

Capital return
On 16 February 2006 AMP announced that AMP Limited shareholders will receive a capital return of around $750 million – or 40 cents a share – in the first half of 2006. AMP's shareholders will have the opportunity to approve the proposed capital return at the Annual General Meeting in May 2006.
If approved, payment will be made in the first half of 2006. AMP has applied for a ruling from the Australian Taxation Office to treat the capital return as a reduction in the cost base of the shares and not as a taxable dividend.

The capital return will be funded from surplus capital, which stood at over $1.95 billion at 31 December 2005.

34. Impact of adoption of AIFRS

(a) Reconciliation of net profit after income tax attributable to shareholders under AGAAP to that under AIFRS

	Ref.	Consolidated Year to 31 Dec 2004 $m	Parent Year to 31 Dec 2004 $m
Net profit after income tax attributable to shareholders as previously reported under AGAAP		934	1,580
Changes in net profit after tax attributable to shareholders on transition to AIFRS			
– Adjustments to valuations of investment assets	1	(61)	–
– Adjustments to valuations of investment contract and life insurance contract liabilities	2	50	–
– Adjustments to deferral and recognition of acquisition costs on investment contracts	3	(55)	–
– Unwinding discount on deferred tax balances relating to investment contracts	4	(7)	–
– Removal of gains and dividends on 'treasury shares'	5	(87)	–
– Removal of unrealised (gains) losses on life statutory funds' investments in controlled entities	6	12	–
– Adjustments relating to deficit/surplus in employee defined benefit schemes	7	53	–
– Recognition of share based payments expense	8	(4)	(1)
– Adjustments to valuation of derivatives related to corporate and operational debt	9	13	–
– Reversal of goodwill amortisation	10	31	–
– Other adjustments		(6)	(3)
Total change in net profit after income tax attributable to shareholders under AIFRS		(61)	(4)
Net profit after income tax attributable to shareholders under AIFRS		873	1,576

34. Impact of adoption of AIFRS continued

(b) Reconciliation of total equity of shareholders and minority interests from that previously reported under AGAAP to total equity of shareholders and minority interests under AIFRS as at 1 January 2004 (transition date) and 31 December 2004

	Ref.	Consolidated 31 Dec 2004 $m	Consolidated 1 Jan 2004 $m	Parent 31 Dec 2004 $m	Parent 1 Jan 2004 $m
Total equity of shareholders and minority interests as previously reported under AGAAP		9,226	7,890	9,482	8,222
(i) Changes in retained earnings					
– Opening adjustment to retained earnings on 1 January 2004 (transition date) – see below		(759)	(759)	(4)	(4)
– Change in net profit after tax attributable to shareholders under AIFRS – see part (a) of this note		(61)	n/a	(4)	n/a
– Removal of dividend paid on 'treasury shares'	5	7	–	–	–
– Recognition of gains (losses) on sale of 'treasury shares'	5	(13)	–	–	–
(ii) Other changes in equity and reserves					
– Removal of cost of 'treasury shares'	5	(220)	(272)	–	–
– Reserve arising from recognition of share based payments expense	8	13	10	2	1
– Recognition of tax effect on share issue costs of a previous period	11	16	16	16	16
– Foreign currency translation adjustments		(1)	–	–	–
– Adjustment to recognise valuation of cash flow hedges	12	3	4	–	–
– Reclassification of external unitholders' funds from equity to debt	13	(5,066)	(4,294)	–	–
Total equity of shareholders and minority interests under AIFRS		3,145	2,595	9,492	8,235

	Ref.	Consolidated 1 Jan 2004 $m	Parent 1 Jan 2004 $m
Opening adjustment to retained earnings on 1 January 2004 (transition date)			
Adjustments to valuations of investment assets and related tax	1	97	–
Adjustments to valuations of investment contract and life insurance contract liabilities	2	(102)	–
Adjustments to deferral and recognition of acquisition costs on investment contracts	3	(443)	–
Unwinding discount on deferred tax balances relating to investment contracts	4	(52)	–
Removal of unrealised losses on 'treasury shares'	5	88	–
Removal of unrealised gains on life statutory funds' investments in controlled entities	6	(11)	–
Adjustments relating to deficit/surplus in employee defined benefit schemes	7	(81)	–
Recognition of share based payments expense	8	(9)	(1)
Adjustments to valuation of derivatives related to corporate and operational debt	9	6	–
Excess of market value over net assets of controlled entities derecognised	6	(255)	–
Other adjustments		3	(3)
Total opening adjustment to retained earnings on 1 January 2004 (transition date)		(759)	(4)

34. Impact of adoption of AIFRS continued

Explanation of adjustments

Ref.

1. Adjustments to valuations of investment assets
Investment assets held by AMP, mainly assets within the life statutory funds that back investment contract and life insurance contract liabilities, include financial assets, investment property and owner occupied property.

   Under AGAAP, investment assets were carried at net market value including an allowance for estimated realisation costs. In the case of traded securities, the market value was based on the last sale price.

   Under AIFRS, most investment assets are measured at fair value with no allowance for realisation costs. In the case of traded securities, the market value is based on the bid price.

   The AIFRS adjustments to valuations of investment assets and related tax are mainly the result of this change in valuation methodology. The opening retained earnings adjustment reflects the impact on investment assets and related tax at the date of transition. The income statement adjustments for the full year to 31 December 2004 reflect the impact on the net realised and unrealised investment gains (losses), and tax expense (credit), for that period.

2. Adjustments to valuations of investment contract and life insurance contract liabilities
Under AIFRS, there are a number of adjustments required to the valuations of investment contract and life insurance contract liabilities due to the following:

   (a) Where the asset value and related tax changes described in Ref. 1 relate to investment contract and life insurance contracts, there is a corresponding change in the valuation of the investment contract and life insurance contract liabilities.

   (b) Under AGAAP, the discount rate applied in the valuation of the investment contract and life insurance contract liabilities was based on the expected market return on investments that backed those contracts. Under AIFRS, where investment contract and life insurance contract liabilities are not linked to the performance of investments that back those contracts, a risk-free discount rate must be 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 term of the contract liabilities.

   (c) Under AGAAP, the deferred tax liability in the life statutory funds was required to be discounted to present value. Under AIFRS, deferred tax balances cannot be discounted and the deferred tax balance was adjusted in Ref. 1 above. The measurement of life insurance contract liabilities has also been adjusted under AIFRS to reflect the undiscounted deferred tax amounts. However, the impact of the removal of deferred tax discounting in respect of investment contracts is not reflected in investment contract liabilities. See Ref. 4 below.

   The opening retained earnings adjustment reflects the changes from (a), (b) and (c) above as they impact on the valuation of the investment contract and life insurance contract liabilities at the date of transition. The income statement adjustments for the full year to 31 December 2004 reflect the change in the movement in investment contract liabilities and the movement in life insurance contract liabilities from (a), (b) and (c) above for that period.

3. Adjustments to deferral and recognition of acquisition costs on investment contracts
Under AGAAP, all acquisition costs incurred in relation to acquiring new life insurance business were deferred as part of investment contract and life insurance contract liabilities and subsequently recognised in the income statement over the life of the contract.

   Under AIFRS, the treatment differs for those contracts which are designated as investment contracts. A substantial proportion of the contracts issued by AMP are classified as investment contracts.

   Under AIFRS, acquisition costs arising in relation to investment contracts can only be deferred to the extent they are incremental and directly attributable to securing the individual contracts. Otherwise costs are recognised and expensed as they are incurred.

   There is no change in the recognition and measurement of deferred acquisition costs on life insurance contracts.

   The AIFRS adjustments are after accounting for the related tax impact.

   The opening retained earnings adjustment reflects the derecognition of cumulative deferred acquisition costs in respect of investment contracts at the date of transition; the income statement adjustments for the full year to 31 December 2004 reflect the change in the movement in investment contract liabilities due to the difference in the amount of deferred acquisition costs included in those liabilities under AIFRS and AGAAP.

4. Unwinding discount on deferred tax balances relating to investment contracts
Under AGAAP, the deferred tax liability in life statutory funds was required to be discounted to present value. Investment contract and life insurance contract liabilities were also measured by reference to discounted deferred tax amounts held on behalf of policyholders.

   Under AIFRS, deferred tax balances cannot be discounted. However, where the deferred tax liability arises in respect of investment contracts there is no corresponding change in the value of investment contract liabilities which, under AIFRS, are required to be valued at fair value; AMP has currently determined that fair value should reflect the discounting of deferred tax balances in most cases. This mismatch results in the tax impact on policyholder asset movements impacting the net profit after income tax attributable to shareholders and may increase volatility of the reported profit in future years. The aggregate impact of the accounting mismatch is a reduction in opening retained earnings and 2004 full year net profit after tax attributable to shareholders.

   As discussed in Ref. 2 above, where the deferred tax liability arises in respect of life insurance contracts, a compensating change is made to reduce the value of life insurance contract liabilities.

   The opening retained earnings adjustment removes the cumulative discount on deferred tax in relation to investment contracts at the date of transition; the income statement adjustments for the full year to 31 December 2004 reflect the unwinding of the discount from the measurement of the deferred tax amount for that period.

5. Removal of gains, losses and dividends on 'treasury shares'
Investments in shares in AMP Limited are held as assets on behalf of policyholders within the life statutory funds (defined by accounting standards as 'treasury shares'). The value of the shares and movements thereon are recognised in the valuations of investment contract and life insurance contract liabilities.

   Under AGAAP, 'treasury shares' and the movements in valuation of these shares, as well as the dividends on the shares, were not eliminated on consolidation of the life statutory funds into the AMP group.

   Under AIFRS, unrealised gains and losses on 'treasury shares', as well as the dividends on these shares, are excluded from the consolidated financial statements and the cost of the investment in these shares is reflected as a deduction from contributed equity. However, the value of the 'treasury shares' is reflected in investment contract and life insurance contract liabilities and the movement in the liabilities is recognised in reported profit.

34. Impact of adoption of AIFRS continued

Ref.

This mismatch results in policyholder asset movements impacting the net profit after income tax attributable to shareholders and may increase volatility of the reported profit in future years. The aggregate impact of the accounting mismatch is an increase in opening retained earnings, and a reduction in 2004 full year net profit after tax attributable to shareholders.

The opening retained earnings adjustment removes all previously recognised valuation movements on the 'treasury shares' at the date of transition. There is also a decrease in contributed equity to reflect the cost of 'treasury shares' held at the date of transition. These two adjustments have the combined effect of removing the carrying value of the 'treasury shares' from the consolidated financial statements.

The income statement adjustments for the full year to 31 December 2004 reflect the removal of previously recognised valuation movements on the 'treasury shares' during the period. The historic cost of the 'treasury shares' acquired or sold during the period is recognised as a reduction in contributed equity. Any gain or loss realised on the sale of 'treasury shares' is recognised directly in retained earnings. The dividends paid by AMP Limited on the 'treasury shares' are added back to retained earnings.

The AIFRS adjustments are after accounting for the related tax impact.

6. Removal of unrealised gains/losses on life funds' investment in controlled entities

The majority of the life statutory funds' investments are held through controlling interests in a number of separate entities including companies and trusts. Also, the AMP Life shareholders' fund holds investments in operating controlled entities.

The carrying value of the life statutory funds and AMP Life shareholders funds' investments in controlled entities do not necessarily equal the values recognised in the consolidated financial statements of the underlying net assets being the controlled entities.

Under AGAAP, any excess of the carrying value of a life insurance company's investment in controlled entities over the value of the underlying net assets of those entities was recognised as a separate asset called Excess of Market Value Over Net Assets (EMVONA). EMVONA included acquired goodwill, internally generated goodwill and other differences between the amounts recognised in the life funds for the value of investments in controlled entities and the underlying net assets of those entities. EMVONA was not subject to amortisation.

Under AIFRS, any EMVONA balances arising from increases in internal valuation since the acquisition or establishment of the controlled entity can no longer be recognised. Further, the consolidated financial statements are required to reflect the values recognised in the underlying net assets of the controlled entity. The opening retained earnings adjustment reflects the derecognition of the EMVONA balance at the date of transition. Most of the EMVONA balance at 31 December 2003 relates to internally generated goodwill on AMP's financial planning controlled entities.

In the case of the life statutory funds' investments in controlled entities, the value of the investments attributed to policyholders in the calculation of investment contract and life insurance contract liabilities is based on the life statutory funds carrying value. This mismatch results in policyholder asset movements impacting the net profit after income tax attributable to shareholders and may increase volatility of the reported profit in future years. The income statement adjustments for the year ended 31 December 2004 reflect the differences in the valuations of the investment assets carried in the consolidated financial statements in that period.

There is no tax impact from the EMVONA adjustments.

7. Adjustments relating to deficit/surplus in employee defined benefit schemes

Under AGAAP, contributions made or committed to be made to employer sponsored defined benefit superannuation schemes were recognised in the income statement.

Under AIFRS, the actuarially determined deficit or surplus in respect of defined benefit superannuation schemes is recognised on the balance sheet with any movement in value recognised in the income statement. The actuarial deficit or surplus is measured as the difference between the fair value of the schemes' assets and the discounted defined benefit obligations of the schemes.

The opening retained earnings adjustment reflects the net effect of the recognition of the deficit/surplus at the date of transition and the removal of a provision set up under AGAAP to make additional contributions to one of the defined benefits funds; the income statement adjustments for the year ended 31 December 2004 reflect the recognition of the changes in the actuarial valuation of the deficit/surplus in that period and the reversal of contributions expensed under AGAAP.

The income statement adjustments are after accounting for the related tax impact.

8. Recognition of share based payments expense

AMP grants equity based instruments to employees. Under AGAAP, the cost of AMP Limited shares purchased on market and transferred to employees to settle a share based payment was recognised as an expense at the time of the purchase.

Under AIFRS, an expense is recognised over the vesting period of the instruments based on a valuation of the instrument determined at grant date.

When an instrument is granted, and an expense incurred, there is a corresponding increase in the share based payments reserve.

The opening retained earnings adjustment reflects the recognition of the share based payment expense up to the date of transition. There is a corresponding amount recognised in equity as a share based payments reserve. The income statement adjustments for the year ended 31 December 2004 reflect the allocation of the share based payments expense for that period.

The income statement adjustments are after accounting for the related tax impact.

9. Adjustments to valuation of derivatives related to corporate and operational debt

AMP uses derivative financial instruments including cross currency and interest rate swaps, forward rate agreements, futures, options and forward foreign exchange contracts.

Under AGAAP, costs arising at the time of entering into hedge transactions were brought to account in the income statement over the lives of the hedge contracts. Borrowings were recorded at amortised historic cost.

Under AIFRS, all derivatives, including those used for balance sheet hedging purposes, are recognised as assets or liabilities at fair value with any movement in fair value between periods recognised in the income statement. Where fair value hedge accounting criteria are met, movements in the fair value of the underlying hedged item are also recorded in the income statement.

The opening retained earnings adjustment reflects recognition of derivatives at fair value as at the date of transition; the income statement adjustments for the year ended 31 December 2004 reflects the changes in the fair value of derivatives in that period.

Ref.

10. Reversal of goodwill amortisation
    Under AGAAP, goodwill was required to be amortised over the period in which benefits were expected to be received, but for no greater than 20 years. Under AIFRS, goodwill is not subject to amortisation, although it is subject to impairment testing.

    The amortised value of goodwill at the date of transition has been set as the initial carrying amount for AIFRS. Therefore, there is no opening retained earnings impact at date of transition.

    The income statement adjustments for the year to 31 December 2004 reflect the reversal of goodwill amortisation previously expensed under AGAAP in that period.

    There is no tax impact on the reversal of amortisation of goodwill.

11. Recognition of tax effect on share issue costs of a previous period
    Under AGAAP, costs incurred in the process of issuing shares were deducted from the proceeds of the issue in the issued capital amount on the balance sheet. No income tax impact was recognised when those costs were incurred. However, the benefit of tax deductions relating to the costs was recognised over the period the tax benefits were realised.

    Under AIFRS, a deferred tax benefit is recognised as at the time of recognition of the costs, namely at the time the shares were issued and the issue costs incurred. The tax benefit is reflected directly in equity and not in the income statement. The deferred tax asset is reduced as the benefits are realised.

    The opening adjustment reflects the recognition of the tax benefit at the date of transition. There has been no material impact on the income statement.

12. Recognition of cash flow hedges
    Under AGAAP, costs arising at the time of entering into hedge transactions were brought to account in the income statement over the lives of the hedge contracts.

    Under AIFRS, where derivatives are designated as cash flow hedges, they are recognised as assets or liabilities at fair value with any movement in fair value between periods recognised in equity in the cash flow hedges reserve.

    The opening adjustment to equity recognises the valuation of cash flow hedges as at the date of transition; the adjustments for the year ended 31 December 2004 reflect the changes in the valuations of cash flow hedges in that period. The adjustments are after accounting for the related tax impact.

    There has been no impact on opening retained earnings or the income statement.

13. Reclassification of external unitholders' funds from equity to debt
    Under AGAAP, the amounts due to unitholders in the underlying financial statements of a unit trust were classified as outside equity interests. Under AIFRS, this amount is classified as a liability owing to external unitholders.

    When a controlled unit trust is consolidated under AIFRS, amounts previously recorded as minority interests to external equity holders of the trust are now included as a liability in the consolidated balance sheet.

    This adjustment has no impact on opening retained earnings and no impact on the net profit after tax attributable to shareholders.

(c) Explanation of material adjustment to the statement of cash flows

Under AGAAP, for the purposes of the statement of cash flows, cash was presented net of deposit liabilities. Under AIFRS, the definition of cash excludes deposit liabilities. Accordingly, balances for the purpose of the cash flow statement have been adjusted to exclude deposit liabilities.

Directors' declaration

for the year ended 31 December 2005

In accordance with a resolution of the directors of AMP Limited, we state for the purposes of Section 295(4) of the Corporations Act 2001 that, in the opinion of the directors:

(a) The financial statements and the notes to the financial statements comply with the accounting standards;
(b) The financial statements and notes give a true and fair view of the financial position and performance of the company and the consolidated entity for the financial year ended 31 December 2005;
(c) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
(d) The financial statements and notes are in accordance with the Corporations Act 2001 (Cth), including Section 296 (compliance with accounting standards) and Section 297 (true and fair view); and
(e) The directors have been given the declarations required by Section 295A of the Corporations Act 2001 (Cth).

Peter Mason
Chairman

Andrew Mohl
Managing Director and Chief Executive Officer

Sydney, 16 February 2006

Independent audit report

for the year ended 31 December 2005

Independent audit report to members of AMP Limited

Scope

The financial report, remuneration disclosures and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of recognised income and expenses, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for AMP Limited (the company) and the consolidated entity, for the year ended 31 December 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The company has disclosed information about the remuneration of key management personnel ('remuneration disclosures'), as required by Accounting Standard 124 Related Party Disclosures, within the directors' report as referenced in Section 5 of the 'Remuneration Report', as permitted by ASIC CO 06/50.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with Accounting Standard AASB 124 Related Party Disclosures. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows and whether the remuneration disclosures comply with Accounting Standard AASB 124.

We formed our audit opinion on the basis of these procedures, which included:

– examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report and the remuneration disclosures; and
– assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report and the remuneration disclosures. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence

We are independent of the company and the consolidated entity and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration a copy of which is included by reference in the Directors' Report. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Audit opinion

In our opinion:

1. the financial report of AMP Limited is in accordance with:
   (a) the Corporations Act 2001, including:
      (i) giving a true and fair view of the financial position of AMP Limited and the consolidated entity at 31 December 2005 and of their performance for the year ended on that date; and
      (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
   (b) other mandatory financial reporting requirements in Australia.
2. the remuneration disclosures referenced in Section 5 of the Remuneration Report within the directors' report comply with Accounting Standard AASB 124.

Ernst & Young

Ernst & Young

Brian Long

Brian Long
Partner

Sydney, 16 February 2006

Shareholder information

Distribution of shareholdings at 3 March 2006

Range	Number of holders	Units	% of issued capital
1 – 1,000	693,272	269,366,763	14.4055
1,001 – 5,000	169,203	328,877,771	17.5881
5,001 – 10,000	12,291	86,653,485	4.6341
10,001 – 100,000	5,491	115,852,421	6.1957
100,001 and over	272	1,069,141,567	57.1766
Total	880,529	1,869,892,007	100

The total number of shareholders holding less than a marketable parcel of 59 shares is 38,118

Twenty largest shareholdings as at 3 March 2006

		Ordinary shares	% of issued capital
1	JP Morgan Nominees Australia Limited	236,056,999	12.62
2	Westpac Custodian Nominees Limited	189,524,940	10.14
3	National Nominees Limited	175,187,761	9.37
4	Citicorp Nominees Pty Limited	150,978,302	8.07
5	ANZ Nominees Limited	53,896,931	2.88
6	Cogent Nominees Pty Limited	39,791,925	2.13
7	Queensland Investment Corporation	26,942,288	1.44
8	AMP Life Limited	18,381,695	0.98
9	Westpac Financial Services Limited	15,938,638	0.85
10	HSBC Custody Nominees (Australia) Limited	13,863,760	0.74
11	UBS Nominees Pty Ltd	10,291,537	0.55
12	Australian Foundation Investment Company Limited	10,290,388	0.55
13	PSS Board	9,165,799	0.49
14	Victorian Workcover Authority	6,614,817	0.35
15	CSS Board	6,468,068	0.35
16	IAG Nominees Pty Limited	6,446,338	0.34
17	ARGO Investments Limited	6,175,099	0.33
18	RBC Global Services Australia Nominees Pty Limited	4,807,401	0.26
19	Credit Suisse Securities (Europe) Ltd	4,125,000	0.22
20	Djerriwarrh Investments Limited	4,111,532	0.22
Top 20 total		989,059,218	52.89
Total shares		1,869,892,007	100.00

Substantial shareholders
The Company has received no substantial shareholding notices.

Total number of holders of ordinary shares and their voting rights
As at 3 March 2006, the share capital of AMP Limited consisted of 1,869,892,007 ordinary shares held by 880,529 shareholders. The voting rights attaching to the shares are that each registered holder of shares present in person (or by proxy, attorney or representative) at a meeting of shareholders has one vote on a vote taken by a show of hands, and one vote for each fully paid share held on a vote taken on a poll.

Total number of options over unissued shares and option holders
As at 28 February 2006, AMP Limited had on issue 7,363,638 options over unissued ordinary shares in AMP Limited held by 2,948 option holders.

Stock exchange listings
AMP Limited is listed on the Australian Stock Exchange and on the New Zealand Stock Exchange.

Restricted securities
There are no restricted securities on issue.

Buy-back
There is no current on-market buy-back.

Glossary

AMP Capital Associates Plan
A deferred purchase agreement with AMP Capital Holdings Limited which allows selected key executives in AMP Capital Investors to share in the performance of AMP Capital Investors by buying notional shares in the business unit.

Capital return
AMP returned $746 million in excess capital to shareholders by way of a cash payment of 40 cents per share in June 2005.

Closed book
A book of business with no new customers.

Commutation
A settlement agreement reached between two or more parties that effectively terminates the obligation under an insurance/reinsurance contract.

Consolidated profit after income tax
Represents net profit after income tax adjusted for mismatch items.

Contingent liabilities
A situation existing at balance date where a potential future claim may occur but where the liability is not sufficiently probable or reliably measurable to warrant recognition at balance date.

Controllable costs
The business costs of a business unit or the AMP Group. They include management and project expenses but exclude variable distribution expenses, investment management fees and interest on corporate debt.

Cost to income ratio
A business efficiency ratio that expresses the controllable costs of a business unit or the group as a percentage of the income of that business unit or the AMP Group. It is calculated as controllable costs divided by gross margin (being total operating margins and underlying investment income before tax plus controllable costs).

Demerger
AMP's demerger on 23 December 2003 created separate businesses; AMP in Australasia and HHG in the United Kingdom.

Earnings per share (EPS)
Basic earnings per share is calculated by dividing the net profit (loss) attributable to ordinary shareholders for a financial year by the weighted average number of shares of the company outstanding during that financial year.

Underlying earnings per share is calculated by dividing the underlying contribution by the weighted average number of shares of the company outstanding during that financial year.

Embedded value
An actuarial calculation of the economic value of shareholder capital in the business and profits expected to emerge from the 'in-force' business.

Franked dividends
Dividends on shares with franking credits attached. The franking credits represent the income tax paid by a company that can be used as a tax credit by Australian resident shareholders receiving that dividend.

'In-force' business
How we classify the current policies that we have on our books.

Long-term incentive
A long-term incentive is an award provided in the form of equity, such as performance rights or restricted shares, to align an executive's interest with long-term company performance. Long-term incentives are subject to a performance hurdle and/or a service requirement.

Mismatch items
Under AIFRS, 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. Mismatch items have no impact on the group's true operational profits or losses.

Net cashflows
Product cash inflows from customers and policyholders, minus the outflows to customers and policyholders.

Nominated executives
Persons with authority and responsibility for planning, directing and controlling AMP's activities, and whose remuneration places them in the top five most highly remunerated.

Operating margins
Operating margins are the net profit after tax before other items from AMP's business operations excluding investment income on funds held as capital within those business operations and borrowing costs.

Option
A right to acquire an AMP share at a pre-determined price during an exercise period, subject to meeting performance hurdles. AMP has not offered options under its Employee or Executive Option Plans since 2002.

Performance right
This is a form of executive remuneration designed to reward long-term performance. Performance rights are a contractual promise to deliver a preset number of AMP shares, within a preset number of years after the date the performance right is granted, as long as specific performance hurdles are met.

Persistency
A measure of customer retention. It is the proportion of assets under management from policies that remain with us each year rather than being paid out (for example, on surrender or maturity).

Restricted share
An ordinary AMP share that has a holding lock in place until the three-year vesting period ends.

Return on business unit equity (RoBUE)
Shows the returns each business unit contributes to shareholders in relation to the investment by AMP. This represents the business unit's after tax profits (including underlying investment income) divided by the average tangible capital resources invested in the business.

Return on equity (RoE)
Shows the return the company has made for shareholders. This represents AMP's after tax profits before other items divided by the average shareholder equity for the period.

Underlying return on equity
A measure of a company's capital efficiency. It is calculated as underlying contribution divided by the average shareholder equity for the period.

Return on invested capital (RoIC)
Similar to RoBUE, it is the return that shareholders have earned on the capital invested in our business (including goodwill from any acquisitions).

Shareholder capital resources
An indication of the financial resources available to the company. It includes share capital, reserves and retained profits attributable to ordinary shareholders plus external corporate debt.

Short-term incentive
A cash payment based on short-term performance during the year against pre-defined business objectives aligned to company strategy.

Underlying contribution
Underlying contribution includes the operating profits of the business, group costs not recovered from the business, underlying investment income less interest expense. Underlying investment income is based on average long-term rates of return. This takes out the impact of investment market volatility on shareholder capital so that the underlying trend is clearer. Actual investment income can be higher or lower than the long-term rate from year to year.

Value of new business (VNB)
A measure of the current value of business written today by AMP Financial Services. It is the current value of future profits from business sold by AMP during the year. It puts a value today on profits we expect to make on this business in future years.

Vesting
Remuneration term defining the period when a financial benefit becomes the property of the recipient.

Key figures re-stated	Original 2004 figure	Re-stated 2004 figure	Reason for change
Consolidated profit after income tax	$934m	$873m	Re-stated for Australian International Financial Reporting Standards (AIFRS)
Return on equity (underlying)	17.7%	21.2%	Re-stated for AIFRS
Total operating margins	$564m	$502m	Re-stated to remove Transitional Tax Relief (TTR) to provide comparative figure for 2005
Value of new business	$284m	$286m	Change in expense allocation
Controllable costs	$813m	$833m	Re-stated partly for AIFRS and partly to exclude the movement in Cobalt/Gordian doubtful debt provisions and external revenue
AMP Financial Services operating margins	$475m	$415m	Re-stated to remove TTR to provide comparative figure for 2005
AMP Financial Services controllable costs	$553m	$556m	Re-stated for AIFRS

Please recycle

Need help?
Contact the AMP Securities Registry

Australia
AMP Securities Registry
Reply Paid 2980, Melbourne Vic 8060
Phone 1300 654 442
Fax 1300 301 721

New Zealand
AMP Securities Registry
P O Box 91543, Auckland Mail Centre
Phone 0800 448 062
Fax 09 488 8787

United Kingdom
AMP Securities Registry
PO Box 82, The Pavilions
Bridgwater Road, Bristol BS99 7NH
Phone 0800 783 3315
Fax 0870 703 6119

Note: from 1 July 2006, UK shareholders will need to use the 'Other countries' contact details

Other countries
AMP Securities Registry
GPO Box 2980, Melbourne Vic 3001, Australia
Phone +613 9415 4051
Fax +612 8234 5002

Email
ampservices@computershare.com.au

Internet
www.amp.com.au/shareholdercentre

Registered office of AMP Limited
Level 24, 33 Alfred Street
Sydney NSW 2000, Australia
Phone +612 9257 5000
Fax +612 9257 7178

AMP is incorporated and domiciled in Australia

Board Executive and Company Secretary
Sharyn Page

NS1247