AMP

full annual report 06

AMP full annual report 2006

Contents

Annual Report 2006
All amounts are in Australian dollars, unless otherwise specified. The information in this report is current as at 16 March 2007, unless otherwise specified.

AMP Limited
ABN 49 079 354 519

Glossary

Closed book
A book of business that is not open to new customers.

Commutation
A settlement agreement reached between two or more parties that effectively terminates the obligation under an insurance/reinsurance contract.

Contingent liabilities
A situation existing at balance date, where a potential future claim may occur, but the liability is not sufficiently probable or reliably measurable to warrant recognition in the financial statements at balance date.

Controllable costs
Costs that AMP incur in running its business. Controllable costs include operational and project costs, but exclude variable distribution costs, investment management fees and interest on Group debt.

Cost to income ratio
A measure of the proportion of earnings used to pay AMP's controllable costs.

Demerger
AMP's demerger on 23 December 2003 created separate businesses; AMP in Australasia and HHG (now called Henderson Group) in the United Kingdom.

Earnings per share (EPS)
This represents the net profit made by AMP, divided by the number of shares on issue.

Embedded value (EV)
A calculation for the AFS business of the value of the shareholder equity and the future profits expected to emerge from the business currently in-force. The value is expressed in today's dollars.

Franked dividends
Dividends paid which have franking credits attached. The franking credits represent the income tax paid by the company paying the dividend, which can be used as a tax credit by Australian resident shareholders receiving the dividend.

Growth target
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.

Investment performance
A measure of how well we manage funds on behalf of our customers. The percentage of Australian assets managed by AMP which met or exceeded their respective benchmarks for the year.

Long-term incentive
A long-term incentive is an award usually 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 at AMP 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.

Operating earnings
Operating earnings are the profits earned by AMP's operating businesses. Operating earnings exclude investment income on funds held as capital within AMP's operating businesses.

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 pre-set number of AMP shares at the end of a three-year performance period, as long as a specific performance hurdle is met.

Return on invested capital (RoIC)
Is the return that shareholders have earned on the capital invested in our businesses.

Restricted share
An ordinary AMP share that has a holding lock in place until a three-year vesting period ends.

Short-term incentive
A cash payment based on performance during the year against pre-defined business objectives aligned to company strategy.

Underlying profit
Underlying profit (which smoothes out the effect of investment market volatility) is calculated by aggregating operating earnings, corporate costs, interest expense on group debt and underlying investment income. Underlying investment income is based on average long-term rates of return. Actual investment income can be higher or lower than the long-term rate from year to year.

Underlying return on equity (RoE)
A measure of the return a company makes on shareholder equity. Calculated as underlying profit divided by average monthly shareholder equity during the year.

Value of new business (VNB)
A measure for the AFS business of the future profits (expressed in today's dollars) expected to emerge from new business written during the year.

Vesting
Remuneration term defining the point at which a financial benefit may be realised by the recipient.

AMP has a noble purpose. For over 150 years, we have helped people manage their financial well-being so they can enjoy the future they want. While products and services continue to evolve, this underlying purpose will remain at the core of AMP's role in the community.

About AMP:

- 850,000 shareholders – the third largest share register in Australia
- 3.4 million customers in Australia and New Zealand – 1 in 6 adult Australians and 1 in 9 adult New Zealanders are customers of AMP
- 3,500 employees
- 1,900 planners in Australia and New Zealand.

AMP leads the market:

- We are the leading superannuation provider in Australia
- We are one of the region's largest investment managers, with more than $122 billion in assets under management for our customers
- We have the largest, most qualified network of financial planners in Australia and New Zealand.

Our ambitions for our customers and our shareholders

Our over-arching goal is to be acknowledged as a high performing company that meets and exceeds the expectations of our 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 aim is to grow the company such that the value of an investment in AMP doubles every five years. To do this, we need to generate average growth of about 15 per cent a year.

How we are going to achieve these ambitions

AMP is a strong business, operating in a high growth industry with favourable market conditions.

High growth market: The Australian retirement savings market is the sixth largest in the world, with total assets of over $1 trillion. Within this overall market, the private retirement savings market is expected to triple in size over the next decade, with expected average growth rates of more than 10 per cent a year.

This strong growth outlook for the retirement savings market has been enhanced by the changes the Australian Federal Government is making this year to the superannuation system. These changes will help simplify the system and make superannuation a more attractive and tax-effective savings vehicle for more Australians.

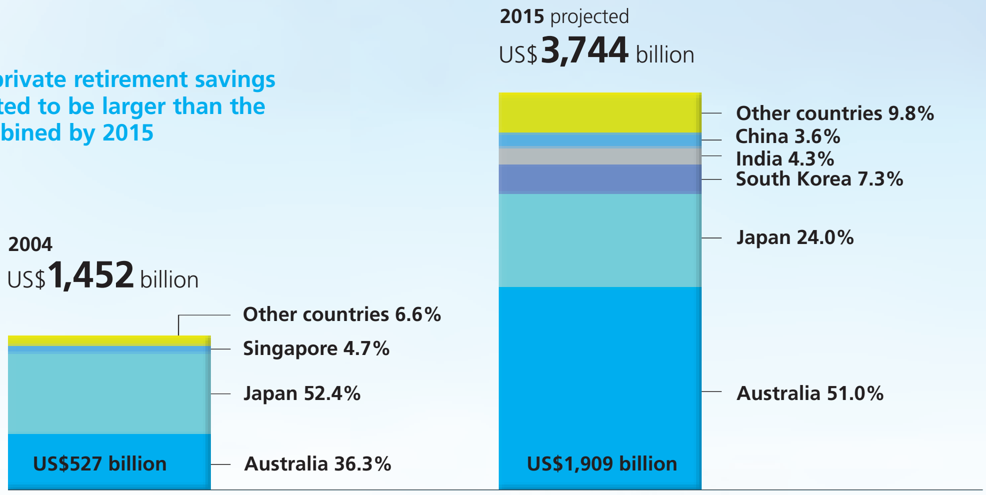
AMP has market-leading positions in both superannuation and retirement incomes, and is positioned to benefit strongly from this market growth, provided it can capture its natural share of retirement savings.

Favourable market conditions: Australia, and to a lesser extent New Zealand, has enjoyed robust economic growth over the past decade. The Australian stock market, in particular, has been buoyant for the past four years. These conditions create a favourable environment for our business.

AMP's strategic focus: Given our attractive, high growth industry, the prevailing favourable market conditions and our unique strengths as a business, our strategy for growth is simple: focus on our core business in our core markets and run the business better than it's ever been run before.

This focus on operational excellence has already delivered strong results for both customers and shareholders. We strongly believe the better we get at running the business, the more opportunities we find to improve.

The Australian private retirement savings market is expected to be larger than the rest of Asia combined 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.

AMP worked hard to take advantage of both the opportunities we created for ourselves and those offered by strong markets in 2006.

The company made good progress on its five key performance indicators (KPIs).

These are the measures the AMP board uses to judge the company's short-term progress.

Key performance indicator	2006	2005	Trend
Underlying return on equity This is the amount of money made by the businesses divided by the shareholder equity invested in the company	**31.0%**	25.0%	6 percentage points
Operating earnings These are the profits earned by AMP's operating businesses, less corporate costs	**$752m**	$647m	**16%**
Cost to income ratio This is the amount of money it costs to run the business as a ratio of the income generated by the business	**39.4%**	41.0%	Fall of 1.6 percentage points
Value measures *Value of new business:* is the future value of business written during a particular year, expressed in today's dollars	**$364m**	$310m	**17%**
Embedded value: is the future value of our whole book of business, expressed in today's dollars	**$7,670m**	$6,031m	**27%**
Investment performance This measures the percentage of Australian assets under management which met or exceeded their benchmarks	**77.0%**	79.0%	Against target of 75%

Medium term goal ahead of target in first 18 months

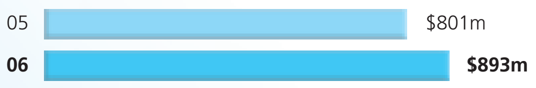
In August 2005, we announced our intention to double the value of an investment in AMP between mid-2005 and mid-2010. In August 2006 we made this target even more challenging by reducing our time frame to mid-2009.

Good progress was made on this target in 2006, with an extra $4.4 billion added to the group's value as defined in the medium term goal, an increase of 33 per cent since December 2005. In the 18 months to 31 December 2006, there has been 55 per cent growth in this measure.

We now aim to double the value of an investment in AMP every five years. This goal implies average growth of 15 per cent a year.

AMP's strategic focus on operational excellence drove stronger financial results in 2006, delivering benefits to shareholders in the form of improved profits, increased value, higher dividends and a proposed third capital return.

Underlying profit
$m

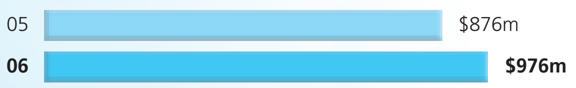


Underlying profit

Underlying profit was up 11 per cent to $893 million. The operating earnings of our key businesses rose 16 per cent to $752 million.

Underlying profit is AMP's preferred measure of profit because it smooths out the effect of volatility in investment markets. It is also the earnings base from which dividends are paid.

Profit attributable to shareholders
$m

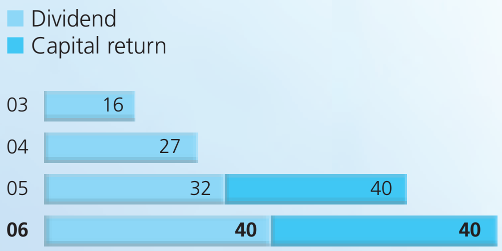


Profit attributable to shareholders

Profit attributable to shareholders rose 11 per cent to $976 million in 2006, despite having less shareholder capital on which to earn investment income following the $1.8 billion capital returns and debt reductions carried out in 2005 and 2006.

This profit does not include $61 million in accounting mismatches. Full details on these mismatches are contained in Note 1(d) on page 49.

Dividend and capital return payments to shareholders
cents per share



Dividend payments

The board declared a final dividend of 21 cents per share (85 per cent franked), payable on 12 April 2007. With the interim dividend of 19 cents per share, this brings the total 2006 dividend to 40 cents per share, up 25 per cent on the 2005 dividend.

Capital return

In 2005 and 2006, AMP also made a capital return of 40 cents per share to its shareholders. AMP is proposing a third capital return of 40 cents per share in 2007, subject to shareholder and Australian Taxation Office (ATO) approval.

Chairman's report

'The outlook for 2007 remains positive. The general economic environment is favourable and the Australian Federal Government's superannuation changes are expected to spur even stronger growth in our core markets.'

Peter Mason, Chairman

2006 overview

AMP's strong performance during 2006 is testament to the success of its strategy of running the business better than it has ever been run before.

We were able to take advantage of both the opportunities we created for ourselves, and those offered by a buoyant economy and favourable investment markets, to deliver strong financial results.

We attracted record superannuation and investment flows, particularly through our key business partners – our planners – underscoring the mutual importance of these relationships to our businesses.

The investment returns we delivered were highly competitive, with our flagship Balanced Growth fund ranking either one or two among institutional funds, over periods of one, three and five years. More than 77 per cent of our Australian investment portfolios met or exceeded benchmark performance in 2006.

But we had one major disappointment. In July AMP Financial Planning, our subsidiary, entered into an Enforceable Undertaking (EU) with the Australian Securities and Investments Commission (ASIC). I expand upon this later.

Strategy for growth

Notwithstanding the strong returns experienced by the business over the past three years, better can be generated over the short and medium term.

We have a leading position in an attractive market that is projected to grow at rates of more than 10 per cent per annum over the next decade.

While we monitor the market for new opportunities, we have yet to find any that hold the same potential as the Australian superannuation and retirement incomes markets.

That is why our focus remains squarely on our core business.

But this does not mean we are complacent. To maintain our high level of service to our clients, we must continually enhance our products and services to meet new needs.

The superannuation changes announced by the Australian Federal Government – which Andrew Mohl discusses in more detail in his report – will provide excellent opportunities in this market, and create a need for constant change.

Operating in a regulated industry

AMP's primary market – the Australian retirement savings market – is highly regulated. When dealing with our clients' life savings, this is appropriate.

This level of regulation requires of our core business a thorough understanding of our legal and regulatory obligations, and implementation of the appropriate processes and systems to ensure we comply with those obligations.

This is why the EU with ASIC was disappointing for us. It highlighted flaws in our interpretation of the legislation, as well as procedural deficiencies in some of our advice processes.

Meeting the obligations of the EU and remedying those deficiencies has been, and will continue to be, a key priority of AMP's board and management. The EU has also caused us to think again about cultural issues. We have been reminded that being an industry leader and iconic institution carries with it great responsibility and indeed great vulnerability. We have also been reminded that we must not only be compliant; we must be sensitive to, and attempt to anticipate, the nuances of change in community expectations. We must listen carefully – to clients, to planners, to regulators and to shareholders.

We are confident the changes being implemented to our advice processes will result in a stronger competitive position for the business, a more professional planner network and, most importantly, better service to our clients.

The planner relationship

Improving both our advice processes and the support we provide our planners are priorities for AMP's board and management.

Trusting relationships between clients and their planners are at the heart of our business.

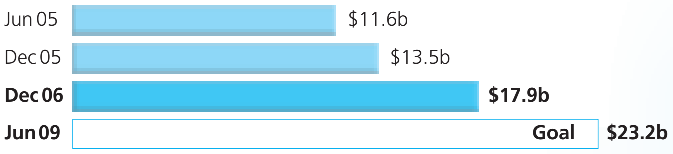
These planners are vital members of the communities in which they live and serve. They contribute to these communities through their professional services, and through fundraising and voluntary work. We take pride in reporting that in 2006, our planners helped raise over $5 million for local charities such as hospitals, schools and surf clubs.

They also provide a sounding board for their clients – many of them families – for issues that go far beyond financial matters. And they do this for a wide variety of people. For example, I know one of AMP's planners who numbers among his clients CEOs of major companies, as well as my daughter and my secretary. And I know that my daughter, for one, values the chance to talk about the bigger picture with him.

It is the quality of this relationship – repeated hundreds of thousands of times across Australia and New Zealand – that is central to our success as a company.

Progress towards AMP's goal of doubling the value of an investment by mid-2009

AMP's value as defined in the medium term goal



Performance against medium term goal

As we announced at the half year, AMP's growth target of doubling the value of an investment in AMP between mid-2005 and mid-2010 (equivalent to average growth of around 15 per cent per annum) was made more challenging. We are now targeting the shorter time frame of mid-2009. Good progress was made towards this target during 2006.

Capital management

Dividends

AMP's strong financial performance, and our confidence in the future, has enabled the board to increase both the dividend payout ratio (as a proportion of underlying profit) and the franking rate to 85 per cent, up from 75 per cent in 2005. The final dividend for 2006 will be 21 cents a share. Added to the interim dividend of 19 cents a share, this brings the total dividend for 2006 to 40 cents a share, up 8 cents a share on the 2005 dividend.

Capital return

We are proposing another capital return of 40 cents a share to shareholders in 2007, subject to approval by the Australian Taxation Office. This is similar to the capital returns made in 2005 and 2006.

You will have an opportunity to vote on this proposal at the Annual General Meeting on 17 May.

Capital management strategy

Active capital management has been a key priority for your board since the demerger of the UK businesses in 2003.

Since the end of 2004, in line with our strategy, we have:

- invested to help grow AMP's core businesses
- repaid approximately $600 million in debt to achieve debt levels consistent with an 'A' credit rating, and
- returned approximately $2.25 billion in excess capital to shareholders through capital returns, including the proposed June 2007 capital return.

There have been three factors contributing to AMP's ability to generate excess capital in this period:

- the strong profit performance of the Australian and New Zealand businesses
- favourable market conditions, and
- the transformation of AMP from a traditional life insurance company to a contemporary wealth management company that requires less capital to operate.

While AMP retains a strong capital base on which to plan, future capital initiatives are likely to be less frequent and/or significantly smaller in scale.

Outlook

The outlook for 2007 remains positive. The general economic environment is favourable and the Federal Government's superannuation changes are expected to spur even stronger growth in our core markets.

These changes will also create more demand than ever before for comprehensive financial advice, effective products and professional investment management.

AMP is in a strong position to take advantage of these opportunities. We are therefore confident of achieving our medium term goal of doubling the value of an investment in AMP by mid-2009, thus ensuring shareholders reap the benefits.

Peter Mason
Chairman

'The work we have done over the past three years to restore and improve the AMP business has positioned us well for the future. 2007 is shaping up as an exciting year for our industry and our company.'

Andrew Mohl, Chief Executive Officer

2006 summary

AMP continued to make good progress in 2006, with our core businesses performing well across the board, aided by a favourable market environment.

Highlights of the year included strong growth in assets under management and cashflows, an impressive investment performance and improved operating and capital efficiency. This is delivering benefits to shareholders in the form of improved profits, increased value, higher dividends and a proposed third capital return.

2006 operating performance

Underlying profit was up 11 per cent to $893 million and the operating earnings of our key businesses rose 16 per cent to $789 million.

The underlying profit smooths out the effect of investment market volatility and is a better indicator of long-term profit trends in the business. This profit measure increased even though we had less shareholder capital on which to earn investment income, because of the $1.8 billion in capital returns and debt reduction made in 2005 and 2006.

Operating earnings are the profits made by our three business units, AMP Financial Services, AMP Capital Investors and Cobalt/Gordian.

AMP Financial Services (AFS)

Our largest business unit, AFS, combined strong cashflows with improved cost efficiency to deliver an 18 per cent lift in operating earnings to $607 million.

Net cashflows – that is, revenue from our customers and policyholders minus cash paid out to our customers and policyholders – were up 53 per cent to $3.5 billion. These record flows were partly due to our success in the employer-sponsored superannuation market, where many companies decided to outsource their employee superannuation schemes to companies like ours following changes to regulation.

While AFS was growing its top line strongly, it also kept tight control of its costs, enabling it to reduce its cost to income ratio to 35.6 per cent. This is a record low for the industry.

AFS did hit a major hurdle during the year, when its subsidiary, AMP Financial Planning (AMPFP) offered an Enforceable Undertaking (EU) to the Australian Securities and Investments Commission (ASIC). This was a frustrating and disappointing issue for us. We hold ourselves to high standards of service and accountability, and it's unacceptable for us not to meet those standards.

The EU was designed to address some issues with the way we had interpreted the law around the provision of advice to customers when they were changing from one superannuation fund to another, and with some of our processes and procedures in documenting this advice.

AMPFP gave four undertakings in the EU:
– to improve our procedures and disclosures
– to contact all customers who may have been affected by this problem and offer to review their advice and provide rectification if necessary
– to improve our training, and
– to have our improvements reviewed by an external expert.

We have now identified all customers who may have been impacted by this issue and have contacted them all to offer a review. Full details of the EU and our progress in implementing changes are available on our website. This issue has been a real catalyst for change in the business, accelerating some improvements that were already in the pipeline and making other changes that may not have otherwise happened.

We are using this experience to strengthen the business. We are improving our support and guidance to our planners – this includes better tools for our planners to document their advice and new training to ensure they give all our customers high quality advice, provided within a rigorous regulatory framework. Both our planners and our customers will benefit from the stronger, more professional planner network that will result from these improvements.

This is critical to our ongoing success, because what we do really makes a difference in meeting the long-term needs of our customers. Good financial advice helps our customers have better, more financially secure lives and has been at the heart of AMP's purpose since it was founded in 1849.

AMP Capital Investors

AMP Capital Investors, our specialist investment managers, delivered an impressive investment performance in 2006, which helped drive a 25 per cent increase in operating earnings to $115 million.

Investment performance is a measure of how well we manage funds and assets on behalf of our customers. In 2006, the investment returns of 77 per cent of all the Australian assets we manage beat the target set for them.

The flagship Balanced Growth fund ranked first over the year to December and second over the three years to December, in the Mercer competitor survey. This performance attracted new investment flows, with net external cashflows up nine per cent on 2005 to $2.4 billion. Assets under management also rose, up 16 per cent to $106 billion.

Cobalt/Gordian

The Cobalt/Gordian business manages the general insurance and reinsurance books that are closed to new business and are now being run off. In that context, this business did well to generate operating earnings of $67 million, down nine per cent on 2005.

The focus of this business is to manage the rundown of its books tightly, reduce risk and release surplus capital to the parent company, which it is now doing. The key regulator for this business, the

Key drivers of AMP's business model

Brand	Distribution	Products and platforms	Cost efficiency	Asset management	Packaging
Pre-eminent brand in retirement savings	Largest planner force in Australia and New Zealand	Large, scaleable contemporary platform > $40b	Cost to income ratio < 40%	Broadly based assets under management > $100b	Rapidly growing assets under management > $20b

Key enablers of AMP's business model

People and culture	Technology	Operations and risk management	Capital management
Increasingly constructive culture	Close partnership with business and long record of program delivery	Strong risk management framework	Invest in core businesses, targeting 'A' credit rating, with excess capital returned to shareholders

Australian Prudential Regulation Authority, has now approved the release of $256 million in capital from Cobalt/Gordian to the group.

Market conditions and super reforms

AMP operates in one of the most attractive markets in the world. The Australian retirement savings market can look forward to more than 10 per cent average annual growth for at least the next decade – and that is a unique growth outlook for any industry or market to my knowledge.

That growth outlook has been buoyed by the changes to simplify the superannuation system the Federal Government announced in the 2006 budget and which largely come into effect in July this year. These changes will create a terrific savings opportunity for working Australians.

This opportunity is particularly attractive when superannuation savings are transferred into an income stream product. Not only will the earnings be tax-free, from 1 July 2007 the income payments will also be tax-free for those aged 60 or over.

This tax-advantaged environment will become even more appealing for self-employed people and small business owners as new tax concessions have been introduced for them. Superannuation will become a more attractive, tax-effective investment than it has ever been before.

Underpinning the robust Australian retirement savings market is a generally positive outlook for the broader economy, which is also beneficial for companies like ours.

Our growth plans

AMP is the market leader of the Australian retirement savings industry. We hold leadership positions in both the retail superannuation and corporate superannuation sectors, and rank second in the retirement incomes sector.

The assets and capabilities that set AMP apart are our pre-eminent brand, our strong distribution capability, our contemporary products and platforms, our cost efficiency, our asset management and our packaging. This business model gives us a significant competitive advantage in our market. And it's the reason we are confident about growing at a faster rate than the market overall.

While the sharemarket is expected to return around nine to 10 per cent a year for the next decade, our medium-term goal calls for an average growth rate in the value of an investment in AMP of around 15 per cent a year. That's what we need to deliver to achieve our goal of doubling the value of an investment in AMP every five years.

We will do this by continuing to find ways to run our business better than it's ever been run before. This focus on operational excellence has already delivered strong growth in cashflows and assets under management, increased operational efficiency, superior investment performance, more innovative products and services, and more disciplined capital management.

Over the next five years, we aim to strengthen our core business even further by:

- increasing planner productivity
- growing planner numbers at above market rates
- developing complementary advice channels to serve a wider customer base
- developing customer propositions for different lifestages to retain 'customers for life'
- strengthening and deepening capabilities to become a high value-adding investment manager
- sustaining a low cost base while investing in new growth opportunities, and
- building an increasingly constructive culture in AMP.

Summary

The work we have done over the past three years to restore and improve the AMP business has positioned us well for the future.

We have a great business model operating in a high growth industry, whose prospects have only been enhanced by the Australian Federal Government's Simpler Super reforms.

We have a sharp focus on our core business and we know from experience that the better we get at running the business, the more opportunities we find to improve.

We have a broad basis for growth across a range of sectors – retail and corporate superannuation, retirement income products, risk insurance, investments and institutional funds.

We have a strong balance sheet and cashflow, with a rising return on equity.

There is great momentum in the business, and we have very clear short and long term goals to aim for and to measure our success against.

And we are building an increasingly constructive culture within AMP that supports high-performance outcomes for the business. That means having the right people in the right jobs performing to their potential on the things that matter.

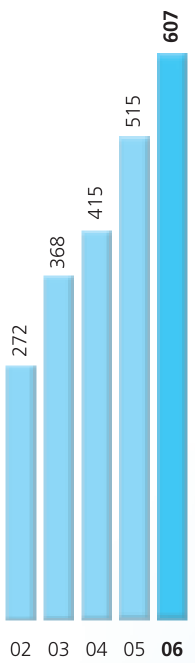
Against that background, 2007 is shaping up as an exciting year for our industry and our company.

Andrew Mohl
Chief Executive Officer

'All of AMP Financial Services' key financial measures improved in 2006, indicating that our strategy is delivering the growth we want.'

Craig Dunn, Managing Director, AMP Financial Services

Operating earnings
$m



AMP Financial Services (AFS) provides 3.4 million Australians and New Zealanders with:

- financial planning and advice
- corporate and retail superannuation funds
- retirement income and investment products
- term, disability and income protection insurance, and
- selected banking products, like home loans and savings accounts.

These products and services are offered through 1,900 self-employed financial planners who are affiliated with AMP. AFS also has a corporate superannuation business, which provides companies with employer-sponsored superannuation plans.

Financial results

- Operating earnings rose 18% to $607 million.
- Net cashflows increased 53% to $3.5 billion.
- Cost to income ratio decreased 3.2 percentage points to 35.6%.
- Value measures improved:
  - Value of new business increased 17% to to $364 million.
  - Embedded value rose 27%.
- Return on invested capital grew to 33.3% from 27.3% in 2005.

Key achievements in 2006

- Capitalised on one-off opportunity in corporate superannuation market, generating $4.2 billion in cash inflows, helping to boost net cashflows to a record $3.5 billion.
- Recognised by the Heron Partnership[1] for the strength of key superannuation products SignatureSuper, CustomSuper and Flexible Lifetime Superannuation with five star outstanding ratings.
- Continued to hold number one market share positions in corporate and retail superannuation and the number two position in retirement income products[2].
- Awarded Australian Service Excellence Award for customer service, in the large business division, by the Customer Service Institute of Australia.

Key priorities for 2007

- Successfully meet all Enforceable Undertaking obligations and improve financial advice processes and procedures. See Chairman's and CEO's reports for more details.
- Continue work to be the 'partner of choice for financial planners', developing ways to help planners improve the profitability of their businesses through better advice systems and technology tools.
- Increase the number of financial planners to meet the growing need for financial advice.
- Make products and services simpler, more convenient and better value-for-money for customers and planners.
- Capitalise on the Federal Government's changes to make super simpler and more tax effective for Australians, with an enhanced product range.
- Increase understanding of customers' needs in order to provide them with the right products and services, at the right time and at the right price. This involves:
  - listening and talking to more Australians and New Zealanders about what they want and need to manage their money
  - developing new ways to provide advice and products that complement our full-service advice offer, and
  - developing products and services that are appropriate at every stage of life.
- Maintain industry leading cost efficiency.

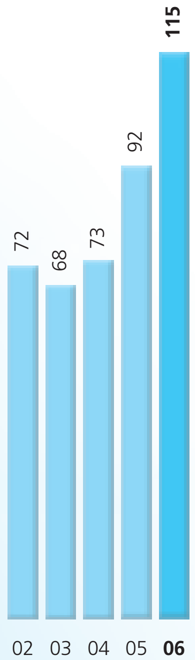
1 The Heron Partnership is an independent, Australian organisation that conducts a superannuation fund rating service.

2 DeXX&R Market Share Report, September 2006 (corporate superannuation). Plan for Life Retail Managed Funds Report, December 2006 (retail superannuation and retirement incomes). Measured by funds under management.

‘Continued strong investment performance, combined with growth in the Australian retail and selected Asian markets, contributed to another strong financial result.’

Stephen Dunne, Managing Director, AMP Capital Investors

Operating earnings
$m



AMP Capital Investors is one of Australasia’s largest investment managers with $106 billion in assets under management.

Through its own investment managers and a global network of selected investment partners, AMP Capital Investors offers investment opportunities across a diverse asset class, such as shares, bonds, infrastructure and property.

AMP Capital Investors primarily operates in the Australian and New Zealand institutional markets. To build on its market position we are now focusing on Australian retail investors and expanding into selected, high growth Asian markets.

Financial results

- Operating earnings increased 25% to $115 million.
- Cost to income ratio fell 1.8 percentage points to 56.0%.
- Return on invested capital grew to 43.9% from 36.9% in 2005.
- Investment performance strong across all asset classes, with 77% of Australian and 87% of New Zealand assets under management meeting or exceeding their benchmarks.
- Assets under management grew to $106 billion from $91 billion in 2005.

Key achievements in 2006

- AMP Balanced Growth fund, the company’s flagship fund, topped the tables in the Mercer Pooled Fund survey, with a 16.4% return over one year to 31 December 2006. The fund ranks second over three and five years as well.
- Raised $280 million in the AMP Capital China Growth Fund, which provided retail and institutional investors the opportunity to invest in the Chinese A stock market (shares in companies listed on China’s Shanghai and Shenzhen stock exchanges).
  - AMP Capital Investors was the first Australian company to be awarded a licence to invest directly in the Chinese stock market.
- Increased assets under management in its key existing retail funds by $1.1 billion[1]. Targeted the growing Australian retail market with the direct launch of a suite of products for retail investors. By 31 December, these products had $77 million in assets under management.
- Strengthened presence in Asia: expanded relationships with broking houses in Japan to manage bonds; expanded distribution and launched a Global Property Securities Fund in Malaysia; and raised more than $670 million in Taiwan through the Polaris Global REIT fund.
- Won $860 million in new property mandates; launched new international property product, the Global Direct Property Fund; completed the acquisition of Summerset Retirement Villages in New Zealand; and started a $1.8 billion redevelopment of AMP Capital shopping centres.
- Secured more than $1.1 billion in new infrastructure investments.

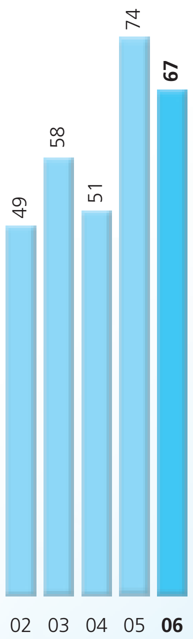
Key priorities in 2007

- Continue to deliver above-benchmark investment performance across all asset classes.
- Develop Asian operations by expanding investment capabilities in property, infrastructure and equities; and by seeking new distribution partners and networks.
- Continue to strengthen presence in the Australian retail market.
- Increase efficiency of business by improving processes and systems.

1 Includes increases in assets under management for Enhanced Yield Fund up $505 million in 2006; Structured Yield Fund up $271 million in 2006; Global Property Securities Fund up $271 million in 2006; and Core Property Fund up $79 million in 2006.

Cobalt/Gordian works to profitably manage AMP's closed book of general insurance business. Cobalt also provides a range of insurance and reinsurance services to non-AMP clients.

Operating earnings
$m



Financial results

- Operating earnings of $67 million down from $74 million in 2005.
- Net claims of $62 million, as a result of claims settlements and revised estimates of future claims being lower than previously reported reserves.
- Commutation savings of $24 million were advanced by finishing reinsurance contracts for values less than the established reserves.

Key achievements in 2006

- Received approval from the Australian Prudential Regulation Authority to release surplus capital. During the second half of 2006, $164 million of capital was released to AMP Limited to pay down inter-company loans. A further $92 million will be released in the first half of 2007.
- Decreased claims liabilities by $203 million (or 22%), making significant progress in running off the closed book of insurance business.

Key priorities for 2007

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

Five-year financial summary

Amounts in 2006, 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	2006 $m	2005 $m	2004 $m	2003 $m	2002 $m
Consolidated income statement[1]					
Net premium, fee and other revenue	**2,416**	2,178	2,505	3,938	4,861
Investment gains (losses)	**11,809**	9,814	9,300	6,989	(7,787)
Profit (loss) before income tax[2]	**1,724**	1,551	1,453	(7,199)	(2,424)
Income tax (expense) credit	**(809)**	(761)	(545)	25	801
Minority interests (including unattributed life funds)	**–**	–	(35)	1,632	727
Net profit after tax attributable to shareholders	**915**	790	873	(5,542)	(896)
Consolidated balance sheet					
Cash and cash equivalents	**1,108**	978	1,072	3,251	11,358
Investment assets	**93,484**	81,762	71,296	60,545	136,876
Intangibles	**862**	632	627	795	2,770
Other assets	**2,484**	2,116	2,270	5,630	6,967
Total assets	**97,938**	85,488	75,265	70,221	157,971
Outstanding claims	**805**	1,037	1,243	1,644	3,129
Borrowings and subordinated debt	**10,423**	9,518	9,381	10,061	12,881
Life insurance contract liablities	**20,974**	20,942	20,639	47,512	116,245
Investment contract liablities	**46,668**	38,712	32,737		
Other liabilities[3]	**16,614**	12,456	8,120	3,114	7,793
Total liabilities	**95,484**	82,665	72,120	62,331	140,048
Net assets	**2,454**	2,823	3,145	7,890	17,923
Contributed equity	**4,067**	4,749	5,416	5,533	5,001
Reserves	**(1,983)**	(2,002)	(2,035)	(2,065)	871
Retained earnings	**328**	63	(240)	61	2,661
Total equity attributable to shareholders	**2,412**	2,810	3,141	3,529	8,533
Unattributed life funds	**–**	–	–	–	5,494
Minority interests[3]	**42**	13	4	4,361	3,896
Total equity	**2,454**	2,823	3,145	7,890	17,923

		2006	2005	2004	2003	2002
Other financial data						
Basic earnings per ordinary share	($ps)	**$0.50**	$0.43	$0.48	($4.00)	($0.79)
Diluted earnings per ordinary share	($ps)	**$0.49**	$0.43	$0.48	($4.00)	($0.79)
Dividends per ordinary share	($ps)	**$0.40**	$0.32	$0.27	$0.16	$0.46
Number of ordinary shares	(m)	**1,875**	1,870	1,860	1,845	1,159
Funds under management	($bn)	**122**	104	90	76	256

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 2006.

Directors' details: The AMP Limited Board consists of the non-executive chairman, five other non-executive directors and one executive director. There have been no changes in the composition of the Board during the year. Details of each director's qualifications, experience and special responsibilities are set out below.

Peter Mason AM
Chairman
BCom (Hons), MBA. Age 60

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 and is currently a Senior Advisor to UBS Investment Bank. 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. He was also appointed a member of the Order of Australia for his contribution to the Children's Hospital.
Directorships of companies held in the 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. He also serves on the Advisory Board of The National Youth Mental Health Foundation.

Andrew Mohl
Managing Director & CEO
BEc (Hons). Age 51

Andrew was appointed Managing Director and Chief Executive Officer 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 almost 30 years financial services experience, including more than 10 years at AMP. Andrew joined AMP in 1996. His roles at AMP have included general manager, Retail Distribution, AMP Financial Services (to mid 1998), managing director of AMP Asset Management (to late 1999) and managing director of AMP Financial Services (to September 2002). Andrew worked at ANZ from 1986 to 1996. His roles included ANZ senior and chief economist (1986–1990), chief manager, ANZ Retail Banking, Sydney CBD and Southern Zone (1990–1993) and managing director ANZ Funds Management (1993–1996). 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
Director
FAICD. Age 62

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, 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 is chairman of the Woolworths Audit Committee. He has also 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 Committees. John was also a director of MIM Holdings Ltd from July 1998 to June 2003.

David Clarke
Director
LLB. Age 51

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 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: He has been a non-executive director of JDV Limited.
Other current directorships: David has been chairman of The Bluestone Group Pty Limited since April 2005, governor of Ascham School Limited since 1993 and director of The Hornery Institute.

Richard Grellman
Director
FCA. Age 56

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 chairs its Audit Committee. Richard has been a director of Gordian RunOff Limited since May 2004 and chairman since May 2005. He is also a member of the AMP Capital Audit Committee.
Experience: Richard has over 32 years of 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.
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 Limited 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. In 2006 he was appointed chairman of the NSW Lifetime Care and Support Authority.

Meredith Hellicar
Director
BALLM (Hons). Age 53

Meredith was appointed to the AMP Limited Board in March 2003. She is chairman of the Remuneration Committee, has been a director of AMP Bank since June 2004 and has been chairman of the AMP Life Limited Board since October 2006.
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 also 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
Director
LLB (Hons), PhD, FAICD. Age 46

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, Dr Scheinkestel 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 North Limited, IOOF Funds Management, Medical Benefits Fund of Australia Limited and chairman and director of various energy and water utilities.
Directorships of listed companies held in past three years:
Nora has been a director of Newcrest Mining Limited and PaperlinX since 2000. Nora was a director of Mayne Group Limited (2005) and of Mayne Pharma Limited (2005-2007). In August 2006 she was appointed as a non-executive director of Orica Limited.

Company Secretary

Sharyn Page Board Executive and Company Secretary
BALLB, AACI, ACIS

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.

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 2006 are detailed in the table below. This information details the number of meetings attended by the director whilst that director was a member of the board/committee. The Chairman and directors also attended board/committee meetings of which they are not members. This information is not captured in the table below.

Board/Committee	AMP Limited Board Meetings		Audit Committee		Nomination Committee		Remuneration Committee		Ad hoc Committees[1]		Subsidiary Board and Committee Meetings[2]	
Held/attended	A	B	A	B	A	B	A	B	A	B	A	B
John Astbury	11	10	6	6	–	–	–	–	–	–	7	6
David Clarke	11	11	–	–	–	–	7	7	–	–	26	23
Richard Grellman	11	11	6	6	4	4	–	–	–	–	31	29
Meredith Hellicar	11	10	–	–	–	–	7	7	–	–	9	9
Peter Mason	11	11	–	–	4	4	7	7	2	2	–	–
Andrew Mohl	11	10	–	–	–	–	–	–	2	2	32	28
Nora Scheinkestel	11	11	6	6	4	4	–	–	–	–	26	25

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 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).

Principal activities

AMP is a company focused on helping Australians and New Zealanders manage their financial well-being so they can enjoy the future they want. AMP aims to be the leading provider of quality financial advice, simple, value-for-money products and superior investment performance in the markets in which it operates.

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 products, 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. It also provides investment management services in Asia.

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

AMP has 3.4 million customers in Australia and New Zealand, around 3,500 employees, 850,000 shareholders and more than $120 billion of assets under management.

Review of operations and results

The drivers of AMP's business model – brand, scaleable platform, distribution, cost efficiency, asset management and investment packaging capability – power a simple focused strategy to run the business better than ever before.

These drivers, coupled with an increasingly constructive culture, a focused technology program, a strong risk management framework and capital management, have enabled AMP to capitalise on its strong competitive position to deliver impressive results for its shareholders.

The result for the year ended 31 December 2006 was a consolidated profit attributable to shareholders of AMP Limited before accounting mismatches of $976 million compared to $876 million for the previous corresponding period. The net profit after accounting mismatches was $915 million, compared to $790 million for the previous corresponding period.

There was a 11.5 % increase in underlying profit to $893 million for the year to 31 December 2006 from $801 million for the year ended 31 December 2005. This reflected strong cashflows, growth in assets under management and fees and lower unit costs which more than offset the loss of transitional tax relief in the first half of 2005 and lower investment income due to the impact of capital initiatives in the past two years that have reduced invested capital.

Underlying profit 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 business made good progress on its key short-term performance indicators in the period under review.

- Underlying Return on Equity (RoE) increased to 31.0% from 25.0% in 2005.
- Total operating earnings grew by 16% to $752 million.
- Cost to income ratio fell by 1.6 percentage points to 39.4%.
- Value of new business rose 17% on 2005 to $364 million and embedded value grew by 27% in the year before transfers (3% discount margin).
- 77% of Australian assets under management met or exceeded their benchmarks in the year to December.

AMP generated total investment gains (before tax) attributable to shareholders, policyholders and other equity interests of $11,809 million for the year ended 31 December 2006, compared to $9,814 million for the year to 31 December 2005 reflecting strong investment performance.

Net cashflows in AMP Financial Services of $3.5 billion were up $1.2 billion on 2005. Cash inflows grew by 22% and outflows rose by 15%. Persistency was up 0.1 percentage points to 84.3% in 2006.

Total AMP group assets under management were $122 billion at 31 December 2006, up 17% from $104 billion at 31 December 2005.

The focus for 2007 remains on running the business better than it's ever been run before, realising scale benefits from volume and market growth, sustaining the lowest unit cost position in the industry and pursuing strong growth in the core businesses.

AMP's major disappointment for the year was the Enforceable Undertaking that was entered into between AMP Financial Planning and the Australian Securities and Investments Commission. The Chairman's Report provides an update on the Enforceable Undertaking.

Capital management

On 16 February 2006, AMP announced that, subject to shareholder approval, AMP Limited shareholders would receive a capital return of 40 cents a share. AMP's shareholders approved the capital return at the Annual General Meeting in May 2006, and payment was made on 19 June 2006. The Australian Taxation Office ruled that the capital return would be treated as a reduction in the cost base of the shares and not as a taxable dividend.

Capital and reserves of the group decreased to $2,412 million from $2,810 million at 31 December 2005 as a result of the capital return and dividends paid during 2006, partially offset by 2006 profits and movements in reserves and contributed equity.

AMP also reduced the level of group debt by $330 million in 2006. Interest cover (underlying basis) increased from 13.0 times in 2005 to 15.2 times in 2006. Gearing on a Standard and Poor's basis was 12% at December 2006.

Impact of accounting mismatches on profit

During the year, the aggregate of accounting mismatches reduced the net profit attributable to the shareholders of AMP Limited by $61 million from $976 million before the accounting mismatches to $915 million after accounting mismatches. The accounting mismatches have reduced the net profit after tax of AMP Limited by approximately 6% although having no impact on cash flow and value.

The accounting mismatches arise in respect of:

- gains and losses on 'treasury shares' (2006: loss $77 million, 2005: loss $35 million)
- gains and losses on investments in controlled entities of the life statutory funds (2006: loss $20 million, 2005: loss $3 million)
- gains and losses on owner-occupied property (2006: loss $26 million, 2005: loss $26 million), and
- discounting of deferred tax balances in the valuation of investment contract liabilities (2006: gain $62 million, 2005: loss $22 million).

So that the AMP Limited financial report for year ended 31 December 2006 can be drawn up in accordance with Australian Accounting Standards and to present a true and fair view of the results of operations, the presentation of the Income statement has been reformatted in order to explain the impact of the accounting mismatches.

Accounting mismatches are one of the significant impacts arising from the implementation of the Australian equivalents to International Financial Reporting Standards (AIFRS). As detailed in the accounting policies Note 1(d) in the Financial Report, accounting mismatches arise because the valuation rules for liabilities to policyholders differ from the valuation rules for certain assets which support them. The application of the rules to these policyholder assets has an abnormal impact on shareholder profit. For example, where policyholder funds own AMP Limited shares, the increase in AMP Limited's share price (rebased for the capital returns) from $7.37 to $10.10 in the 12 months to December 2006 (2005: increase from $6.56 to $7.37) has driven an accounting loss of $77 million (2005: loss of $35 million) in the consolidated result.

The International Accounting Standards Board (IASB) has discussed accounting mismatches at previous meetings. The IASB has confirmed that it would be preferable to eliminate such accounting mismatches, and is reviewing alternative accounting treatments. The current discussions are part of the wider Insurance Contracts project, and as such are not expected to be resolved in the short term.

Political donations

AMP's policy is that it does not make donations to political parties. No political donations were made during 2006.

Significant changes to the state of affairs

Details of capital changes during 2006 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

On 15 February 2007, AMP 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 15 February 2007, AMP announced that, subject to shareholder approval, AMP Limited shareholders will receive a capital return of 40 cents a share in a proposed capital initiative of $750 million in the first half of 2007, subject to Australian Tax Office approval. AMP's shareholders will have the opportunity to approve the proposed capital return at the Annual General Meeting in Melbourne on 17 May 2007. If approved, payment will be made in June 2007. AMP has applied for a ruling from the Australian Tax Office to treat the capital return as a reduction in the cost base of the shares and not as a taxable dividend and a ruling is in progress.

The capital return will be funded from surplus capital, which stood at over $1.4 billion at 31 December 2006.

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 September 2006 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 guides improvements in 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.

During 2006, initiatives to reduce the direct environmental impact of AMP's operations included a new recycling system, which is showing significant improvements in recycling levels to date, and the trial of water saving initiatives. With the trials proving successful, these initiatives will be adopted across AMP's Australian operations in 2007.

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. During 2006, AMP Capital Investors was a signatory to the Carbon Disclosure Project (www.cdproject.net) and an active participant in the Investor Group on Climate Change (www.igcc.org.au).

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.

Remuneration disclosures

The remuneration arrangements for AMP directors and senior executives are outlined in the Remuneration Report which forms part of the Directors' Report for the year ended 31 December 2006. 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 for non-audit services provided to the AMP group of companies during the year ended 31 December 2006, by the company's auditor, Ernst & Young.

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

– All non-audit assignments were approved in accordance with the process set out in the AMP Charter of Audit Independence.
– No non-audit assignments were carried out which were specifically excluded by the AMP Charter of Audit Independence.
– The level of fees for non-audit services amounted to $1,831,000 or 18 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

The Directors 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 2006.

Indemnification and insurance of directors and officers

Under its Constitution, the company indemnifies, to the extent permitted by law, all officers of the company (including the directors) against any liability (including the costs and expenses of defending actions for an actual or alleged liability), incurred in their capacity as an officer of the company.

This indemnity is not extended to current or former employees of the AMP group against liability incurred in their capacity as an employee, unless approved by the board. 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 cover, the amount of the premium, the limit of liability and other terms.

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

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

Introduction

This remuneration report provides details of AMP's remuneration policies and practices and explains how they are linked to company performance. The report also details the remuneration arrangements for the Chief Executive Officer (CEO) and the executives reporting directly to the CEO (nominated executives) and also for the non-executive directors of AMP Limited. This group comprises the key management personnel (for the purposes of AASB 124 *Related Party Disclosures*) and includes the five group executives receiving the highest remuneration during the year.

AMP's Remuneration Committee

The Remuneration Committee advises the board on the effectiveness, integrity and legal compliance of AMP's remuneration programs, policies 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
– determining the terms and conditions and allocations of long-term incentive grants, and
– reviewing and approving the performance measures and total expenditure for the short-term incentive plan.

Members of the committee are non-executive directors Meredith Hellicar (Committee Chairman), Peter Mason and David Clarke. The committee appoints independent external remuneration consultants to provide advice and market-related information to the committee as required. Current Terms of Reference for the Remuneration Committee are available on AMP's website, www.amp.com.au

Changes made in 2006

CEO contract – rolling contract with no end date

At the 2006 Annual General Meeting, AMP Chairman, Peter Mason, announced a variation to the contractual arrangement for Chief Executive Officer, Andrew Mohl. Following the expiration of the current fixed, five-year term (on 7 October 2007), the term of his employment can be extended by 12 months on a rolling basis.

Commencing in 2007, the performance period of the long-term incentive grant for the CEO will begin on 1 January to better reflect the contractual nature of the award being on a calendar year basis. The CEO's performance rights will be granted in the trading window following the release of AMP's full year results each year. The CEO will not participate in the long-term incentive awards made to other executives in August each year.

All other key terms and conditions in the contract remain unchanged. For further details, please refer to Section 3.1 on page 26.

Executive shareholdings

The Remuneration Committee has introduced guidelines outlining the minimum number of AMP shares that a senior AMP executive is expected to hold. The guidelines were introduced to strengthen the alignment between the interests of senior executives and shareholders in the long-term performance of AMP. Senior executives are expected to establish and maintain the following minimum shareholdings:

– CEO: 300,000 shares
– Direct reports to the CEO: 60,000 shares

Each vested performance right and share held in tax deferral by the executive is treated as being equal to 50 per cent of one share.

A transition period of five years, beginning in 2006 for current executives, will give executives a reasonable amount of time to meet their shareholding guidelines. Please refer to Section 4.5 on page 32 for full details of executive shareholdings.

Long-term incentive hedging policy

A condition of participation in long-term incentive (LTI) plans is that executives cannot enter into any hedging arrangement in relation to any vested or unvested shares, options or performance rights held.

Non-executive directors' fee pool

At the 2006 Annual General Meeting, shareholders approved an increase in the aggregate fee pool for non-executive directors from $1,635,000 to $2,500,000 as proposed in the 2006 Notice of Meeting. The following increases were made to non-executive director fees and allowances:

– director's base fee increased from $113,400 to $130,000 a year
– expense allowance increased from $5,825 to $6,000 a year
– Chairman's fee increased from $363,250 to $480,000 a year. In line with this change, the Chairman ceased to receive any expense allowance or committee fees.

Superannuation contributions are paid in addition to the amounts shown above. Please refer to Section 4.1 on page 29 for full details of remuneration paid to non-executive directors in 2006.

Section 1. Executive remuneration

1.1 Philosophy

The AMP Board's approach to executive remuneration is to align remuneration 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.

AMP pays for performance. All executives have a significant component of their remuneration 'at risk'. For example, in 2006 75 per cent of the CEO's total remuneration was 'at risk' and required specific objectives to be met before payment of short-term incentives and vesting of long-term incentives. Specific details about these components are listed below.

1.2 Structure

Executive remuneration comprises four components listed below.

Fixed	1. Base salary, including salary sacrifice benefits and applicable FBT
	2. Superannuation on base salary
At risk	3. Short-term incentives (STI) and superannuation on STI
	4. Long-term incentives (LTI)

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 that 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 per cent of their base salary and their short-term incentive payment. The CEO receives superannuation contributions equal to 9 per cent of the superannuation maximum contribution base.

Short-term incentives

Short-term incentives (STI) are an annual 'at risk' component of remuneration for the CEO and senior executives, and are paid in cash.

Executives can earn short-term incentives based on AMP's performance and achievement of individual objectives.

The size of the overall short-term incentive pool available for distribution each year is determined by the Remuneration Committee. To make this determination, the Remuneration Committee assesses AMP's performance against financial and qualitative measures outlined below, and approved by the Remuneration Committee. The board has delegated this authority to the Remuneration Committee because it considers that the Remuneration Committee is best placed to make this assessment.

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 2006 to determine the size of the short-term incentive pool. These measures were chosen because they align with the company's strategy and objectives, as approved by the AMP Limited Board, and provide an overall view of performance.

		Performance measure	How it is measured	Link to strategy
Financial measures	70%	Underlying return on equity	Underlying profit of the business after tax, divided by the shareholder equity invested in the company	To achieve: – A return on equity in the top 10% of its peer group (the Top 50 industrials in the S&P/ASX100 Index) – A target of doubling the value of an investment in AMP by mid-2009 – A position in the top 25% of the Top 50 industrials in the S&P/ ASX100 Index for total shareholder returns
		Growth in AMP's value	Increase in value of AMP after also taking into account dividends paid and capital returned to shareholders	
		Total operating earnings	Profits earned by AMP's operating businesses, minus corporate costs	
		Cost to income ratio	Controllable costs divided by gross margin (being total operating earnings and underlying investment income before tax, plus controllable costs)	
		Investment performance	Percentage of assets under management which met or exceeded their benchmarks and the value added to the AMP Life No. 1 Fund	
Qualitative measures	30%	Market and competitive positioning	Position in a range of industry surveys covering product and services areas such as superannuation, risk, pensions and investments	– To increase market share in our core businesses of superannuation, retirement and individual risk insurance in Australia by developing and delivering market competitive products, services and platforms – To be acknowledged as a high performing company from the perspective of our different stakeholders
		Progress in developing key stakeholder relationships, including customers, planners, regulatory bodies and employees, to support long-term business objectives	Stakeholder feedback from a range of surveys and research studies including: – employee culture and climate surveys – brand tracking – qualitative stakeholder research	

Individual performance objectives, with both financial and qualitative measures, are set at the start of each year. These measures are chosen because they align with the objectives of the AMP group and relevant business units and functions.

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 measures specific to their business unit or function.

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: The short-term incentive opportunity ranges from a maximum payment of 50 per cent of base salary for lower level executives up to a maximum payment of 200 per cent of base salary for the CEO. The maximum short-term opportunity depends on the scope of the role (level, responsibility and criticality) and market considerations.

The performance of an executive against their individual objectives is assessed by their immediate manager as this person is best placed to assess their performance. The assessment is then calibrated against the performance of their peers to determine their individual STI payment. Bonus recommendations are then signed off by a higher level manager to ensure group-wide consistency and quality control. The Remuneration Committee assesses the performance of the CEO against his individual objectives as they are best placed to assess his performance. The Remuneration Committee then makes a recommendation to the AMP Board in relation to any STI payment for the CEO.

Long-term incentives
Long-term incentives (LTI) are the second 'at risk' component of remuneration. LTI are primarily delivered in the form of performance rights which are granted to those executives considered to have the most direct influence on AMP's business performance.

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

How performance rights are allocated
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.

Calculating the allocation of performance rights

Base salary	x	Approved LTI award (% of base salary)	÷	Grant price	=	Number of rights allocated

The performance hurdle
The number of performance rights that vest is determined by a vesting schedule based on the performance of AMP relative to a comparator group over a three-year performance period. The performance measure is AMP's Total Shareholder Return (TSR) relative to that of the top 50 industrials in the Standard & Poors/Australian Stock Exchange (S&P/ASX) 100 Index as at the start of the performance period. The performance hurdle and vesting schedule were chosen because they align executives' remuneration with the creation of shareholder value relative to peer companies. More details of the performance hurdle and vesting schedule are set out in Section 1.3.1 on page 20.

At the end of the performance period, AMP's Remuneration Committee applies data from an independent external consultant to determine AMP's TSR performance relative to the comparator group. An independent external consultant is appointed so as to ensure objectivity in measuring AMP's performance. The Remuneration Committee then determines the number of performance rights that vest by applying this data to the vesting schedule.

Exercising performance rights
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.

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.

The value of the LTI at vesting
Performance rights have a three-year performance period. At the time of grant a fair value is determined by an independent external consultant. The fair value is based on the share price at the time, discounted for the possibility that the performance hurdle may not be met in full. Therefore, the value of these performance rights at the time of vesting is likely to be different to the value when first granted.

The value of the LTI at vesting is calculated as follows:

Performance measure achieved %	x	Number of performance rights allocated	=	Number of performance rights that vest	x	Market value of shares at vesting date	=	Value of LTI at vesting date

For example:
In 2006, the performance rights granted in October 2003 vested. At the time of the grant, the fair value per performance right was determined to be $3.84. As AMP's TSR ranked in the top quartile of the comparator group at the end of the performance period, 100 per cent of the performance rights held by executives in respect of this grant vested and could be exercised for AMP shares. At the time the performance rights vested, the AMP share price was $9.00.

For an executive who was granted 50,000 performance rights in 2003, the fair value of their performance rights at the time of grant was:

50,000 Number of performance rights allocated	x	$3.84 Fair value of each performance right at date of grant	=	$192,000 Total value of performance rights at date of grant

The value of the executive's performance rights at the vesting date was:

100% Performance measure achieved	x	50,000 Performance rights allocated	=	50,000 Performance rights that vest	x	$9.00 Market value of shares at vesting date	=	$450,000 Total value of performance rights at vesting date

In cases where the performance hurdle is not met, the value of the performance rights is zero as they do not vest.

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

1.3 Description of long-term incentive plans currently offered

1.3.1 Performance rights

The following table summarises the terms and conditions of performance rights awarded to the CEO and executives.
For a description of performance rights, refer to Section 1.2 of this report.

Plan	2006 annual grant	2005 annual grant	2004 annual grant	2003 annual grant
Grant date	8 September 2006	1 September 2005	6 September 2004	23 October 2003 (with related demerger adjustment grant made on 18 March 2004)
Performance period	1 August 2006 to 31 July 2009	1 August 2005 to 31 July 2008	1 August 2004 to 31 July 2007	30 August 2003 to 29 August 2006
Retesting	No retesting applies on any grants of performance rights			
Exercise period	1 August 2009 to 31 July 2011	1 August 2008 to 31 July 2010	1 August 2007 to 31 July 2009	30 August 2006 to 29 August 2008
Expiry date	1 August 2011	1 August 2010	1 August 2009	30 August 2008
Performance condition	AMP's TSR ranking for the performance period compared to that of the S&P/ASX 100 top 50 companies (industrials) as at the commencement of the performance period The share prices for the purposes of calculating the share price growth component of TSR are averaged over the previous three months			
Vesting schedule	– 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 (for all grants)	Commonwealth Bank of Australia, National Australia Bank Ltd, ANZ Banking Group Ltd, Westpac Banking Corporation Ltd, Telstra Corporation Ltd, Woolworths Ltd, QBE Insurance Group Ltd, AMP Ltd, St George Bank Ltd, Macquarie Bank Ltd, Wesfarmers Ltd, Coles Myer Ltd, Rinker Group Ltd, Suncorp-Metway Ltd, Foster's Group Ltd, Brambles Industries Ltd, CSL Ltd, Stockland, General Property Trust, Australian Gas Light Company, Insurance Australia Group, Macquarie Goodman Group, Tabcorp Holdings Ltd, Publishing & Broadcasting Ltd, Orica Ltd, Macquarie Infrastructure Group, Qantas Airways Ltd, Amcor Ltd, AXA Asia Pacific Holdings Ltd, Centro Properties Group, Transurban Group, Promina Group Ltd, Lend Lease Corporation Ltd, Boral Ltd, Mirvac Group, Fairfax Holdings Ltd, Telecom Corporation of NZ Ltd, Coca-Cola Amatil, James Hardie Industries			
	plus (for the 2006 annual grant)	plus (for the 2005 annual grant)	plus (for the 2004 annual grant)	plus (for the 2003 annual grant)
	Westfield Group, Toll Holdings Ltd, Aristocrat Leisure Ltd, DB Rreef Trust, Macquarie Airports, Resmed Inc, Investa Property Group, Computershare Ltd, Sonic Healthcare Ltd, CSR Ltd, Australian Stock Exchange Ltd	Westfield Group, Toll Holdings Ltd, News Corporation, Aristocrat Leisure Ltd, DB Rreef Trust, Macquarie Airports, Investa Property Group, Patrick Corporation Ltd, Sonic Healthcare Ltd, Foodland Associated, Mayne Group	Westfield Group, Toll Holdings Ltd, News Corporation, Macquarie Airports, Investa Property Group, Patrick Corporation Ltd, Sonic Healthcare Ltd, Resmed Inc, CSR Ltd, Mayne Group, Paperlinx Ltd	News Corporation, Westfield Trust, Westfield Holdings Ltd, Westfield America Trust, Mayne Group, Foodland Associated, Patrick Corporation Ltd, Resmed Inc, Paperlinx Ltd, CSR Ltd, Southcorp Ltd
Capital return	On 19 May 2005, shareholders approved a 40 cents per share capital return to shareholders. On 18 May 2006, shareholders approved a further capital return of 40 cents per share. To compensate for the reduction in the value of performance rights held in the plan immediately prior to each capital return, the terms and conditions of performance rights were altered so that participating employees will be paid 40 cents, in respect of each capital return, for each performance right that vests and is converted into an AMP share. For example, an executive holding performance rights granted in 2004 will be entitled to a payment of 80 cents for each performance right granted in 2004 that vests. No other terms described above were altered. The fair value of each grant of performance rights immediately prior to the alteration was the same as the fair value immediately after the alteration.			

2002 off cycle grant (made on 22 February 2003) awarded to David Cohen who was appointed after the 2002 annual grant
Note: All performance rights held in respect of this grant lapsed without value during 2006 as the performance hurdles were not met.

Performance period	22 February 2003 to 21 February 2006	
Retesting	No	
Exercise period	22 February 2006 to 21 February 2008	
Expiry date	22 February 2008	
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 a 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	
Vesting schedule	Performance condition 1	Same vesting schedule as 2006 grant
	Performance condition 2	Same vesting schedule as 2006 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 2006 grant *Plus* Westfield Trust, Westfield America Trust, Southcorp, News Corporation (DP), Singapore Telecommunications, Harvey Norman, Leighton Holdings, Lion Nathan, Bank of Western Australia, Patrick Corporation, Mayne Group *Minus* Transurban Group, Promina Group, Macquarie Goodman Group, Macquarie Airports, Centro Properties Groups, DB Rreef Trust, Sonic Healthcare, Investa Property Group, Rinker Group, Australian Stock Exchange Ltd, Computershare Ltd
	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, and 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 earnings per share 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	

1.3.2 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.

As this program is designed as a means of recognising and retaining employees, no performance hurdles apply. However, a three-year holding period is placed on these shares. If the individual resigns from AMP or their employment is terminated for serious misconduct or inadequate performance during the holding period, the shares are forfeited. In other cases (such as redundancy and retirement), the individual retains their restricted shares. However, the holding lock remains in place until the end of the three-year vesting period. Restricted shares are bought 'on market' and granted at no cost to employees.

1.3.3 Employee Share Acquisition Plan
AMP currently offers all eligible employees and executives the opportunity to become shareholders in AMP through the Employee Share Acquisition Plan (ESAP). Under ESAP, participants can elect to receive part of their base salary (and any short-term incentive payments) in the form of AMP shares. There are no performance hurdles applied to this part of the plan as participants sacrifice part of their salary to acquire these shares.

As an additional incentive to acquire shares, participants are entitled to receive (at no cost to the participant) one matching share for every 10 shares acquired (up to a maximum of 100 matching shares in any 12-month period). To receive the full entitlement to matching shares, shares must be held in the plan for a minimum of three years. There are no performance conditions for receiving matching shares as ESAP is primarily designed to encourage employee share ownership. Matching shares are bought 'on market'.

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 leaving the company.

2005 and 2006 capital returns
On 19 May 2005, shareholders approved a 40 cents per share capital return to shareholders. On 18 May 2006, shareholders approved a further capital return of 40 cents per share. 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 each capital return, the terms and conditions of the ESAP were altered so that participating employees will be paid 40 cents per share in respect of each capital return if those entitlements vest and are converted into AMP shares. No other terms described above were altered. The fair value of matching share entitlements immediately prior to the alteration was the same as the fair value immediately after the alteration.

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). The final purchase of matching shares in respect of pre-demerger ESAP shares was made in December 2006.

1.3.4 AMP Capital Associates Plan
The AMP Capital Associates Plan is offered to selected AMP Capital Investors executives including Managing Director, Stephen Dunne.

The objective of the AMP Capital Associates Plan is to motivate and retain key executives in AMP Capital Investors by strengthening the alignment of their interests 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. CAP units are notional shares in AMP Capital Investors. They allow 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. 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. There are no performance hurdles associated with this part of the plan as participants use their own money to invest in the plan.

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. A participant may only receive bonus distributions on those CAP units for which the aggregate purchase price paid by the participant (across all tranches) is less than or equal to $1 million. The 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 performance conditions for receiving the bonus distribution.

A minimum holding period of three years applies before CAP units can be redeemed. On redemption, the value of the participant's CAP unit holdings is transferred to units in selected AMP Capital unit trusts. In the case of termination of employment with AMP, holders are required to redeem their units. In the case of resignation or termination due to misconduct or poor performance prior to the third anniversary of the purchase of the relevant CAPs, the redemption value will be equal to the lesser of the opening value of the CAPs or the most recent valuation of the CAPs.

Two tranches of CAPs purchases have been made – on 1 January 2005 and 1 January 2006. A further tranche is planned for 2007.

1.4 Description of long-term incentive plans no longer offered

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

For shares acquired on 10 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 for leaving the company.

2005 and 2006 capital returns
On 19 May 2005, shareholders approved a 40 cents per share capital return to shareholders. On 18 May 2006, shareholders

approved a further capital return of 40 cents per share. 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 each capital return, the terms and conditions of the program were altered so that participating employees will be paid 40 cents per share in respect of each capital return if those entitlements vest and are converted into AMP shares. For example, for shares acquired on 10 March 2004 as part of the 2003 Executive Short-term Incentive program, a payment of 80 cents per share will be made to each eligible participant when their matching share entitlements vest on 10 March 2007. No other terms described above were altered. The fair value of matching share entitlements immediately prior to the alteration was the same as the fair value immediately after the alteration.

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 (at no cost to the participant) 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. These matching share entitlements vested in March 2006 for remaining eligible participants with the resulting matching shares purchased 'on market'.

1.4.2 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. The plan described below is the only option plan remaining where the performance period has not been completed. These options are likely to lapse when the performance hurdle is tested at the end of the extended performance period. Details of vested options held by the CEO and executives and their exercise prices are shown in Section 4.3 on page 31.

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

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 The performance hurdle and vesting scale (below) 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 applies data from an independent external consultant to determine AMP's TSR performance relative to the comparator group. An independent external consultant is appointed to ensure objectivity in measuring AMP's performance. The Remuneration Committee then determines the number of options that vest by applying this data to the vesting scale
Vesting schedule	– 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
Capital return adjustment	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 to shareholders and by a further 40 cents per option following the 2006 capital return 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 exercise 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

1.5 Remuneration mix

The table below shows the percentage of total remuneration for 2006 that is related to performance for the CEO and nominated executives. Fixed pay and benefits account for 29% of the total remuneration for the CEO and 32% to 38% of the total remuneration for nominated executives.

		'At risk'				
		Performance based		Service based		
Role	Fixed pay and benefits[1]	STI[2]	Performance rights and options[3]	Matching and restricted shares	CAPS – bonus distribution	Total
Andrew Mohl Chief Executive Officer	29%	43%	25%	3%	0%	100%
Craig Dunn Managing Director, AMP Financial Services	33%	46%	19%	2%	0%	100%
Stephen Dunne Managing Director, AMP Capital Investors	32%	51%	15%	0%	2%	100%
Paul Leaming Chief Financial Officer	36%	42%	20%	2%	0%	100%
Peter Hodgett General Manager, Human Resources and Strategy	35%	43%	20%	2%	0%	100%
David Cohen General Counsel	34%	43%	20%	3%	0%	100%
Matthew Percival General Manager, Public Affairs	36%	43%	19%	2%	0%	100%
Lee Barnett Chief Information Officer	38%	46%	16%	0%	0%	100%

Footnote:
1 Comprises base salary, superannuation on base salary and non-monetary benefits.
2 Includes superannuation paid on STI.
3 For the purposes of executive remuneration disclosure under the Corporation Act, performance rights are options.

1.6 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 average short-term incentives paid as a percentage of maximum opportunity.

	2002[1]	2003[2]	2004	2005	2006
Operating earnings ($m)	636	462	502	647	752
Underlying return on equity	9.3%	18.1%	21.2%	25.0%	31.0%
Controllable costs ($m)	2,595	843	833	805	851
Short-term incentive pool ($m)	101	74	71	70	83
Short-term incentive as % of maximum opportunity	38%	64%	80%	78%	80%

Footnote:
1 Includes UK businesses (pre-demerger).
2 On demerged basis.

Company performance since the demerger in December 2003 has delivered year-on-year increases in operating earnings 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

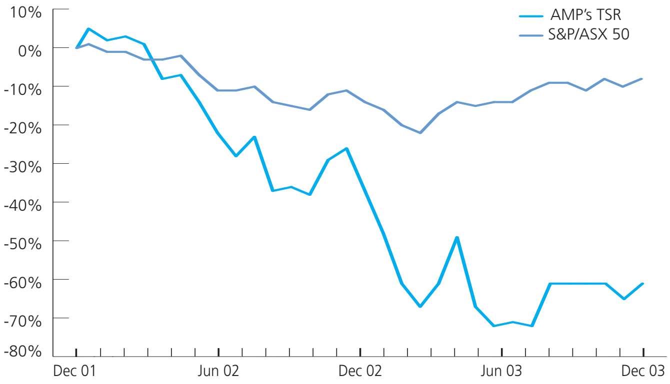
The vesting of options and performance rights awarded to the CEO and executives since June 2000 have all been subject to a performance hurdle – AMP's total shareholder return (TSR) over a three-year performance period relative to that of a comparator group of S&P/ASX 100 top 50 companies (industrials).

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.

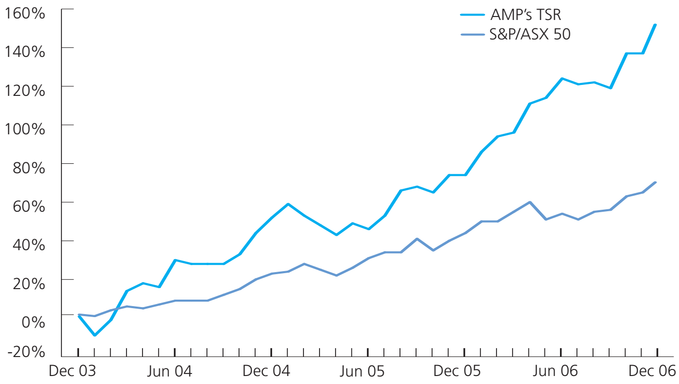
The annual long-term incentive grants made in 2000, 2001 and 2002 have all lapsed without value, reflecting AMP's poor return to shareholders during the period to December 2003.

Since December 2003, AMP has performed well relative to its comparator group of companies. Performance rights granted in October 2003 vested in full in 2006 following top quartile TSR performance. Grants made in 2004, 2005 and 2006 are generally tracking well and a proportion of these performance rights will vest if performance continues at this level.

Pre-demerger



Post-demerger



Section 2. Non-executive director remuneration

2.1 Philosophy

Fees paid to non-executive directors of the AMP Board are determined having regard to advice provided by AMP's remuneration specialists and external remuneration advisers appointed by the Nomination Committee. Factors that are taken into consideration include:

– the level of fees paid to board members of Australian corporations of a similar size
– the complexity of AMP's operations, and
– the responsibilities and workload requirements of board members.

The aggregate fee pool is approved by shareholders.

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

2.2 Structure

The components of non-executive directors' remuneration are:

– board fees (including expense allowance)
– committee and sub-board fees, and
– superannuation.

Board fees

The board fees for 2006 were as follows:

	Chairman	Other non-executive directors
Base fee	$480,000	$130,000
Expense allowance	N/A	$6,000
Total	$480,000	$136,000

The fee for the AMP chairman incorporates all payments. No additional fees are paid for his membership of board committees or as a non-executive director of subsidiary boards.

Board fees are not paid to the CEO as responsibilities regarding board membership are considered to be part of the CEO's normal employment conditions.

An expense allowance of $6,000 is paid to each director, except the Chairman, for incidental expenses related to the business of the company.

Committee and subsidiary board fees

During 2006, non-executive directors were paid a 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 paid additional 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.

	Committee/board chairman $	Committee/board member $
Audit Committee	35,000	15,000
Remuneration Committee	25,000	12,500
Nomination Committee	15,000	7,500
AMP Life Limited Board	120,000	80,000
AMP Capital Investors Limited Board	90,000	60,000
AMP Bank Board	45,000	30,000
Gordian RunOff Limited	75,000	50,000

Superannuation

Mandatory superannuation contributions (9 per cent of fees) are paid in addition to fees and allowances. Directors may choose to increase the proportion of their remuneration taken as superannuation, subject to legislative guidelines.

Components of total remuneration

The total remuneration of the non-executive directors has three components: cash, shares (through the AMP Non-Executive Directors' Share Plan) and superannuation. Directors may specify the allocation of their total remuneration between these three components, subject to the following conditions:

– at least 26 per cent must be taken in the form of AMP shares, and
– the minimum superannuation guarantee contributions must be made.

AMP Non-Executive Directors' Share Plan

A minimum of 26 per cent of non-executive directors' remuneration must be 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 part of 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 otherwise withdrawn with approval of the Remuneration Committee. Following the release of the shares from the plan, non-executive directors can either sell the shares or continue to hold them.

Non-executive directors do not participate in any employee share plan, or receive options or performance rights.

Retirement benefits

In accordance with good corporate governance practice, AMP ceased providing retirement benefits to directors in March 2003 and entitlements were frozen at that time. One director, Mr Richard Grellman, who was appointed to the board prior to March 2003, has a frozen retirement allowance which provides cash benefits in the event of death or retirement from the board. The retirement allowance is based on a sliding scale that provides a maximum benefit, after 15 years of service, of five times the average fees over the three years preceding retirement or death.

Section 3. Contracts

3.1 Andrew Mohl, Chief Executive Officer

Contract components	Details
Length of contract	Following the expiry of the current term on 7 October 2007, a 12-month rolling contract may begin
Base salary	Mr Mohl's base salary for the 2006 year was $1.682 million. Base salary is reviewed annually (but not necessarily increased) by the AMP Board
Superannuation	Mr Mohl receives superannuation contributions equal to 9% of the superannuation maximum contribution base. For the 2006 year, $12,413 was paid to his nominated superannuation plan
Short-term incentive (STI)	Mr Mohl's annual short-term incentive opportunity is 0% to 200% of base salary. Any short-term incentive payments awarded to Mr Mohl are paid in cash For the 2006 year, the board determined that Mr Mohl's STI payment was $2.720 million, which is 160% of his base salary The STI is based on performance against a range of 2006 financial, qualitative and personal performance measures: – 49% AMP group financial measures (as per Section 1.2) – 21% AMP group qualitative measures (as per Section 1.2) – 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 are considered to be the key indicators of the CEO's performance
Long-term incentive (LTI)	Mr Mohl's contract includes the opportunity to earn a long-term incentive in the form of performance rights with value of up to 150% of base salary The Remuneration Committee makes recommendations on Mr Mohl's performance rights grant to the AMP Board for approval. Full details of the grant are outlined in Section 1.3 In 2006, he received 474,331 performance rights with a fair value at the time of grant of $1.959 million Performance rights can be exercised at the end of the three-year performance period, provided a pre-determined performance hurdle is met
Other payments	Mr Mohl receives a reimbursement for taxation, legal and/or financial planning advice. In 2006, this amount was $37,795. From 2007, this reimbursement will no longer be available (except in relation to legal advice about any changes to Mr Mohl's contract of employment proposed by AMP)
Termination	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: – 10 months if the termination date is between 8 October 2006 and 7 October 2007 (inclusive); or – 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, performance rights (vested and unvested) lapse immediately

3.2 Nominated executives

Contract components	Details
Length of contract	Open ended
Base salary	Reviewed annually (not necessarily increased). Base salary is approved by the Remuneration Committee
Superannuation	10.5% of base salary and short-term incentive payment
Short-term incentive (STI)	The maximum short-term incentive opportunity ranges from 150% to 200% of base salary, depending on the role. Actual STI payments are subject to approval by the Remuneration Committee
Long-term incentive (LTI)	Long-term incentive awards are proposed by the CEO and approved by the Remuneration Committee. The maximum LTI opportunity ranges from 120% to 125% of base salary, depending on the role
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. From 2007, this reimbursement will no longer be available

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.

Section 4. Remuneration tables

4.1 Total remuneration of key management personnel

CEO and nominated executives

The table below shows the remuneration details of the CEO and nominated executives. This group comprises the key management personnel (excluding non-executive directors) for the purposes of AASB 124 *Related Party Disclosure* and includes the five group executives receiving the highest remuneration for the year.

		Short-term employee benefits			Post-employment benefits		Share-based payments[4]		Other long-term benefits	
Executive		**Cash salary $'000**	**Short-term incentive $'000**	**Other short-term benefits[3] $'000**	**Superannuation benefits $'000**	**Subtotal $'000**	**Value of options and performance rights[5] $'000**	**Value of matching shares and restricted shares[6] $'000**	**CAPs – bonus distribution[7] $'000**	**Total $'000**
Andrew Mohl[1] Chief Executive Officer	**2006**	**1,682**	**2,720**	**38**	**12**	**4,452**	**1,593**	**209**	**–**	**6,254**
	2005	1,559	2,511	31	12	4,113	1,328	316	–	5,757
Craig Dunn, Managing Director, AMP Financial Services	**2006**	**849**	**1,225**	**7**	**218**	**2,299**	**558**	**71**	**–**	**2,928**
	2005	725	883	7	169	1,784	470	111	–	2,365
Stephen Dunne, Managing Director, AMP Capital Investors	**2006**	**609**	**992**	**7**	**168**	**1,776**	**317**	**–**	**42**	**2,135**
	2005	548	663	–	127	1,338	216	–	8	1,562
Paul Leaming, Chief Financial Officer	**2006**	**709**	**864**	**6**	**165**	**1,744**	**461**	**54**	**–**	**2,259**
	2005	653	782	7	151	1,593	413	70	–	2,076
Peter Hodgett, General Manager, Human Resources & Strategy	**2006**	**557**	**684**	**1**	**130**	**1,372**	**349**	**38**	**–**	**1,759**
	2005	494	596	7	173	1,270	309	55	–	1,634
David Cohen, General Counsel	**2006**	**536**	**660**	**7**	**126**	**1,329**	**343**	**44**	**–**	**1,716**
	2005	468	565	7	108	1,148	309	44	–	1,501
Matthew Percival, General Manager, Public Affairs	**2006**	**446**	**540**	**7**	**104**	**1,097**	**272**	**33**	**–**	**1,402**
	2005	416	502	–	96	1,014	229	50	–	1,293
Lee Barnett, Chief Information Officer	**2006**	**471**	**576**	**–**	**110**	**1,157**	**225**	**–**	**–**	**1,382**
	2005	431	510	–	99	1,040	169	–	–	1,209
2006 Total		**5,859**	**8,261**	**73**	**1,032**	**15,225**	**4,118**	**449**	**42**	**19,834**
2005 Total for CEO and executives disclosed above		5,294	7,012	59	935	13,300	3,443	646	8	17,397
2005 Total for CEO and executives disclosed in 2005[2]		4,863	6,502	59	836	12,261	3,274	646	8	16,189

Footnote:
1 Andrew 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.
2 In line with disclosure requirements, the totals for year ended 31 December 2005 relate to individuals disclosed in the 2005 annual report and so do not equal the sum of amounts disclosed for individuals specified above.
3 As per contractual arrangements, other short-term benefits consist of reimbursements for legal fees, taxation and financial planning advice.
4 All share-based payments are equity settled as per AASB 2.
5 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. The value of the award made in any year is amortised over the vesting period.
6 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 entitlement 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.
7 The fair value of the bonus distribution in the AMP Capital Associates Plan has been determined as being 10% of the capital value of each tranche of CAP units as at the most recent valuation date. The value of the bonus distribution is amortised over the three-year vesting period.

Non-executive directors

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

		Short-term employee benefits					Post-employment benefits		
		AMP Limited Board and committee fees $'000	**Fees for other group boards $'000**	**Other short-term benefits $'000**	**Additional board duties $'000**	**Non-monetary benefits $'000**	**Super-annuation $'000**	**Termination benefits $'000**	**Total $'000**
Peter Mason, Chairman	**2006**	**480**	**–**	**–**	**–**	**–**	**43**	**–**	**523**
	2005	202	–	6	–	–	19	–	226
John Astbury	**2006**	**145**	**80**	**6**	**–**	**–**	**21**	**–**	**252**
	2005	126	75	6	–	–	19	–	225
David Clarke	**2006**	**143**	**60**	**6**	**–**	**–**	**19**	**–**	**228**
	2005	53	22	3	–	–	7	–	85
Richard Grellman	**2006**	**173**	**165**	**6**	**–**	**–**	**31**	**–**	**375**
	2005	146	129	6	–	–	25	–	305
Meredith Hellicar	**2006**	**155**	**91**	**6**	**–**	**–**	**23**	**–**	**275**
	2005	133	30	6	–	–	15	–	184
Nora Scheinkestel	**2006**	**160**	**60**	**6**	**–**	**–**	**20**	**–**	**246**
	2005	141	50	6	–	–	18	–	214
Total for 2006		**1,256**	**456**	**30**	**–**	**–**	**157**	**–**	**1,900**
Total for 2005		801	305	32	–	–	102	–	1,240

Board, committee and sub-committee membership

	AMP Limited Board	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**AMP Life Board**	**AMP Life Audit Committee**	**Gordian RunOff Limited**	**AMP Capital Investors Board**	**AMP Capital Audit Committee**	**AMP Bank Board**
Peter Mason	Chairman		Member	Member						
John Astbury	Member	Member			Member					
David Clarke	Member			Member				Member	Member	
Richard Grellman	Member	Chairman	Member		Member	Chairman	Chairman		Member	
Meredith Hellicar	Member			Chairman	Chairman					Member
Nora Scheinkestel	Member	Member	Chairman					Member	Chairman	

■ Indicates Chairman of a board or committee
■ Indicates director or member of a board or committee

4.2 Performance rights holdings

The table below summarises the holdings of performance rights granted to the CEO and nominated executives. For details on how the fair value of performance rights has been determined, see Section 4.1. The fair values shown are as at the dates the performance rights were granted.

Name	Grant date	Holding at 1 Jan 2006	Granted	Exercised[1]	Lapsed	Holding at 31 Dec 2006	Fair value per performance right	Vested and exercisable 31 Dec 2006[2]
Andrew Mohl	23-Oct-03	400,000	–	400,000	–	–	$3.84	–
	18-Mar-04	80,318	–	80,318	–	–	$2.78	–
	6-Sep-04	340,337	–	–	–	340,337	$3.55	–
	1-Sep-05	372,129	–	–	–	372,129	$4.19	–
	8-Sep-06	–	474,331	–	–	474,331	$4.13	–
Total		**1,192,784**	**474,331**	**480,318**	**–**	**1,186,797**		**–**
Craig Dunn	23-Oct-03	134,768	–	134,768	–	–	$3.84	–
	18-Mar-04	27,061	–	27,061	–	–	$2.78	–
	6-Sep-04	122,522	–	–	–	122,522	$3.55	–
	1-Sep-05	116,291	–	–	–	116,291	$4.19	–
	8-Sep-06	–	203,451	–	–	203,451	$4.13	–
Total		**400,642**	**203,451**	**161,829**	**–**	**442,264**		**–**
Stephen Dunne	23-Oct-03	34,768	–	–	–	34,768	$3.84	34,768
	18-Mar-04	6,981	–	–	–	6,981	$2.78	6,981
	6-Sep-04	79,832	–	–	–	79,832	$3.55	–
	1-Sep-05	87,290	–	–	–	87,290	$4.19	–
	8-Sep-06	–	115,328	–	–	115,328	$4.13	–
Total		**208,871**	**115,328**	**–**	**–**	**324,199**		**41,749**
Paul Leaming	23-Oct-03	118,377	–	118,377	–	–	$3.84	–
	18-Mar-04	23,770	–	23,770	–	–	$2.78	–
	6-Sep-04	103,236	–	–	–	103,236	$3.55	–
	1-Sep-05	103,025	–	–	–	103,025	$4.19	–
	8-Sep-06	–	133,929	–	–	133,929	$4.13	–
Total		**348,408**	**133,929**	**142,147**	**–**	**340,190**		**–**
Peter Hodgett	23-Oct-03	91,059	–	91,059	–	–	$3.84	–
	18-Mar-04	18,284	–	18,284	–	–	$2.78	–
	6-Sep-04	74,005	–	–	–	74,005	$3.55	–
	1-Sep-05	78,561	–	–	–	78,561	$4.19	–
	8-Sep-06	–	106,027	–	–	106,027	$4.13	–
Total		**261,909**	**106,027**	**109,343**	**–**	**258,593**		**–**
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	–
	6-Sep-04	74,874	–	–	–	74,874	$3.55	–
	1-Sep-05	74,426	–	–	–	74,426	$4.19	–
	8-Sep-06	–	102,307	–	–	102,307	$4.13	–
Total		**297,146**	**102,307**	**102,783**	**45,063**	**251,607**		**–**
Matthew Percival	23-Oct-03	58,278	–	58,278	–	–	$3.84	–
	18-Mar-04	11,702	–	11,702	–	–	$2.78	–
	6-Sep-04	62,320	–	–	–	62,320	$3.55	–
	1-Sep-05	66,157	–	–	–	66,157	$4.19	–
	8-Sep-06	–	83,706	–	–	83,706	$4.13	–
Total		**198,457**	**83,706**	**69,980**	**–**	**212,183**		**–**
Lee Barnett	23-Oct-03	44,701	–	44,701	–	–	$3.84	–
	18-Mar-04	8,976	–	8,976	–	–	$2.78	–
	6-Sep-04	49,580	–	–	–	49,580	$3.55	–
	1-Sep-05	50,536	–	–	–	50,536	$4.19	–
	8-Sep-06	–	89,286	–	–	89,286	$4.13	–
Total		**153,793**	**89,286**	**53,677**	**–**	**189,402**		**–**

Footnote:
1 All of the performance rights shown as 'Exercised' vested during 2006.
2 All of the performance rights shown as 'Vested and exercisable at 31 December 2006' vested during 2006.

4.3 Option holdings

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

Name	Grant date	Holding at 1 Jan 2006	Granted	Exercised	Lapsed[1]	Holding at 31 Dec 2006	Vested and exercisable 31 Dec 2006[2]	Exercise price
Andrew Mohl	26-Jun-99	60,000	–	–	–	60,000	60,000	$11.84
	18-Dec-99	40,000	–	–	–	40,000	40,000	$11.75
Total		**100,000**	**–**	**–**	**–**	**100,000**	**100,000**	
Craig Dunn	19-Feb-00	30,000	–	–	–	30,000	30,000	$10.31
	21-Jul-01	40,000	–	–	40,000	–	–	
	23-Mar-02	100,000	–	–	–	100,000	–	
Total		**170,000**	**–**	**–**	**40,000**	**130,000**	**30,000**	
Stephen Dunne	26-Jun-99	10,000	–	–	–	10,000	10,000	$11.84
	21-Jul-01	37,500	–	–	37,500	–	–	
Total		**47,500**	**–**	**–**	**37,500**	**10,000**	**10,000**	
Paul Leaming	26-Jun-99	40,000	–	–	–	40,000	40,000	$11.84
	21-Jul-01	35,000	–	–	35,000	–	–	
Total		**75,000**	**–**	**–**	**35,000**	**40,000**	**40,000**	
Peter Hodgett	26-Jun-99	40,000	–	–	–	40,000	40,000	$11.84
	21-Jul-01	45,000	–	–	45,000	–	–	
Total		**85,000**	**–**	**–**	**45,000**	**40,000**	**40,000**	
David Cohen		–	–	–	–	–	–	
Total		**–**	**–**	**–**	**–**	**–**	**–**	
Matthew Percival	21-Jul-01	50,000	–	–	50,000	–	–	
Total		**50,000**	**–**	**–**	**50,000**	**–**	**–**	
Lee Barnett	26-Jun-99	20,000	–	–	–	20,000	20,000	$11.84
	21-Jul-01	25,000	–	–	25,000	–	–	
Total		**45,000**	**–**	**–**	**25,000**	**20,000**	**20,000**	

Footnote:
1 Lapsed as a result of not meeting the performance hurdle.
2 No options vested during 2006.

4.4 Analysis of movements in performance rights and option holdings in 2006

The table below summarises the movement of options and performance rights, by value, during the year. The performance rights exercised during 2006 were those granted to executives on 23 October 2003 and the related grant following the demerger on 18 March 2004.

The value of performance rights exercised during 2006 represents the number of performance rights exercised multiplied by the market value of an AMP share as traded on the ASX at close of trading on the date of exercise, less the $1 exercise price per tranche of performance rights exercised.

Name	Value of performance rights granted during 2006[1] $'000	Value of performance rights exercised during 2006 $'000	Value of performance rights lapsed during 2006[2] $'000	Value of options lapsed during 2006[2] $'000	Total $'000
Andrew Mohl	1,959	4,313	0	0	6,272
Craig Dunn	840	1,456	0	0	2,296
Stephen Dunne	476	0	0	0	476
Paul Leaming	553	1,276	0	0	1,829
Peter Hodgett	438	982	0	0	1,420
David Cohen	423	921	0	0	1,344
Matthew Percival	346	627	0	0	973
Lee Barnett	369	476	0	0	845

Footnote:
1 The fair value of 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.
2 The value of performance rights and options lapsed during 2006 was zero at the time of, and immediately prior to, lapse.

4.5 Shareholdings in AMP Limited

CEO and executive holdings

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 2006	Granted as remuneration during the period	Received on exercise of performance rights or options	Other changes[1]	Holding at 31 Dec 2006
Andrew Mohl	410,409	26,928	480,318	145,700	1,063,355
Craig Dunn[2]	98,465	16,486	161,829	–	276,780
Stephen Dunne	525	–	–	–	525
Paul Leaming	44,500	10,991	142,147	(135,190)	62,448
Peter Hodgett	123,504	10,991	109,343	34,081	277,919
David Cohen	29,538	–	102,783	–	132,321
Matthew Percival	50,967	10,991	69,980	48,402	180,340
Lee Barnett	–	–	53,677	(53,677)	–

Footnote:

1 Other changes include the purchases and sales of shares 'on market' by key management personnel. 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, refer to Section 1.3.3 of this report.

2. The AMP Limited shareholdings of Mr Dunn include 30,000 restricted shares granted in previous roles. For further details on the terms and conditions of restricted shares, see Section 1.3.2 of this report.

Non-executive directors

The following table 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 2006	Granted as remuneration during the period	Purchased through the AMP Non-Executive Directors' Share Plan[1]	Other purchases/ sales[2]	Holding at 31 Dec 2006
Peter Mason	78,154	–	13,294	90,269	181,717
John Astbury	15,209	–	3,734	5,850	24,793
David Clarke	14,148	–	13,483	51,500	79,131
Richard Grellman	23,542	–	3,734	–	27,276
Meredith Hellicar	28,889	–	3,734	412	33,035
Nora Scheinkestel	37,230	–	3,734	5,540	46,504

Footnote:

1 Represents shares purchased and held under the AMP Non-Executive Directors' Share Plan. For further details on the terms and conditions of this plan, refer to Section 2.2 of this report.

2 Includes the purchases and sales of shares 'on market' by key management personnel.

4.6 Vesting of incentives

4.6.1 Incentives that vested, were paid or lapsed during 2006

Short-term incentives

100% of the 2006 short-term incentive for each nominated executive will be paid in cash on 22 March 2007, subject to each nominated executive's continued employment within the AMP group at the payment date. No short-term incentives are deferred or vest in future financial years.

Long-term incentives

100% of the performance rights awarded to nominated executives on 23 October 2003 and the related grant on 18 March 2004, following the demerger, vested during 2006 as the performance hurdles for the respective grants were met in full.

100% of the matching share entitlements for nominated executives in respect of shares acquired through the Executive Short-term Incentive Program on 28 March 2003 and the Employee Share Acquisition Plan at various dates in 2003, vested during 2006 as they met the service requirements of these entitlements.

100% of the options awarded to nominated executives on 21 July 2001, under the 2001 Long-term Incentive Program, lapsed without value during 2006 as the performance hurdle was not met.

No other long-term incentives awarded to nominated executives in this or previous financial years (as identified in Section 4.6.3) vested or were forfeited in 2006. Vesting of long-term incentives in future financial years is subject to performance hurdles and/or service requirements.

4.6.2 Cash payments on vesting of long-term incentives

The table below sets out the cash amounts paid to nominated executives on performance rights and matching share entitlements that vested in 2006, as compensation for the reduction in value of those entitlements resulting from the 2005 and 2006 capital returns to shareholders.

Name	Cash payment of vesting of performance rights $'000	Cash payment on vesting of matching shares $'000	Total $'000
Andrew Mohl	384	38	422
Craig Dunn	129	7	136
Stephen Dunne	33	0	33
Paul Leaming	114	4	118
Peter Hodgett	87	4	91
David Cohen	82	0	82
Matthew Percival	56	4	60
Lee Barnett	43	0	43

4.6.3 Equity grants that may vest in future years

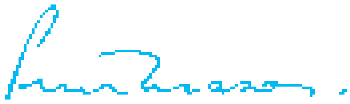
The estimated maximum and minimum values of equity-based remuneration granted to the CEO and nominated executives that vest in future financial years are set out below. The maximum value represents the fair value of awards made in 2006 and prior financial years that may vest in future financial years. In the case of performance rights, they may become payable (i.e. able to be exercised after vesting) in the year shown or the following year, as performance rights may be exercised over two 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.

Name	2007 Minimum $'000	2007 Maximum $'000	2008 Minimum $'000	2008 Maximum $'000	2009 Minimum $'000	2009 Maximum $'000
Andrew Mohl						
2004 Performance Rights	0	1,208	–	–	–	–
2005 Performance Rights	–	–	0	1,559	–	–
2006 Performance Rights	–	–	–	–	0	1,959
2003 Executive STI Program (matching shares)	0	508	–	–	–	–
Total	**0**	**1,716**	**0**	**1,559**	**0**	**1,959**
Craig Dunn						
2004 Performance Rights	0	435	–	–	–	–
2005 Performance Rights	–	–	0	487	–	–
2006 Performance Rights	–	–	–	–	0	840
2003 Executive STI Program (matching shares)	0	191	–	–	–	–
Total	**0**	**626**	**0**	**487**	**0**	**840**
Stephen Dunne						
2004 Performance Rights	0	283	–	–	–	–
2005 Performance Rights	–	–	0	366	–	–
2006 Performance Rights	–	–	–	–	0	476
AMP Capital Associates Plan	–	–	0	25	0	75
Total	**0**	**283**	**0**	**391**	**0**	**551**
Paul Leaming						
2004 Performance Rights	0	366	–	–	–	–
2005 Performance Rights	–	–	0	432	–	–
2006 Performance Rights	–	–	–	–	0	553
2003 Executive STI Program (matching shares)	0	146	–	–	–	–
Total	**0**	**512**	**0**	**432**	**0**	**553**
Peter Hodgett						
2004 Performance Rights	0	263	–	–	–	–
2005 Performance Rights	–	–	0	329	–	–
2006 Performance Rights	–	–	–	–	0	438
2003 Executive STI Program (matching shares)	0	97	–	–	–	–
Employee Share Acquisition Plan (matching shares)	–	–	0	1	–	–
Total	**0**	**360**	**0**	**330**	**0**	**438**
David Cohen						
2004 Performance Rights	0	266	–	–	–	–
2005 Performance Rights	–	–	0	312	–	–
2006 Performance Rights	–	–	–	–	0	423
2003 Executive STI Program (matching shares)	0	132	–	–	–	–
Total	**0**	**398**	**0**	**312**	**0**	**423**
Matthew Percival						
2004 Performance Rights	0	221	–	–	–	–
2005 Performance Rights	–	–	0	277	–	–
2006 Performance Rights	–	–	–	–	0	346
2003 Executive STI Program (matching shares)	0	82	–	–	–	–
Employee Share Acquisition Plan (matching shares)	–	–	0	1	0	1
Total	**0**	**303**	**0**	**278**	**0**	**347**
Lee Barnett						
2004 Performance Rights	0	176	–	–	–	–
2005 Performance Rights	–	–	0	212	–	–
2006 Performance Rights	–	–	–	–	0	369
Total	**0**	**176**	**0**	**212**	**0**	**369**

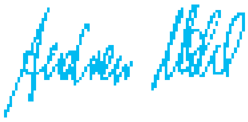
Section 5. Statement on Transfer of Related Party Information

The *Corporations Regulations 2001* (Cth) allow 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, 1.4, 1.5, 2, 3, 4.

Signed in accordance with a resolution of the directors.



Peter Mason
Chairman



Andrew Mohl
Managing Director and Chief Executive Officer

Sydney, 15 February 2007

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 2006, to the best of my knowledge and belief, there have been no contraventions of auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst &Young

Brian Long
Partner
Sydney, 15 February 2007

Analysis of shareholder profit

for the year ended 31 December 2006

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	2006 $m	2005 $m
AMP Financial Services	**607**	515
AMP Capital Investors	**115**	92
Cobalt/Gordian	**67**	74
Total business unit operating earnings	**789**	681
Group Office costs	**(37)**	(34)
Total operating earnings	**752**	647
Underlying investment income	**184**	190
Interest expense on AMP group debt	**(63)**	(67)
Transitional tax relief[1]	**–**	31
Cobalt/Gordian fair value provision release[2]	**20**	–
Underlying profit	**893**	801
Investment income market adjustment	**77**	38
Profit after income tax before other items	**970**	839
Employee defined benefit schemes[3]	**5**	(2)
Impairment of intangibles[4]	**–**	(10)
Fair value of debt and derivatives	**2**	12
Other items	**(1)**	37
Profit attributable to shareholders of AMP Limited before accounting mismatches	**976**	876
Mismatch items[5]	**(61)**	(86)
Net profit after accounting mismatches	**915**	790

Footnote:

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

2 The Cobalt/Gordian fair value provision was written down by $20m to $192m reflecting the continued run down in claim liabilities. Pending continued satisfactory run-off of the book, the provision is likely to amortise by $20m per annum for the next five years.

3 Following a change in AIFRS, employee defined benefit schemes have been restated as AMP has elected to recognise actuarial gains and losses on employer-sponsored defined benefit plans directly in retained profits.

4 Impairment of intangibles includes goodwill and asset management mandates. Amortisation and impairment of capitalised costs are included within operating earnings of the relevant business.

5 Refer to Glossary inside front cover.

Corporate governance

Approach to corporate governance

AMP has a set of values that recognises 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 Corporate Governance Council (ASX 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.

The principles and recommendations are presently being reviewed and revised by the ASX Council. In November 2006, the ASX Council released a public Explanatory Paper and Consultation Paper on the proposed changes to the principles and recommendations and invited submissions on the proposals. Once finalised by the ASX Council, the revised principles are intended to have an effective date of 1 July 2007. AMP is closely monitoring this matter.

A copy of the ASX Best Practice Recommendations and the Explanatory Paper and Consultation Paper on the proposed changes to the principles and recommendations may be obtained from the ASX website at www.asx.com.au/supervision/governance/principles_good_corporate_governance.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

(ASX Best Practice Recommendation 1.1)
Functions of board and 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 10 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

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

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 2006, significant effort continued to be 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 2006, 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 2006. All directors will have been evaluated prior to the 2007 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 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.

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 pages 17 to 34.

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.

While the board is responsible for risk management, the Audit Committee assists the board by monitoring and evaluating the effectiveness of AMP's risk management and internal control environment. The Audit Committee also 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 and Compliance 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 continually being enhanced or updated. In addition, the internal audit function provides independent and objective assurance to the board that risks are being managed effectively across the group.

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

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.

While the board is responsible for AMP's compliance framework, the Audit Committee assists the board by monitoring and evaluating AMP's compliance. 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 Recommendations 3.1 and 3.3)
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 10.1)
Recognise the legitimate interests of stakeholders

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.corporateresponsibility.com.au for more information) was used to help develop our strategy and from 2004 we have participated in the index to monitor our progress and gain feedback on our social responsibility performance.

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.

AMP's community program is available on AMP's website.

Comparison of NZX and ASX Corporate Governance rules

As an overseas listed issuer, AMP is deemed to satisfy and comply with the New Zealand Stock Exchange (NZX) Listing Rules so long as it remains listed on the 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 a statement (referred to below) in its annual report.

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

Further information about the ASX Corporate Governance Rules may be obtained from the ASX website at www.asx.com.au/supervision/governance/principles_good_corporate_governance.htm

2006 social responsibility framework

<table>
<tr><td>Community
the general community in Australia and New Zealand</td><td>Marketplace
encompassing our planners, customers and suppliers</td><td>Workplace
our employees</td><td>Environment
our impact on the natural world</td></tr>
<tr><td colspan="3">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 through superannuation, and ensuring that people seek financial advice so as to maximise their retirement income</td><td></td></tr>
<tr><td colspan="3">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</td><td></td></tr>
<tr><td colspan="4">Influencing investee companies to improve their corporate governance, operational, environmental and social practices with the objective of maximising returns to their shareholders</td></tr>
<tr><td>Building community involvement programs that have a positive impact on the community and are aligned to AMP's business</td><td>Building sustainable supply chains that benefit both AMP and the supplier, and include social and environmental standards</td><td>Encouraging AMP employees to increase their skills and capabilities so they are more effective both within and outside AMP</td><td>Increasing the efficiency of AMP's operations and reducing its environmental footprint</td></tr>
</table>

Full Financial Report

for the year ended 31 December 2006

Table of contents

Income statement

for the year ended 31 December 2006

	Note	Consolidated 2006 $m	Consolidated 2005 $m	Parent 2006 $m	Parent 2005 $m
Income and expenses of policyholders, shareholders, external unitholders and minority interests[1]					
Insurance premium and related revenue	3	**917**	896	**–**	–
Fee revenue	3	**1,330**	1,073	**13**	12
Other revenue	3	**169**	209	**–**	–
Investment gains and losses	3	**11,809**	9,814	**509**	485
Insurance claims and related expenses	4	**(1,226)**	(1,286)	**–**	–
Operating expenses	4	**(2,019)**	(1,603)	**(12)**	(12)
Finance costs	4	**(616)**	(522)	**–**	–
Movement in external unitholders' liabilities		**(1,522)**	(935)	**–**	–
Change in policyholder liabilities before accounting mismatches					
– life insurance contracts[2]		**(794)**	(948)	**–**	–
– investment contracts[2]		**(6,263)**	(5,061)	**–**	–
Income tax (expense) credit	5	**(809)**	(761)	**57**	29
Profit attributable to shareholders of AMP Limited before accounting mismatches		**976**	876	**567**	514
Unmatched changes in policyholder liabilities (accounting mismatches) due to:[2]					
– treasury shares		**(77)**	(35)	**–**	–
– discounting of deferred tax		**62**	(22)	**–**	–
– other		**(46)**	(29)	**–**	–
Net profit after accounting mismatches		**915**	790	**567**	514

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 and losses. In general, policyholders' interests in the transactions for the period are attributed to them in the lines Change in policyholder liabilities before accounting mismatches and Unmatched changes in policyholder liabilities (accounting mismatches).

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

Earnings per ordinary share	Note	cents	cents
Basic	24	**49.6**	43.1
Diluted	24	**49.3**	42.9
Basic before accounting mismatches	24	**52.9**	47.8
Diluted before accounting mismatches	24	**52.6**	47.6

Balance sheet
as at 31 December 2006

	Note	Consolidated 2006 $m	Consolidated 2005 $m	Parent 2006 $m	Parent 2005 $m
Assets					
Cash and cash equivalents		**1,108**	978	**1**	2
Receivables	6	**1,535**	1,387	**507**	156
Equity securities	7	**45,385**	38,182	**–**	–
Debt securities	7	**32,007**	30,845	**517**	572
Property securities	7	**5,626**	5,047	**–**	–
Other financial assets	7	**2,625**	1,922	**–**	–
Investment property	8	**7,841**	5,766	**–**	–
Property, plant and equipment	9	**502**	336	**–**	–
Deferred tax assets	5	**292**	266	**82**	41
Other assets	10	**155**	127	**–**	–
Intangibles	11	**862**	632	**–**	–
Investments in controlled entities	7, 27	–	–	**7,443**	8,193
Total assets of policyholders, external unitholders, shareholders and minority interests		**97,938**	85,488	**8,550**	8,964
Liabilities					
Payables	12	**1,555**	1,756	**2**	1
Current tax liabilities		**697**	385	**487**	149
Provisions	13	**390**	328	**5**	5
Outstanding claims liabilities	21	**805**	1,037	**–**	–
Borrowings	14	**9,988**	9,090	**83**	–
Deferred tax liabilities	5	**1,828**	1,599	**–**	–
Subordinated debt	15	**435**	428	**–**	–
Other financial liabilities		**65**	99	**–**	–
Other liabilities		**–**	23	**–**	–
Life insurance contract liabilities	19	**20,974**	20,942	**–**	–
Investment contract liabilities	20	**46,668**	38,712	**–**	–
External unitholders' liabilities		**12,079**	8,266	**–**	–
Total liabilities of policyholders, external unitholders, shareholders and minority interests		**95,484**	82,665	**577**	155
Net assets of shareholders and minority interests		**2,454**	2,823	**7,973**	8,809
Equity					
Contributed equity	17	**4,067**	4,749	**4,253**	4,959
Reserves	18	**(1,983)**	(2,002)	**510**	514
Retained earnings	18	**328**	63	**3,210**	3,336
Total equity attributable to shareholders		**2,412**	2,810	**7,973**	8,809
Minority interests		**42**	13	**–**	–
Total equity of shareholders and minority interests		**2,454**	2,823	**7,973**	8,809

Statement of recognised income and expenses

for the year ended 31 December 2006

	Note	Consolidated 2006 $m	Consolidated 2005 $m	Parent 2006 $m	Parent 2005 $m
Income and expenses (net of tax) recognised directly in equity					
Owner-occupied property					
– valuation gains taken to equity	18	**35**	26	**–**	–
Cash flow hedge movements	18	**15**	–	**–**	–
Defined benefit fund actuarial gains and losses	18	**28**	19	**–**	–
Exchange differences on translation of foreign operations	18	**(19)**	1	**–**	–
Total net income (expense) recognised directly in equity		**59**	46	**–**	–
Net profit after accounting mismatches		**915**	790	**567**	514
Total recognised income and expenses for the period attributable to shareholders of AMP Limited		**974**	836	**567**	514

Statement of cash flows

for the year ended 31 December 2006

	Note	Consolidated 2006 $m	Consolidated 2005 $m	Parent 2006 $m	Parent 2005 $m
Cash flows from operating activities	23(a)				
Cash receipts in the course of operations		**16,072**	13,474	**4**	9
Interest and other items of a similar nature received		**1,459**	1,500	**2**	1
Dividends received		**512**	560	**506**	484
Cash payments in the course of operations		**(12,795)**	(11,884)	**(14)**	(10)
Finance costs		**(659)**	(590)	**–**	–
Income tax refunded (paid)		**(375)**	(214)	**10**	7
Cash flows from (used in) operating activities		**4,214**	2,846	**508**	491
Cash flows from investing activities					
Net proceeds from sale of/(payments to acquire):					
– investment property		**(895)**	(517)	**–**	–
– equity securities		**(3,711)**	(3,321)	**–**	–
– unit trusts		**2,199**	(2,000)	**–**	–
– interest bearing securities		**1,289**	3,385	**–**	–
– loans		**(1,390)**	(301)	**57**	1,310
– other investments		**–**	21	**–**	–
Proceeds from capital return from controlled entity		**–**	–	**750**	882
Payments to acquire controlled and associated companies[1,2]		**(80)**	(10)	**–**	–
Proceeds from disposal of controlled and associated companies[1,2]		**342**	24	**–**	–
Cash flows from (used in) investing activities		**(2,246)**	(2,719)	**807**	2,192
Cash flows from financing activities					
Proceeds from borrowings – non Banking operations		**646**	927	**129**	168
Net movement in borrowings – Banking operations		**452**	157	**–**	–
Net movement in deposits from customers		**60**	134	**–**	–
Payment for AMP Income Securities buy back		**–**	(266)	**–**	–
Repayment of borrowings		**(131)**	(360)	**(46)**	(1,651)
Payment of capital return[3]		**(739)**	(733)	**(750)**	(746)
Dividends paid[4]		**(639)**	(444)	**(649)**	(453)
Cash flows from (used in) financing activities		**(351)**	(585)	**(1,316)**	(2,682)
Net increase (decrease) in cash		**1,617**	(458)	**(1)**	1
Balance at the beginning of the period		**7,254**	7,706	**2**	1
Effect of exchange rate changes on cash balances		**–**	6	**–**	–
Balance at the end of the period	23(b)	**8,871**	7,254	**1**	2

Footnote:

1 Cash flows relate to acquisitions and disposals during the year of operating companies controlled by the life statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group.
2 Net of cash acquired or disposed.
3 Payment of capital return is presented net of the capital return on 'treasury shares'. See Note 17 for further information.
4 Dividends paid is presented net of dividends reinvested and dividends on 'treasury shares'. See Note 16 for further information.

Notes to the financial statements

for the year ended 31 December 2006

1. Summary of significant accounting policies

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 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 this Financial Report, comprising the financial statements and the notes thereto, complies with International Financial Reporting Standards.

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. The same accounting policies and methods of computation are followed by this Financial Report as compared with the 31 December 2005 annual Financial Report except as described below. Where necessary, comparative information has been reclassified to be consistent with current period disclosures.

The AMP group is predominantly a wealth management business conducting operations through AMP Life Limited (AMP Life), a registered life insurance 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.

Australian Accounting Standards issued but not yet effective

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the reporting period ending 31 December 2006. When applied in future periods, these recently issued or amended standards are not expected to have a material impact on the company's results or financial position; however they may impact Financial Report disclosures.

Change in accounting policy

On initial application of AASB 119 *Employee Benefits* as issued on 7 July 2006 (applicable to years beginning 1 January 2006), AMP has elected to recognise actuarial gains and losses on employer-sponsored defined benefit plans directly in retained profits. Actuarial gains and losses were previously required to be recognised through the Income statement. This change in policy has been applied retrospectively to all comparative periods. The change in accounting policy has reduced the 2006 profit by $28m, and the 2005 profit by $19m. The impact on earnings per share has been a reduction in basic and diluted earnings per share of 1.5 cents per share (2005: 1.0 cents per share).

(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 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 the AMP group ceases to control an 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.

There have been no acquisitions or disposals of controlled entities or other changes in the composition of the AMP group during the year, which would require disclosures significant to an understanding of this Financial Report. Those acquisitions and disposals which took place during the year were largely a result of the investment activities of the life statutory funds.

Securitisation vehicles

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

(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*.

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

1. Summary of significant accounting policies continued

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 items. 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'
- gains and losses on owner-occupied properties
- 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.

The International Accounting Standards Board (IASB) has discussed accounting mismatches at previous Board meetings. The IASB has confirmed that 'it would be preferable to eliminate such (mismatch) effects' and the IASB is reviewing alternative accounting treatments to address the accounting mismatch issue. These discussions are part of the wider IASB Insurance Contracts (Phase II) project which has a long time frame. There is no indication at this stage that they are working on any short-term fix.

'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 reducing the net profit after income tax attributable to shareholders by $77m (2005: $35m).

Owner-occupied property
Under AIFRS, property owned by the AMP group which is also 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.

However, to the extent any such property is held with the AMP life statutory funds, investment contract and life insurance contract liabilities are required to reflect owner-occupied property at fair value, with movements in those liabilities recognised in the Income statement. This mismatch results in policyholder asset movements reducing the net profit after income tax attributable to shareholders by $26m (2005: $26m).

Discounting of deferred tax balances in the valuation of investment contract liabilities
The calculation of investment contract liabilities for unit linked business includes a deduction for the policyholders' share of current tax payable and deferred tax balances of the AMP group. Historically, the deferred tax relating to unit linked business was discounted in setting unit prices, where relevant, and therefore in the calculation of investment contract liabilities. AIFRS does not allow discounting of deferred tax for financial reporting purposes and, as a result, there has been an historical mismatch between the deferred tax retained within investment contract liabilities and that reported within the financial statements.

During 2006, a decision was made on the advice of the Appointed Actuary, having regard to the equity of policyholders and the circumstances of the investment sectors, to move to a non-discounted approach for deferred tax for those investment sectors where discounting was previously applied.

The removal of the discounting of deferred tax reverses these accounting mismatches recognised in prior periods. This reversal increases net profit after income tax attributable to shareholders by $62m (mismatch in 2005: decreased profit by $22m).

Investments in controlled entities of the life statutory funds
The majority of the life statutory funds' investments are held through controlling interests in a number of separate entities and those

1. Summary of significant accounting policies continued

investments are measured at fair value. These investment assets are held on behalf of policyholders, and, as a result, the life statutory funds also recognise a corresponding liability to the policyholder.

Consolidation principles require the underlying net assets of the controlled entities to be recognised in the consolidated financial statements. The fair value of the underlying assets 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 reducing the net profit after income tax attributable to shareholders by $20m (2005: $3m).

(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. Unlisted interest-bearing securities are valued using interest rate yields obtainable on comparable listed investments. The fair value of loans is established by discounting the estimated recoverable amount using prevailing interest rates. There is no reduction for realisation costs in the value of a debt security.

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

(i) Property securities

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

The fair value of a listed property security reflects the bid price at the 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(u)).

Investments in joint ventures and partnerships

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

1. Summary of significant accounting policies continued

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. All management rights have been assessed to have an indefinite useful life and consequently are not amortised but are tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

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

(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.

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.
– 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.

1. Summary of significant accounting policies continued

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.

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.

1. Summary of significant accounting policies continued

(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 life insurance contract has been established or upon notification of the insured event, depending on the type of claim.

Investment contracts
There is no claims expense in respect of investment contracts. Amounts paid to policyholders in respect of investment contracts are withdrawals and are recognised as a decrease in investment contract liabilities. See Note 1(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
  - finance charges in relation to finance leases
  - 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. AMP also makes contributions to multiple superannuation funds in respect of employees who are not members of AMP operated funds. These contributions are made on a defined contribution basis.

For the defined contribution sections, the AMP group pays contributions to the funds on a mandatory basis. The AMP group has no further payment obligations once the contributions have been paid. The contributions are recognised in the Income statement as an operating expense when they fall due.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

For the defined benefit sections, the AMP group recognises the net deficit or surplus position of each fund in the 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, except actuarial gains and losses, are recognised in the Income statement. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions over the period are recognised in full, directly in retained profits. The movement is also reflected in the Statement of recognised income and expenses.

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 be likely to cause a reduction in earnings per share.

2. Segment information

Business segments	AMP Financial Services[3] 2006 $m	AMP Capital Investors 2006 $m	General Insurance 2006 $m	Other 2006 $m	Eliminations[3] 2006 $m	Total 2006 $m
External revenue	13,715	349	39	122	–	14,225
Inter-segment revenue	69	276	51	12	(408)	–
Total revenue[1,2]	**13,784**	**625**	**90**	**134**	**(408)**	**14,225**
Segment result	1,529	145	118	(7)	–	1,785
Income tax (expense) credit	(826)	(32)	(20)	69	–	(809)
Profit attributable to shareholders of AMP Limited before accounting mismatches	**703**	**113**	**98**	**62**	**–**	**976**
Unmatched changes in policyholder liabilities (accounting mismatches)	42	–	–	–	(103)	(61)
Net profit (loss) after accounting mismatches	**745**	**113**	**98**	**62**	**(103)**	**915**
Total assets	94,551	774	1,898	2,607	(1,892)	97,938
Total liabilities	93,202	492	845	2,837	(1,892)	95,484
Depreciation	17	1	–	–	–	18
Amortisation	17	–	–	19	–	36
Other non cash expenses	7,121	–	–	28	–	7,149
Assets acquired during the year	17	1	–	–	–	18

Geographic segments	Australia 2006 $m	New Zealand 2006 $m	Other 2006 $m	Eliminations 2006 $m	Total 2006 $m
Revenue from external sales	13,607	525	112	(19)	14,225
Total assets	95,508	2,486	61	(117)	97,938
Assets acquired during the year	16	2	–	–	18

2. Segment information continued

Business segments	AMP Financial Services[3] 2005 $m	AMP Capital Investors 2005 $m	General Insurance 2005 $m	Other 2005 $m	Eliminations[3] 2005 $m	Total 2005 $m
External revenue	11,533	245	120	94	–	11,992
Inter-segment revenue	72	247	40	–	(359)	–
Total revenue[1,2]	11,605	492	160	94	(359)	11,992
Segment result	1,418	150	121	(52)	–	1,637
Income tax (expense) credit	(779)	(32)	(17)	67	–	(761)
Profit attributable to shareholders of AMP Limited before accounting mismatches	639	118	104	15	–	876
Unmatched changes in policyholder liabilities (accounting mismatches)	(25)	–	–	–	(61)	(86)
Net profit (loss) after accounting mismatches	614	118	104	15	(61)	790
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	11,404	567	28	(7)	11,992
Total assets	82,767	2,638	285	(202)	85,488
Assets acquired during the year	22	3	–	–	25

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 The impact of accounting mismatches relating to discounting of deferred tax balances and investments in controlled entities of the life statutory funds is reflected within the AMP Financial Services segment and the remainder of the accounting mismatches reflected as eliminations. See 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, infrastructure 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 2006 $m	Consolidated 2005 $m	Parent 2006 $m	Parent 2005 $m
(a) Insurance premium and related revenue					
Life insurance contract premium and related revenue	19	**896**	876	**–**	–
General insurance contract premium and related revenue	21	**21**	20	**–**	–
Total insurance premium and related revenue		**917**	896	**–**	–
(b) Fee revenue					
Investment management and origination fees		**1,217**	995	**–**	–
Financial advisory fees		**93**	61	**–**	–
Banking business fees		**13**	11	**–**	–
Service fees					
– subsidiaries		**–**	–	**13**	12
– other entities		**7**	6	**–**	–
Total fee revenue		**1,330**	1,073	**13**	12
(c) Other revenue					
Defined benefit fund income	25	**6**	4	**–**	–
Other revenue[1]		**163**	205	**–**	–
Total other revenue		**169**	209	**–**	–
(d) Investment gains					
Interest					
– subsidiaries		**–**	–	**1**	1
– other entities		**1,554**	1,519	**2**	–
Dividends and distributions					
– subsidiaries		**–**	–	**506**	483
– associated entities		**459**	196	**–**	–
– other entities		**3,099**	2,103	**–**	1
Net rents		**612**	568	**–**	–
Net realised and unrealised gains		**6,049**	5,400	**–**	–
Other investment income		**36**	28	**–**	–
Total investment gains		**11,809**	9,814	**509**	485

Footnote:
1 The consolidated balances include trading revenues of investment entities controlled by the life statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group.

4. Expenses

	Note	Consolidated 2006 $m	Consolidated 2005 $m	Parent 2006 $m	Parent 2005 $m
(a) Insurance claims and related expenses					
Life insurance contract claims and related expenses	19	**(1,271)**	(1,262)	**–**	–
General insurance contract claims and related expenses	21	**45**	(24)	**–**	–
Total insurance claims and related expenses		**(1,226)**	(1,286)	**–**	–
(b) Operating expenses					
Commission expense		**(428)**	(360)	**–**	–
Investment management expenses		**(217)**	(133)	**–**	–
Fee expense on banking business		**(10)**	(11)	**–**	–
Fees and commission expenses		**(655)**	(504)	**–**	–
Wages and salaries		**(477)**	(426)	**(8)**	(8)
Contributions to defined contribution funds		**(37)**	(33)	**–**	–
Defined benefit fund expense	25	**(1)**	(4)	**–**	–
Share-based payments expense		**(10)**	(9)	**(2)**	(2)
Other staff costs		**(49)**	(30)	**(1)**	–
Staff and related expenses		**(574)**	(502)	**(11)**	(10)
Occupancy and property maintenance expenses		**(277)**	(159)	**–**	–
Information technology and communication		**(122)**	(117)	**–**	–
Professional fees		**(81)**	(72)	**–**	–
Advertising and marketing		**(23)**	(24)	**–**	–
Travel and entertainment		**(23)**	(21)	**–**	–
Other expenses[1]		**(264)**	(204)	**(1)**	(2)
Other operating expenses		**(790)**	(597)	**(1)**	(2)
Total operating expenses		**(2,019)**	(1,603)	**(12)**	(12)
(c) Finance costs					
Interest expense on borrowings and subordinated debt		**(471)**	(466)	**–**	–
Other finance costs		**(145)**	(56)	**–**	–
Total finance costs		**(616)**	(522)	**–**	–

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

5. Income tax

	Consolidated 2006 $m	Consolidated 2005 $m	Parent 2006 $m	Parent 2005 $m
(a) Analysis of income tax (expense) credit				
Current tax	**(716)**	(241)	**3**	–
(Decrease) increase in deferred tax assets	**46**	(2)	**39**	29
Decrease (increase) in deferred tax liabilities	**(150)**	(555)	**–**	–
Over (under) provided in previous years	**11**	37	**15**	–
Income tax (expense) credit	**(809)**	(761)	**57**	29

(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 2006 and 2005 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 policyholder liabilities. A number of different tax rate regimes apply to policyholders. In Australia, certain classes of policyholder life insurance income and superannuation earnings are taxed at 15%, and certain classes of income on some annuity business are tax exempt. Rates applicable to New Zealand life insurance business range between 30–33%.

	Consolidated 2006 $m	Consolidated 2005 $m	Parent 2006 $m	Parent 2005 $m
Profit before income tax	**1,724**	1,551	**510**	485
Policyholder tax recognised as a charge to policyholders in determining profit before income tax	**(531)**	(504)	**–**	–
Profit before income tax excluding tax charged to policyholders	**1,193**	1,047	**510**	485
Prima facie tax at the rate of 30% (2005: 30%)	**(358)**	(314)	**(153)**	(146)
Tax effect of differences between amounts of income and expenses recognised for accounting and the amounts deductible/(taxable) in calculating taxable income:				
Shareholder impact of par-business tax treatment	**(22)**	(19)	**–**	–
Non-deductible expenses	**(17)**	(12)	**–**	–
Non-taxable income	**19**	4	**–**	–
Transitional tax relief on fees from life statutory funds	**–**	32	**–**	–
Tax offsets and credits	**14**	15	**3**	–
Dividend income from controlled entities	**–**	–	**153**	146
Other items	**24**	(15)	**–**	–
Over (under) provided in previous years after excluding amounts attributable to policyholders	**16**	(3)	**15**	–
Benefit arising from previously unrecognised tax losses	**47**	58	**39**	29
Difference in overseas tax rates	**(1)**	(3)	**–**	–
Income tax expense attributable to shareholders	**(278)**	(257)	**57**	29
Income tax expense attributable to policyholders	**(531)**	(504)	**–**	–
Income tax (expense) credit per Income statement	**(809)**	(761)	**57**	29

5. Income tax continued

	Consolidated 2006 $m	Consolidated 2005 $m	Parent 2006 $m	Parent 2005 $m
(c) Analysis of deferred tax asset				
Expenses deductible and income recognisable in future years	**173**	122	**6**	1
Unrealised movements on borrowings and derivatives	**18**	20	**–**	–
General insurance claims costs	**24**	28	**–**	–
Losses available for offset against future taxable income	**–**	42	**76**	32
Other	**77**	54	**–**	8
Total deferred tax assets	**292**	266	**82**	41
(d) Analysis of deferred tax liability				
Unrealised investment gains	**1,782**	1,545	**–**	–
Unrealised movements on borrowings and derivatives	**29**	30	**–**	–
Other	**17**	24	**–**	–
Total deferred tax liability	**1,828**	1,599	**–**	–
(e) Unused tax losses and deductible temporary differences not recognised				
Revenue losses	**257**	246	**–**	–
Capital losses	**581**	564	**–**	–

6. Receivables

	Note	Consolidated 2006 $m	Consolidated 2005 $m	Parent 2006 $m	Parent 2005 $m
Investment income and sales proceeds receivable[1]		**825**	628	**–**	–
Life and general insurance contract premiums receivable		**291**	288	**–**	–
Reinsurance and other recoveries receivable	21	**92**	115	**–**	–
Reinsurers' share of life insurance contract liabilities		**35**	44	**–**	–
Trade debtors[2]		**121**	78	**–**	–
Other receivables					
– subsidiaries – tax related amounts		**–**	–	**490**	149
– subsidiaries – other		**–**	–	**17**	7
– associated entities		**1**	1	**–**	–
– other entities[1]		**170**	233	**–**	–
Total receivables[3]		**1,535**	1,387	**507**	156

Footnote:
1 In some cases, comparative information in relation to the analysis of underlying investments between investment income and sales proceeds receivable, and other receivables has been reclassified to be consistent with current period disclosure.
2 The consolidated balances include trade debtors of investment entities controlled by the life statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group.
3 $571m (2005: $652m) 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 2006 $m	Consolidated 2005 $m	Parent 2006 $m	Parent 2005 $m
Equity securities				
Directly held				
– associated entities	**338**	366	**–**	–
– other entities	**43,532**	32,692	**–**	–
Held via unit trusts				
– associated entities	**769**	3,855	**–**	–
– other entities	**746**	1,269	**–**	–
Total equity securities	**45,385**	38,182	**–**	–
Debt securities[1]				
Interest bearing securities directly held	**19,250**	19,039	**–**	–
Interest bearing securities held via unit trusts				
– associated entities	**161**	79	**–**	–
– other entities	**4,255**	4,444	**–**	–
Secured loans				
– associated entities	**–**	1	**–**	–
– other entities	**7,899**	6,712	**–**	–
Unsecured loans				
– subsidiaries	**–**	–	**517**	572
– associated entities	**1**	–	**–**	–
– other entities	**412**	531	**–**	–
Convertible notes	**29**	39	**–**	–
Total debt securities[2]	**32,007**	30,845	**517**	572
Property securities				
Held via unit trusts				
– associated entities	**2,156**	2,148	**–**	–
– other entities	**3,470**	2,899	**–**	–
Total property securities[3]	**5,626**	5,047	**–**	–
Other financial assets				
Cash securities held via unit trusts	**1,025**	1,070	**–**	–
Other financial assets[4]	**1,600**	852	**–**	–
Total other financial assets	**2,625**	1,922	**–**	–
Investments in controlled entities	**–**	–	**7,443**	8,193

Footnote:
1 All debt securities are recorded at fair value, with the exception of $7,592m (2005: $6,753m) of interest bearing securities and secured loans held by banking operations which are recorded at amortised cost.
2 Total debt securities includes $4,976m (2005: $4,469m) of debt securities in consolidated securitisation vehicles.
3 In some cases, comparative information in relation to the analysis of underlying investments between property securities and investment property (Note 8) has been reclassified to be consistent with current period disclosure.
4 The other category includes derivative financial assets and investment held via vehicles such as joint ventures and partnerships.

8. Investment property

	Consolidated		Parent	
	2006 $m	2005 $m	2006 $m	2005 $m
Investment property				
Directly held	**7,841**	5,766	**–**	–
Total investment property[1]	**7,841**	5,766	**–**	–
Movements in investment property				
Balance at the beginning of the period	**5,766**	6,032	**–**	–
Additions				
– through direct acquisitions[2]	**834**	212	**–**	–
– subsequent expenditure recognised in carrying amount	**223**	138	**–**	–
Acquisitions through business combinations	**225**	–	**–**	–
Disposals[2]	**(162)**	(1,052)	**–**	–
Net gains (losses) from fair value adjustments	**956**	433	**–**	–
Foreign currency exchange differences	**(1)**	3	**–**	–
Balance at the end of the period	**7,841**	5,766	**–**	–

Footnote:
1 In some cases, comparative information in relation to the analysis of underlying investments between investment property and property securities (Note 7) has been reclassified to be consistent with current period disclosure.
2 Additions through direct acquisitions and Disposals include amounts for investment entities in which the life statutory funds hold a controlling equity interest.

9. Property, plant and equipment

2006	Owner-Occupied Property $m	Leasehold Improvements $m	Plant & Equipment[1] $m	Total $m
Property, plant and equipment				
Gross carrying amount	**300**	**66**	**280**	**646**
Less: accumulated depreciation and impairment losses	**–**	**(36)**	**(108)**	**(144)**
Property, plant and equipment at written down value	**300**	**30**	**172**	**502**
Movements in property, plant and equipment				
Balance at the beginning of the period	**261**	**34**	**41**	**336**
Additions				
– through direct acquisitions	**–**	**1**	**17**	**18**
– subsequent expenditure recognised in carrying amount	**4**	**–**	**–**	**4**
Acquisitions through business combinations	**–**	**–**	**143**	**143**
Disposals	**–**	**–**	**(16)**	**(16)**
Increases (decreases) from revaluations and impairment losses recognised directly in equity	**35**	**–**	**–**	**35**
Depreciation expense for the period	**–**	**(5)**	**(13)**	**(18)**
Balance at the end of the period	**300**	**30**	**172**	**502**

2005	Owner-Occupied Property $m	Leasehold Improvements $m	Plant & Equipment[1] $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

Footnote:
1 The consolidated balances include operating assets of investment entities controlled by the life statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group.

10. Other assets

	Consolidated 2006 $m	Consolidated 2005 $m	Parent 2006 $m	Parent 2005 $m
Inventories	**41**	17	**–**	–
Prepayments	**62**	61	**–**	–
Other assets	**52**	49	**–**	–
Total other assets[1,2]	**155**	127	**–**	–

Footnote:
1 $95m (2005: $86m) of Total other assets is expected to be realised 12 months or more from the reporting date.
2 The consolidated balances include other assets of investment entities controlled by the life statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group.

11. Intangibles

2006	Goodwill[1] $m	Capitalised costs $m	Management rights $m	Total $m
Intangibles				
Gross carrying amount	**731**	**232**	**24**	**987**
Less: accumulated amortisation and / or impairment losses	**–**	**(123)**	**(2)**	**(125)**
Intangibles at written down value	**731**	**109**	**22**	**862**
Movements in intangibles				
Balance at the beginning of the period	**517**	**109**	**6**	**632**
Additions through acquisitions of controlled entities[1]	**214**	**2**	**–**	**216**
Additions through separate acquisition	**–**	**–**	**16**	**16**
Additions through internal development	**–**	**59**	**–**	**59**
Amortisation expense for the period	**–**	**(36)**	**–**	**(36)**
Impairment losses (recognised) or reversed in profit[2]	**–**	**(28)**	**–**	**(28)**
Other movements	**–**	**3**	**–**	**3**
Balance at the end of the period	**731**	**109**	**22**	**862**

2005	Goodwill $m	Capitalised costs $m	Management rights $m	Total $m
Intangibles				
Gross carrying amount	517	199	8	724
Less: accumulated amortisation and / or impairment losses	–	(90)	(2)	(92)
Intangibles at written down value	517	109	6	632
Movements in intangibles				
Balance at the beginning of the period	517	95	15	627
Additions through internal development	–	58	–	58
Amortisation expense for the period	–	(37)	(3)	(40)
Impairment losses (recognised) or reversed in profit	–	(6)	(6)	(12)
Other movements	–	(1)	–	(1)
Balance at the end of the period	517	109	6	632

Footnote:

1 The increase in goodwill during the period of $214m arose on acquisitions of investment entities controlled by the life statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group. The balance of goodwill of $517m is attributable to the shareholders of AMP Limited.

2 Capitalised costs are required to be amortised over their estimated useful lives as well as being assessed for indicators of impairment at each reporting date. Impairment testing carried out during the period indicated that the carrying value of some capitalised costs exceeded their recoverable amount due to such factors as obsolescence or reassessment of the assets' estimated useful lives. Consequently these capitalised costs were written down to their recoverable amount.

Impairment testing for goodwill

Goodwill attributable to shareholders

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 at 31 December 2006 confirmed that there has been no impairment in the value of goodwill at that date.

Goodwill attributable to policyholders

The policyholder goodwill amount arose during the period on acquisitions of investment entities controlled by the life statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group.

The amount of goodwill is subject to annual impairment testing which is carried out at the level of each of the operating entities acquired. Impairment testing is carried out by comparing the recoverable amount of the investment in each operating entity with their fair values less costs to sell. Fair value is established using valuation techniques including the use of recent arm's length transactions and valuations based on earning multiples. Valuations performed at 31 December 2006 confirmed that there had been no impairment in the value of goodwill at that date.

12. Payables

	Consolidated		Parent	
	2006 $m	2005 $m	2006 $m	2005 $m
Investment purchases payable	**374**	687	**–**	–
Life insurance and investment contracts in process of settlement	**204**	254	**–**	–
Accrued expenses	**109**	95	**–**	–
Interest payable	**90**	70	**–**	–
Trade creditors[1]	**81**	36	**–**	–
Other payables				
– associated entities	**2**	2	**–**	–
– other entities	**695**	612	**2**	1
Total payables[2]	**1,555**	1,756	**2**	1

Footnote:
1 The consolidated balances include Trade creditors of investment entities controlled by the life statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group.
2 $554m (2005: $709m) of Total payables is expected to be settled 12 months or more from the reporting date.

13. Provisions

	Consolidated		Parent	
	2006 $m	2005 $m	2006 $m	2005 $m
(a) Provisions				
Employee entitlements	**212**	163	**5**	5
Restructuring	**10**	10	**–**	–
Other	**168**	155	**–**	–
Total provisions[1]	**390**	328	**5**	5

	Employee entitlements $m	Restructuring $m	Other $m	Total $m
(b) Movements in provisions – consolidated				
Balance at the beginning of the period	**163**	**10**	**155**	**328**
Additional provisions recognised	**171**	**3**	**183**	**357**
Reductions from remeasurement or settlement without cost	**(1)**	**–**	**(2)**	**(3)**
Payments/other sacrifices of economic benefits	**(122)**	**(3)**	**(140)**	**(265)**
Other movements	**1**	**–**	**(28)**	**(27)**
Additions (reductions) through foreign exchange movements	**–**	**–**	**(1)**	**(1)**
Additions (reductions) through acquisition or disposal	**–**	**–**	**1**	**1**
Balance at the end of the period	**212**	**10**	**168**	**390**

	Employee entitlements $m	Restructuring $m	Other $m	Total $m
(b) Movements in provisions – parent				
Balance at the beginning of the period	**5**	**–**	**–**	**5**
Additional provisions recognised	**4**	**–**	**–**	**4**
Reductions from remeasurement or settlement without cost	**–**	**–**	**–**	**–**
Payments/other sacrifices of economic benefits	**(4)**	**–**	**–**	**(4)**
Balance at the end of the period	**5**	**–**	**–**	**5**

Footnote:
1 $59m (2005: $150m) of Total provisions is expected to be settled 12 months or more from the reporting date.

14. Borrowings

	Note	Consolidated 2006 $m	Consolidated 2005 $m	Parent 2006 $m	Parent 2005 $m
Bank overdrafts		**109**	78	**–**	–
Bank loans	22(g)	**237**	108	**–**	–
Bonds and notes[1]	22(g)	**7,608**	6,925	**–**	–
Deposits[2]		**2,030**	1,970	**–**	–
Other loans					
– subsidiaries		**–**	–	**83**	–
– other entities		**4**	9	**–**	–
Total borrowings[3,4]		**9,988**	9,090	**83**	–

Footnote:
1 The AMP group uses interest rate swaps and cross currency swaps to manage interest rate and currency risk inherent in certain debt issues. The group continued to achieve hedge accounting for the current period resulting in the carrying value of bonds and notes being $60m lower (2005: $36m lower) reflecting changes in fair value of the underlying hedged item for the period that the 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 $9,083m (2005: $8,198m).
ii) Corporate activities of AMP – borrowings of $905m (2005: $892m).
4 Total borrowings include $5,031m (2005: $4,601m) of debt in consolidated securitisation vehicles.

15. Subordinated debt

	Consolidated 2006 $m	Consolidated 2005 $m	Parent 2006 $m	Parent 2005 $m
Subordinated Floating Rate Note (3 month BBSW + 0.56% maturing in April 2009)	**100**	100	**–**	–
7.125% GBP Subordinated Guaranteed Step-Up Bonds (maturing 2019)	**247**	241	**–**	–
6.875% GBP Subordinated Guaranteed Bonds (maturing 2022)	**88**	87	**–**	–
Total subordinated debt[1,2]	**435**	428	**–**	–

Footnote:
1 The AMP group uses interest rate swaps and cross currency swaps to manage interest rate and currency risk inherent in certain debt issues. The group continued to achieve hedge accounting for the current period resulting in the carrying value of subordinated debt being $10m lower (2005: $4m higher) reflecting changes in fair value of the underlying hedged item for the period that the effective hedge relationships were in place.
2 Subordinated debt includes amounts to fund:
i) AMP Bank – subordinated debt of $100m (2005: $100m).
ii) Corporate activities of AMP – subordinated debt of $335m (2005: $328m).

16. Dividends

	Consolidated 2006 $m	Consolidated 2005 $m	Parent 2006 $m	Parent 2005 $m
Final dividends paid 2005 paid in 2006: 18 cents per ordinary share franked to 75% (2004 paid in 2005: 14 cents per ordinary share franked to 75%)	**337**	260	**337**	260
Interim dividends paid 2006: 19 cents per ordinary share franked to 85% (2005: 14 cents per ordinary share franked to 75%)	**356**	262	**356**	262
Total dividends paid[1,2]	**693**	522	**693**	522
Final dividend proposed but not recognised 2006: 21 cents per ordinary share franked to 85%[3]	**394**	n/a	**394**	n/a

	Consolidated 2006 $m	Consolidated 2005 $m	Parent 2006 $m	Parent 2005 $m
Dividend franking account[4,5] Franking credits available to shareholders of AMP Limited (at 30%)	**239**	174	**239**	174

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 $143m.

17. Contributed equity

	Consolidated 2006 $m	Consolidated 2005 $m	Parent 2006 $m	Parent 2005 $m
Movements in issued capital				
Balance at the beginning of the period	**4,959**	5,636	**4,959**	5,636
Reduction in share capital through Capital return[1]	**(750)**	(746)	**(750)**	(746)
4,957,739 (2005: 9,735,714) shares issued under Dividend Reinvestment Plan[2]	**44**	69	**44**	69
1,829 (2005: 7,623) shares issued to former members of the AMP Society[3]	**–**	–	**–**	–
Balance at the end of the period	**4,253**	4,959	**4,253**	4,959
Total issued capital				
1,874,851,575 (2005: 1,869,892,007) ordinary shares fully paid	**4,253**	4,959	**4,253**	4,959
Movements in 'treasury shares'[4]				
Balance at the beginning of the period	**(210)**	(220)	**–**	–
Decrease (increase) in cost of 'treasury shares' due to sales and purchases	**13**	(3)	**–**	–
Decrease in cost of 'treasury shares' due to capital return	**11**	13	**–**	–
Balance at the end of the period	**(186)**	(210)	**–**	–
Total contributed equity				
1,847,637,683 (2005: 1,839,095,014) ordinary shares fully paid[4]	**4,067**	4,749	**4,253**	4,959

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 16 February 2006, AMP announced a proposed 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 18 May 2006. The record date for determining entitlement to the capital return was 25 May 2006 and payment was made on 19 June 2006.
On 17 February 2005, AMP announced a proposed 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 determining 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 (DRP), shareholders may elect to have part of their dividend entitlements satisfied in shares rather than being paid in cash. Shares were issued under the DRP for the 2005 final dividend (paid in April 2006) at $8.78 per share, the 2005 interim dividend (paid in October 2005) at $7.30 per share, and the 2004 final dividend (paid in April 2005) at $6.91 per share. No shares were issued in relation to the 2006 interim dividend. Shares were purchased on market and transferred to DRP participants.

3 The former members of AMP Society exchanged their membership rights for shares in AMP Limited on demutualisation. 1,043,355,071 (2005: 1,043,353,242) 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 Of the ordinary shares on issue, AMP Life Limited (a wholly owned controlled entity) holds 27,213,892 (2005: 30,796,993) 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 2006 $m	Consolidated 2005 $m	Parent 2006 $m	Parent 2005 $m
Capital reserve[1]				
Balance at the beginning of the period	**510**	510	**510**	510
Movements during the period	**(1)**	–	**(1)**	–
Balance at the end of the period	**509**	510	**509**	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	**19**	13	**5**	2
Expense during the period	**10**	9	**2**	2
Share purchases	**(21)**	(3)	**(6)**	–
Balance at the end of the period	**8**	19	**1**	4
Cash flow hedges reserve[4]				
Balance at the beginning of the period	**3**	3	**–**	–
Gains from changes in fair value	**15**	1	**–**	–
Transferred to income statement	**–**	(1)	**–**	–
Balance at the end of the period	**18**	3	**–**	–
Owner-occupied property revaluation reserve[5]				
Balance at the beginning of the period	**26**	–	**–**	–
Revaluations during the period	**35**	26	**–**	–
Balance at the end of the period	**61**	26	**–**	–
Foreign currency translation reserve[6]				
Balance at the beginning of the period	**6**	5	**–**	–
Net translation adjustment on self sustaining foreign operations	**(19)**	1	**–**	–
Balance at the end of the period	**(13)**	6	**–**	–
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	**(1,983)**	(2,002)	**510**	514

18. Reserves and retained earnings continued

	Note	Consolidated 2006 $m	Consolidated 2005 $m	Parent 2006 $m	Parent 2005 $m
Retained earnings					
Balance at the beginning of the period		**63**	(240)	**3,336**	3,344
Net profit (loss) after tax attributable to shareholders of AMP Limited		**915**	790	**567**	514
Defined benefit fund actuarial gains and losses[8]		**28**	19	**–**	–
Gain (loss) on sale of 'treasury shares' recognised directly in retained earnings		**5**	7	**–**	–
Dividends paid[9]	16	**(693)**	(522)	**(693)**	(522)
Less: dividends paid on 'treasury shares'[9]		**10**	9	**–**	–
Balance at the end of the period		**328**	63	**3,210**	3,336

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 As explained in Note 1, the adoption of the revised AASB 119 has resulted in actuarial gains and losses on employer-sponsored defined benefit funds now being recognised directly in retained earnings. Previously, these amounts were recognised in the Income statement.

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

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

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

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

Business type	Method	Profit carriers (for business valued using projection method)
Conventional	Projection	Bonuses
Investment Account	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 2006		31 December 2005	
Business type		Basis	Australia	New Zealand	Australia	New Zealand
Retail risk		10 year government bond rate	**6.0%**	**6.0%**	5.3%	5.8%
Group risk	Outstanding claims	2 year government bond rate	**6.3%**	**n/a**	5.3%	n/a
Life annuities	Non-CPI	Zero coupon inter-bank swap curve	**6.1%–6.7%**	**n/a**	5.7%–5.8%	n/a
	CPI	Commonwealth Indexed Bond curve + 20 bp	**2.9%–3.2%**	**n/a**	2.4%–2.7%	n/a
	New Zealand	Government Bond curve + 45 bp	**n/a**	**4.3%–4.8%**	n/a	4.1%–4.3%

(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 2006	**3.0%**	**2.5%**	**2.0%**	**0.5%**	**0.0%**	**(0.5%)**
31 December 2005	3.0%	2.5%	2.0%	0.5%	0.0%	(1.0%)
New Zealand						
31 December 2006	**3.0%**	**2.5%**	**2.0%**	**0.5%**	**0.0%**	**(0.5%)**
31 December 2005	3.0%	2.5%	2.0%	0.5%	0.0%	(1.0%)

19. Life insurance contracts continued

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. 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 2006	**31%**	**12%**	**41%**	**16%**
31 December 2005	31%	12%	42%	15%
New Zealand				
31 December 2006	**38%**	**17%**	**38%**	**7%**
31 December 2005	38%	17%	38%	7%

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

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

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

Typical supportable bonus rates on major product lines are as follows (31 December 2005 in parentheses).

Reversionary bonus	Bonus on sum insured	Bonus on existing bonuses
Australia	1.2%–1.5% (0.7%–1.0%)	1.5%–2.2% (1.0%–1.5%)
New Zealand	0.5%–0.7% (0.5%–0.7%)	0.5%–0.7% (0.5%–0.7%)

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

Crediting rates (investment account)	
Australia	3.7%–7.2% (2.4%–5.8%)
New Zealand	3.1%–4.3% (2.0%–4.1%)

(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 Life group. Unit costs vary by product line and class of business based on an apportionment that is supported by expense analyses.

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

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

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

The assumed annual inflation rates for both CPI and expenses at the valuation date are:

	Australia	New Zealand
31 December 2006	**3.2% CPI, 3.0% Expenses**	**2.6%**
31 December 2005	3.1%	2.5%

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

Future rates of discontinuance used at 31 December 2006 are unchanged from those assumed at 31 December 2005 except for:
– Australia – a reduction in Flexible Lifetime Super risk and Investment Account withdrawal rates
– New Zealand – lower withdrawal rates on disability income business as well as 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 2006		31 December 2005	
Business type	**Australia**	**New Zealand**	**Australia**	**New Zealand**
Conventional	**3.4–4.0%**	**2.3%**	3.7–4.4%	2.3–2.4%
Investment account	**10–15%**	**–**	15–25%	–
Retail risk	**10–11%**	**6.7–7.6%**	10–11%	6.7–8.7%

(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) that would materially affect the valuation results.

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

Following analysis of the latest available data, rates of mortality assumed at 31 December 2006 are lower than those assumed at 31 December 2005 in Australia and New Zealand. Rates of annuitant mortality in Australia and New Zealand have been reduced and some relativities by age and sex have changed.

Typical mortality assumptions, in aggregate, are as follows:

	Conventional – % of IA95-97		Term – % of IA95-97	
Risk products	**Male**	**Female**	**Male**	**Female**
Australia	80%	80%	67%	67%
New Zealand	78%	78%	67%	67%

Annuities	**Male – % of IM80**	**Female – % of IF80**
Australia	72% in 2006	61% 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 Life's experience, with the adjustment dependent on age, sex, waiting period, occupation, smoking status and claim duration. For Australia and New Zealand, the incidence and termination rates as at 31 December 2006 remain unchanged from those at 31 December 2005.

For trauma cover, standard tables are not available and so assumptions are mostly based on Australian population statistics, with adjustment for smoking status as well as AMP Life's recent claim experience. Assumptions at 31 December 2006 are unchanged from those used at 31 December 2005.

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

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 2005 to 31 December 2006 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	3
Mortality and morbidity	129
Discontinuance rates	115
Maintenance expenses	(2)
Other assumptions	2

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

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

(b) Insurance risk sensitivity analysis – life insurance contracts

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

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

		Change in life insurance contract liabilities		Change in shareholder profit after income tax, and equity	
Variable		Gross of reinsurance $m	Net of reinsurance $m	Gross of reinsurance $m	Net of reinsurance $m
Mortality	10% increase in mortality rates	(2)	(2)	2	2
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	4	1	(3)	–
Discontinuance rates	10% increase in discontinuance rates	–	–	–	–
Maintenance expenses	10% increase in maintenance expenses	1	1	(1)	(1)

19. Life insurance contracts continued

	Consolidated 2006 $m	Consolidated 2005 $m	Parent 2006 $m	Parent 2005 $m
(c) Analysis of life insurance contract premium and related revenue				
Total life insurance contract premiums received and receivable	**1,964**	2,043	**–**	–
Less: component recognised as a change in life insurance contract liabilities	**(1,093)**	(1,198)	**–**	–
Life insurance contract premium revenue[1]	**871**	845	**–**	–
Reinsurance recoveries	**25**	31	**–**	–
Total life insurance contract premium and related revenue	**896**	876	**–**	–

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

	Consolidated 2006 $m	Consolidated 2005 $m	Parent 2006 $m	Parent 2005 $m
(d) Analysis of life insurance contract claims and related expenses				
Total life insurance contract claims paid and payable	**(3,024)**	(3,081)	**–**	–
Less: component recognised as a change in life insurance contract liabilities	**1,790**	1,853	**–**	–
Life insurance contract claims expense	**(1,234)**	(1,228)	**–**	–
Outwards reinsurance expense	**(37)**	(34)	**–**	–
Total life insurance contract claims and related expenses	**(1,271)**	(1,262)	**–**	–
(e) Analysis of life insurance contract operating expenses				
Life insurance contract acquisition expenses				
– Commission	**(42)**	(45)	**–**	–
– Other	**(72)**	(68)	**–**	–
Life insurance contract maintenance expenses				
– Commission	**(62)**	(59)	**–**	–
– Other	**(263)**	(238)	**–**	–
Investment management expenses	**(49)**	(46)	**–**	–

19. Life insurance contracts continued

	Consolidated 2006 $m	Consolidated 2005 $m	Parent 2006 $m	Parent 2005 $m
(f) Life insurance contract liabilities				
Life insurance contract liabilities determined using projection method				
Best estimate liability				
– Value of future life insurance contract benefits	**11,949**	12,316	**–**	–
– Value of future expenses	**2,487**	2,288	**–**	–
– Value of future premiums	**(8,498)**	(7,698)	**–**	–
Value of future profits				
– Life insurance contract holder bonuses	**3,079**	2,584	**–**	–
– Shareholders' profit margins	**2,475**	2,010	**–**	–
Total life insurance contract liabilities determined using the projection method	**11,492**	11,500	**–**	–
Life insurance contract liabilities determined using accumulation method				
Best estimate liability				
– Value of future life insurance contract benefits	**7,608**	7,800	**–**	–
– Value of future acquisition expenses	**(21)**	(25)	**–**	–
Total life insurance contract liabilities determined using accumulation method	**7,587**	7,775	**–**	–
Value of declared bonus	**515**	465	**–**	–
Unvested life insurance contract holder benefits[1]	**1,346**	1,158	**–**	–
Total life insurance contract liabilities before reinsurance	**20,940**	20,898	**–**	–
Add: Reinsurers share of life insurance contract liabilities	**34**	44	**–**	–
Total life insurance contract liabilities	**20,974**	20,942	**–**	–

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 Act, 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 2006 $m	Consolidated 2005 $m	Parent 2006 $m	Parent 2005 $m
(g) Reconciliation of changes in life insurance contract liabilities					
Total life insurance contract liabilities at the beginning of the period		**20,942**	20,639	**–**	–
Change in life insurance contract liabilities recognised in the Income statement		**794**	948	**–**	–
Premiums recognised as an increase in life insurance contract liabilities	19(c)	**1,093**	1,198	**–**	–
Claims recognised as a decrease in life insurance contract liabilities	19(d)	**(1,790)**	(1,853)	**–**	–
Change in reinsurers share of life insurance contract liabilities		**(9)**	(5)	**–**	–
Foreign exchange adjustment		**(56)**	15	**–**	–
Total life insurance contract liabilities at the end of the period	19(f)	**20,974**	20,942	**–**	–

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

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

19. Life insurance contracts continued

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

AMP Life reinsures (cedes) to specialist reinsurance companies a proportion of its portfolio or certain types of insurance risk. This serves primarily to:
– reduce the net liability on large individual risks
– obtain greater diversification of insurance risks
– provide protection against large losses.

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

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

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

20. Other life insurance and investment contracts disclosures

	Consolidated 2006 $m	Consolidated 2005 $m	Parent 2006 $m	Parent 2005 $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	**363**	320	**–**	–
– Profits (losses) arising from difference between actual and assumed experience[1]	**150**	11	**–**	–
Profit related to life insurance and investment contract liabilities	**513**	331	**–**	–
Attributable to:				
– Life insurance contracts	**285**	208	**–**	–
– Investment contracts	**228**	123	**–**	–
Investment earnings on assets in excess of life insurance and investment contract liabilities	**103**	104	**–**	–

Footnote:
1 2006 experience profits include the impact of the reversal of discounting of deferred tax in unit prices of investment contract liabilities (refer Note 1(d), a profit of $62m in 2006, a mismatch loss of $22m in 2005). Other experience profits arise from the differences in actual mortality, morbidity, voluntary discontinuance and investment experience compared to that assumed.

(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 2006 $m	Consolidated 2005 $m	Parent 2006 $m	Parent 2005 $m
Life insurance contracts with a discretionary participating feature				
– Amount of the liabilities that relate to guarantees	**14,810**	15,273	**–**	–
Investment linked contracts				
– Amount of the liabilities subject to investment performance guarantees	**1,115**	1,069	**–**	–
Other life insurance contracts with a guaranteed termination value				
– Current termination value	**173**	188	**–**	–

20. Other life insurance and investment contracts disclosures continued

(d) Solvency and capital adequacy

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

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

Solvency requirements

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

The Appointed 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 2006 were 71% (31 December 2005: 57%).

Capital adequacy requirements

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

The Appointed Actuary of AMP Life has confirmed that the available assets of each life statutory fund have exceeded the capital adequacy reserve required at all times during the reporting 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 2006 was 12% (31 December 2005: 17%).

(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 and Note 19.

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

Based on assumptions as to likely withdrawal patterns of the various product groups, it is estimated that approximately $9,305m (2005: $9,182m) of policy liabilities may be settled within 12 months of the reporting date.

(g) Disaggregated information

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

21. General insurance contracts

	Consolidated 2006 $m	Consolidated 2005 $m	Parent 2006 $m	Parent 2005 $m
(a) Analysis of general insurance underwriting result				
Direct insurance premiums	**1**	2	**–**	–
Inwards reinsurance premiums	**(1)**	4	**–**	–
Reinsurance and other recoveries	**21**	14	**–**	–
Total premium and related revenue	**21**	20	**–**	–
Direct claims expense	**11**	(47)	**–**	–
Inwards reinsurance claims expense	**35**	22	**–**	–
Outwards reinsurance expense	**(1)**	1	**–**	–
Total claims and related expenses	**45**	(24)	**–**	–
Other underwriting income	**–**	2	**–**	–
Underwriting expenses	**–**	(2)	**–**	–
Underwriting result[1]	**66**	(4)	**–**	–

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 and losses (including investment gains and 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 2006 $m	Consolidated 2005 $m	Parent 2006 $m	Parent 2005 $m
Direct insurance				
Gross claims incurred and related expenses – undiscounted	**(8)**	13	**–**	–
Reinsurance and other recoveries – undiscounted	**(23)**	–	**–**	–
Net claims incurred – undiscounted	**(31)**	13	**–**	–
Discount and discount movement – gross claims incurred	**(3)**	34	**–**	–
Discount and discount movement – reinsurance and other recoveries	**1**	(11)	**–**	–
Net discount movement	**(2)**	23	**–**	–
Net claims incurred – direct insurance	**(33)**	36	**–**	–
Inwards reinsurance				
Gross claims incurred and related expenses – undiscounted	**(69)**	(38)	**–**	–
Reinsurance and other recoveries – undiscounted	**1**	(2)	**–**	–
Net claims incurred – undiscounted	**(68)**	(40)	**–**	–
Discount and discount movement – gross claims incurred	**34**	15	**–**	–
Discount and discount movement – reinsurance and other recoveries	**–**	–	**–**	–
Net discount movement	**34**	15	**–**	–
Net claims incurred – inwards reinsurance	**(34)**	(25)	**–**	–
Total net claims incurred	**(67)**	11	**–**	–

21. General insurance contracts continued

	Consolidated 2006 $m	Consolidated 2005 $m	Parent 2006 $m	Parent 2005 $m
(c) Analysis of outstanding claims				
Gross central estimate of present value of future claims payments	**686**	902	**–**	–
Risk margin	**119**	135	**–**	–
Total outstanding claims liability	**805**	1,037	**–**	–
Percentage risk margin adopted in determining the outstanding claims liability	**17%**	15%	**–**	–
Probability of sufficiency achieved by the risk margin	**75%**	75%	**–**	–
The expected settlement pattern of the outstanding claims liability is as follows:				
Current	**143**	179	**–**	–
Non-current	**662**	858	**–**	–
Total outstanding claims liability	**805**	1,037	**–**	–
The liability for outstanding claims is segmented as follows:				
Direct insurance	**416**	467	**–**	–
Inwards reinsurance	**389**	570	**–**	–
Total outstanding claims liability	**805**	1,037	**–**	–

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.

(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.

21. General insurance contracts continued

	Inwards reinsurance		Direct insurance		Total	
	Net $m	Gross $m	Net $m	Gross $m	Net $m	Gross $m
31 December 2001	**5,863**	**6,386**	**2,038**	**2,818**	**7,901**	**9,204**
31 December 2002	**5,818**	**6,375**	**2,060**	**2,909**	**7,878**	**9,284**
31 December 2003	**5,773**	**6,325**	**2,095**	**2,923**	**7,868**	**9,248**
31 December 2004	**5,766**	**6,312**	**2,042**	**2,842**	**7,808**	**9,154**
31 December 2005	**5,738**	**6,269**	**2,062**	**2,891**	**7,800**	**9,160**
31 December 2006	**5,759**	**6,289**	**2,042**	**2,884**	**7,801**	**9,173**
Current estimate of cumulative claims[1]	**5,759**	**6,289**	**2,042**	**2,884**	**7,801**	**9,173**
Cumulative payments[1]	**(5,420)**	**(5,949)**	**(1,789)**	**(2,489)**	**(7,209)**	**(8,438)**
Undiscounted central estimate at 31 December 2006	**339**	**340**	**253**	**395**	**592**	**735**
Effect of discounting	**(56)**	**(56)**	**(50)**	**(70)**	**(106)**	**(126)**
Discounted central estimate	**283**	**284**	**203**	**325**	**486**	**609**
Risk margin						**119**
Claims handling provision						**77**
Outstanding claims as per the Balance sheet						**805**

Footnote:
1 The Current estimate of cumulative claims and Cumulative payments include amounts already settled.

	Consolidated		Parent	
	2006 $m	2005 $m	2006 $m	2005 $m
(e) Reinsurance and other recoveries receivable				
Reinsurance recoveries receivable on the outstanding claims liability	**76**	81	**–**	–
Reinsurance recoveries receivable on paid claims	**16**	34	**–**	–
Total reinsurance and other recoveries receivable[1]	**92**	115	**–**	–

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		Parent	
	2006 $m	2005 $m	2006 $m	2005 $m
Reinsurance and other recoveries receivable				
Reinsurance and other recoveries receivable at the beginning of the period	**115**	174	**–**	–
Reinsurance and other recoveries received in the period	**(26)**	(35)	**–**	–
Effect of changes in assumptions	**3**	(24)	**–**	–
Effect of changes in exchange rates	**–**	–	**–**	–
Reinsurance and other recoveries receivable at the end of the period	**92**	115	**–**	–
Outstanding claims liability				
Gross outstanding claims at the beginning of the period	**1,037**	1,243	**–**	–
Claims payments made in the period	**(210)**	(217)	**–**	–
Effect of changes in assumptions	**(9)**	(7)	**–**	–
Effect of changes in exchange rates	**(13)**	18	**–**	–
Gross outstanding claims at the end of the period	**805**	1,037	**–**	–

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 tail classes when compared to short tail 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.

(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.

21. General insurance contracts continued

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 31/12/2006			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 years	11.6	10.3
			–0.5 years	(13.2)	(11.4)
Reinsurance percentage (as % of gross IBNR)	n/a	10%	+1%	–	0.2
			–1%	–	(0.4)
Discount Rate[1]	6%	5%	+1%	17.1	16.0
			–1%	(19.1)	(17.0)
Expense Rate	13%	n/a	+1%	(4.8)	(4.5)
			–1%	4.8	4.5
Ultimate to incurred claims ratio[2]	104%	104%	+1%	(24.3)	(20.5)
			–1%	14.2	12.7

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* and GPS 230 *Reinsurance* issued by the Australian Prudential Regulation Authority (APRA), the relevant subsidiary boards and senior management have developed, implemented and maintain a 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.

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.

There is limited scope to improve the existing terms and conditions. The general insurance operations have been in orderly run-off since 1999, and no new contracts have been entered into since that time.

Concentration of insurance risk
The exposure to concentrations of insurance risk is able to be mitigated with the purchase of reinsurance where management believes that the price / risk transfer is suitable.

22. Risk management and financial instruments information

The AMP group's risk management 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
- liquidity and re-financing risk
- credit risk.

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

(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 indirectly observable variables 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 and 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 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 at a fixed rate. At the balance date, 60% (2005: 50%) of the AMP group's borrowings and subordinated debt were effectively 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 bases (basis risk). AMP Bank uses natural offsets, 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' liabilities 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. AMP Life manages interest rate and market risks pursuant to an asset and liability management policy that has regard to policyholder expectations and risks to the 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 re-pricing 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

2006	Non interest bearing $m	Interest bearing – Contractual repricing or maturity date (whichever is earlier) 1 year or less $m	1–5 years $m	5 years or more $m	Total carrying amount $m	Weighted average effective interest rate
Financial assets						
Cash and cash equivalents	15	1,093	–	–	1,108	6.0%
Receivables	1,535	–	–	–	1,535	–
Equity securities	45,385	–	–	–	45,385	–
Debt securities						
– Interest bearing securities	–	8,248	5,860	5,142	19,250	6.0%
– Loans associated entities	1	–	–	–	1	–
– Loans secured	160	773	650	6,316	7,899	7.2%
– Loans unsecured	63	120	27	202	412	7.4%
– Convertible notes	–	2	19	8	29	7.0%
– Debt unit trusts	4,416	–	–	–	4,416	–
Property securities	5,626	–	–	–	5,626	–
Other financial assets	1,594	995	35	1	2,625	–
Total financial assets	58,795	11,231	6,591	11,669	88,286	
Other assets					9,652	
Total assets					97,938	
Financial liabilities						
Payables	1,555	–	–	–	1,555	–
Borrowings						
– Bank overdrafts	–	109	–	–	109	6.7%
– Bank loans	–	80	157	–	237	7.6%
– Bonds and notes	–	648	1,542	5,418	7,608	6.6%
– Deposits	12	1,785	226	7	2,030	5.7%
– Other loans	4	–	–	–	4	–
Subordinated debt						
– 6.875% GBP Subordinated Guaranteed Bonds	–	–	–	88	88	8.6%
– 7.125% GBP Subordinated Guaranteed Step-Up Bonds	–	–	247	–	247	8.8%
– Subordinated Floating Rate Note	–	–	–	100	100	7.1%
Other financial liabilities	–	41	17	7	65	–
Investment contract liabilities	46,668	–	–	–	46,668	–
Total financial liabilities	48,239	2,663	2,189	5,620	58,711	
Other liabilities					36,773	
Total liabilities					95,484	
Impact of interest rate swaps[1]		(1,104)	1,287	(183)		
Total financial liabilities after interest rate swaps		1,559	3,476	5,437		

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

2005	Non interest bearing $m	Interest bearing – Contractual repricing or maturity date (whichever is earlier) – 1 year or less $m	1–5 years $m	5 years or more $m	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	5,047	–	–	–	5,047	–
Other financial assets	1,882	33	4	3	1,922	–
Total financial assets	51,209	8,495	5,583	13,074	78,361	
Other assets					7,127	
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

(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 operations, thereby accepting the foreign currency translation risk on invested capital.

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

To ensure that AMP group has sufficient funds available on a timely basis, in the form of cash, liquid assets, borrowing capacity and un-drawn committed funding facilities to meet its liquidity requirements, AMP group treasury maintains a defined surplus of cash plus projected cash inflows over projected outflows in a going concern scenario, while meeting regulatory requirements and internal management guidelines.

To mitigate refinancing risk, AMP group's projected cumulative funding resources are required to exceed its projected cumulative funding requirements over specified maturity periods.

AMP group has committed standby facilities of at least $300m, with no more than 35% of committed standbys from a single source.

(c) Credit risk
Credit risk is the risk of loss that arises from a counterparty 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 counterparty 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 investment grade credit (BBB or greater). 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 counterparty and the cash flows will be settled on a net basis. Changes in values of derivative financial instruments are recognised in the Income statement unless they qualify as 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 by exposure limits, which are subject to monitoring and review. Foreign exchange hedges are monitored on a regular basis to ensure they are effective in the reduction of price risk.

22. Risk management and financial instruments information continued

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 payment or settlement dates. Swap transactions undertaken by the AMP group are:
   – *interest-rate swaps* which involve the contractual exchange of fixed and floating interest rate payments in a single currency based on a notional amount and a reference rate e.g. BBSW
   – *cross-currency swaps* which involve the exchange of interest payments based on two different currency principal balances and reference interest rates and generally also entail exchange of principal amounts at the start and/or end of the contract.

ii) *Forward and futures contracts* – these are agreements between two parties establishing a contract interest rate on a notional principal over a specified period, commencing at a future date. Forward contracts are tailor-made agreements that are transacted between counter parties in the over-the-counter market (OTC), whereas futures are standardised contracts transacted on regulated exchanges.

iii) *Options* – an option contract gives the option buyer the right, but not the obligation, to buy or sell a specified amount of a given commodity or financial instrument at a specified price during a certain period or on a specific date. The seller of the option contract is obliged to perform if the holder exercises the right contained therein. Options may be traded OTC or on a regulated exchange.

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

Derivative transactions may qualify for hedges for accounting purposes if they are fair value or cash flow hedges. The group's accounting policies for derivatives designated and accounted for as hedging instruments are explained in Note 1(u), where terms used in the following section are also explained.

The AMP group also enters into derivative transactions that provide economic hedges but do not meet the requirements for hedge accounting treatment.

Fair value hedges
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 2006, the AMP group recognised a net gain of $10m (2005: $3m loss) representing the ineffective portion of fair value hedges. The fair values of outstanding derivatives designated as fair value hedges was a net liability of $53m at 31 December 2006 (2005: $72m liability).

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 2006, no gains or losses from hedge ineffectiveness arose.

As at 31 December 2006, the fair values of outstanding derivatives recognised as cash flow hedges of forecast transactions were a net asset of $22m (2005: $3m liability).

At 31 December 2006, the notional principal amounts and period of expiry of the interest rate swap contracts are as follows:

	2006 $m	2005 $m
0 – 1 years	**3,550**	4,719
1 – 2 years	**640**	338
2 – 3 years	**872**	580
3 – 4 years	**105**	67
4 – 5 years	**310**	100
Total notional principal amounts	**5,477**	5,804

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.

22. Risk management and financial instruments information continued

(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	
	2006 $m	2005 $m	2006 $m	2005 $m
Financial assets				
Loans – secured	**7,899**	6,712	**7,283**	6,730
Total financial assets	**7,899**	6,712	**7,283**	6,730
Financial liabilities				
Bonds and notes	**7,608**	6,925	**7,900**	7,104
6.875% GBP Subordinated Guaranteed Bonds	**88**	87	**94**	96
7.125% GBP Subordinated Guaranteed Step-Up Bonds	**247**	241	**261**	255
Subordinated Floating Rate Note	**100**	100	**107**	103
Total financial liabilities	**8,043**	7,353	**8,362**	7,558

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.

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 $1,789m (2005: $1,456m) were transferred to securitisation vehicles. At 31 December 2006, AMP has outstanding securitised assets amounting to $4,869m (2005: $4,429m) after allowing for amortisation of the initial assets securitised.

22. Risk management and financial instruments information continued

(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	2006 $m	2005 $m
Bank loans			
A$93m Secured bill facility at BBSW + 35 basis points due January 2006		**–**	94
A$72m Secured bill facility at BBSW + 125 basis points due August 2011		**72**	–
A$31m Secured bill facility at BBSW + 135 basis points due October 2011		**31**	–
A$31m Secured bill facility at BBSW + 135 basis points due November 2010		**31**	–
Other secured loans		**103**	14
Total bank loans	14	**237**	108

	Note	Average interest rate 2006	Average interest rate 2005	2006 $m	2005 $m
Bonds and notes					
A$100m Medium Term Notes due April 2006		**–**	5.9%	**–**	100
A$568 (2005: A$425m) Medium Term Notes due April 2008		**6.4%**	5.8%	**568**	425
EUR186m Euro Medium Term Notes due November 2008		**4.9%**	4.9%	**285**	273
EUR254m Euro Medium Term Notes due June 2012		**3.4%**	3.4%	**396**	400
GBP94m Euro Medium Term Notes maturing November 2010		**6.4%**	6.4%	**226**	219
Negotiable Certificates of Deposit due predominantly in 1–3 months		**6.4%**	5.7%	**380**	211
A$25m Commercial Paper maturing January 2007		**6.4%**	–	**25**	–
A$70m Commercial Paper maturing January 2007		**6.4%**	–	**70**	–
Floating Rate Notes due April 2035		**6.5%**	5.8%	**579**	816
A$15m Commercial Paper maturing February 2007		**6.4%**	–	**15**	–
Floating Rate Notes due August 2036		**6.5%**	5.8%	**685**	968
Floating Rate Notes due November 2008		**BBSW+0.45**		**410**	260
Fixed Rate Notes due November 2008		**6.8%**	6.8%	**210**	210
Floating Rate Notes due March 2037		**6.5%**	–	**740**	–
Floating Rate Notes due December 2037		**6.6%**	5.8%	**593**	195
Floating Rate Notes due May 2036		**6.6%**	5.9%	**1,049**	602
Floating Rate Notes due December 2028		**6.8%**	6.1%	**130**	187
Floating Rate Notes due June 2034		**6.7%**	6.0%	**125**	173
USD106m (2005: USD150m) floating rate notes due September 2034		**7.1%**	6.1%	**134**	205
EUR110m (2005: EUR152m) floating rate notes due September 2034		**6.5%**	6.1%	**184**	246
A$21m (2005: A$26m) floating rate notes due September 2034		**7.3%**	6.5%	**21**	26
USD$164m (2005: USD$236m) floating rate notes due July 2035		**7.0%**	6.0%	**207**	321
EUR164m (2005: EUR236m) floating rate notes due July 2035		**6.1%**	6.0%	**274**	379
A$33m (2005: A$34m) floating rate notes due July 2035		**7.0%**	6.4%	**33**	34
Floating Rate Notes due April 2035		**6.6%**	5.8%	**269**	379
A$50m Floating Rate Notes due April 2006		**–**	5.8%	**–**	50
A$186m Commercial Paper due in 1–3 months		**–**	5.7%	**–**	186
Floating Rate Notes due October 2030		**–**	6.0%	**–**	60
Total bonds and notes	14			**7,608**	6,925

(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 $228m (2005: $120m) 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	
	2006 $m	2005 $m	2006 $m	2005 $m
(a) Reconciliation of the net profit after income tax to cash flows from operating activities				
Net profit after income tax	**915**	790	**567**	514
Depreciation of operating assets	**18**	20	**–**	–
Amortisation and writedown of intangibles	**36**	40	**–**	–
Net (profit) loss on sale of investments and operating assets	**(2,226)**	(1,376)	**–**	–
Decrease (increase) in investment asset values	**(2,082)**	(3,136)	**–**	–
Dividend and distribution income reinvested	**(498)**	(370)	**–**	–
Share-based payments	**(12)**	9	**(4)**	2
Decrease (increase) in receivables and other assets	**(333)**	152	**(11)**	(4)
(Decrease) increase in net policy liabilities	**7,986**	6,261	**–**	–
(Decrease) increase in income tax balances	**476**	815	**(44)**	(22)
(Decrease) increase in other payables	**(66)**	(359)	**–**	1
Cash flows from (used in) operating activities	**4,214**	2,846	**508**	491
(b) Reconciliation of cash				
Comprises:				
Cash on hand	**723**	783	**1**	2
Cash on deposit	**385**	195	**–**	–
Bank overdrafts (included in Borrowings)	**(109)**	(78)	**–**	–
Short-term bills and notes (included in Debt securities)	**7,872**	6,354	**–**	–
Balance at the end of the period	**8,871**	7,254	**1**	2
(c) Financing arrangements				
(i) Overdraft facilities				
Bank overdraft facility available	**300**	300	**–**	–
(ii) Credit standby facilities				
Revolving and standby credit facilities				
Available	**485**	510	**–**	–
Used	**–**	–	**–**	–
Unused	**485**	510	**–**	–
(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	**242**	222	**–**	–
Used	**(242)**	(116)	**–**	–
Unused	**–**	106	**–**	–
(iv) Bond and note funding programs				
Available	**22,566**	22,488	**–**	–
Used	**(8,042)**	(7,353)	**–**	–
Unused	**14,524**	15,135	**–**	–

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

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

Certain controlled entities of the life statutory funds are operating companies which carry out business operations unrelated to the core wealth management operations of the AMP group. There were no significant acquisitions or disposals of controlled operating companies during 2006 or 2005.

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 2006 and 2005, they have been determined not to be dilutive for those periods. Performance rights have been determined to be dilutive in 2006 and 2005. Although performance rights have been determined to be dilutive in accordance with AASB 133 *Earnings per Share*, if these instruments vest and are exercised, it is AMP's policy to buy AMP shares 'on market' so there will be no dilutive effect on the value of AMP shares.

Since the end of the financial year and up to the date of 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 27,213,892 (2005: 30,796,993) 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	
	2006 million	2005 million
(b) Weighted average number of ordinary shares used		
Weighted average number of ordinary shares used in calculation of basic earnings per share	**1,844**	1,834
Add: potential ordinary shares considered dilutive	**11**	7
Weighted average number of ordinary shares used in calculation of diluted earnings per share	**1,855**	1,841
	$m	$m
(c) Level of earnings used		
Basic earnings per share	**915**	790
Diluted earnings per share	**915**	790
Basic earnings per share before accounting mismatch	**976**	876
Diluted earnings per share before accounting mismatch	**976**	876
	cents	cents
(d) Earnings per share		
Basic earnings per share	**49.6**	43.1
Diluted earnings per share	**49.3**	42.9
Basic earnings per share before accounting mismatch	**52.9**	47.8
Diluted earnings per share before accounting mismatch	**52.6**	47.6

25. Superannuation funds

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

The defined contribution sections receive fixed contributions from AMP group companies and the group's legal obligation is limited to these contributions.

The defined benefit sections provide members with a choice of lump sum benefits or pension benefits based on years of membership and final salary. The defined benefit sections have approximately 25 current employee members and 3,767 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, the movements in the defined benefit obligation and plan assets, and the net amounts recognised in the consolidated Balance sheet for the defined benefit funds.

	Consolidated	
	2006 $m	2005 $m
(a) Defined benefit income (expense)		
Current service cost	**(2)**	(5)
Interest cost	**(16)**	(16)
Expected return on plan assets[1,2,3]	**23**	21
Total defined benefit income (expense)	**5**	–
(b) Movements in defined benefit obligation		
Balance at the beginning of the period	**(368)**	(375)
Current service cost	**(2)**	(6)
Interest cost	**(16)**	(16)
Contributions by plan participants	**(1)**	(1)
Actuarial gains and losses[4]	**7**	5
Benefits paid	**24**	25
Balance at the end of the period	**(356)**	(368)
(c) Movement in fair value of plan assets		
Balance at the beginning of the period	**348**	329
Expected return on plan assets	**23**	20
Actuarial gains and losses[4]	**34**	21
Contributions by plan participants	**1**	1
Benefits paid	**(24)**	(23)
Balance at the end of the period	**382**	348

Footnote:
1 The expected return on plan assets is determined at the beginning of the period, and is based on financial modelling of expected real returns for each of the major asset classes, combined with the price inflation assumption to develop nominal returns.
2 The actual return on fund assets for the period in Australia was $51m (2005: $38m).
3 The actual return on fund assets for the period in New Zealand was $7m (2005: $5m).
4 As explained in Note 1, actuarial gains and losses are now recognised directly in retained profits. They were previously required to be recognised through the Income statement.

25. Superannuation funds continued

	Consolidated 2006 $m	2005 $m
(d) Defined benefit (deficit) surplus		
Present value of wholly funded defined benefit obligations	**(356)**	(368)
Less: Fair value of plan assets	**382**	348
Plus: Past service costs not yet recognised	**–**	–
Net defined benefit (deficit) surplus recognised in the Balance sheet	**26**	(20)
Movement in net defined benefit (deficit) surplus		
(Deficit) surplus at the beginning of the period	**(20)**	(46)
Plus: Total income (expenses) recognised in income	**5**	–
Plus: Employer contributions	**–**	–
Plus: Actuarial gains (losses) recognised in the the Statement of recognised income and expense[1]	**41**	26
(Deficit) surplus at the end of the period[2]	**26**	(20)

Footnote:
1 The cumulative amount of the actuarial gains and losses recognised in the Statement of recognised income and expense is $129m (2005: $88m).
2 All actuarial gains and losses, and past service costs have been recognised in the Balance sheet.

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

	Consolidated 2006 $m	2005 $m	2004 $m
Australian defined benefit (deficit) surplus			
Present value of wholly funded defined benefit obligations	**(309)**	(324)	(334)
Less: Fair value of plan assets	**334**	303	284
Net defined benefit (deficit) surplus recognised in the Balance sheet	**25**	(21)	(50)
Actuarial gains and losses arising on plan liabilities	**10**	5	(9)
Actuarial gains and losses arising on plan assets	**30**	20	(53)
New Zealand defined benefit (deficit) surplus			
Present value of wholly funded defined benefit obligations	**(47)**	(44)	(41)
Less: Fair value of plan assets	**48**	45	45
Net defined benefit (deficit) surplus recognised in the Balance sheet	**1**	1	4
Actuarial gains and losses arising on plan liabilities	**(3)**	–	2
Actuarial gains and losses arising on plan assets	**4**	1	1

(f) Principal actuarial assumptions

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

	Australia 2006	Australia 2005	New Zealand 2006	New Zealand 2005
Discount rate (before tax)	**5.9%**	5.2%	**5.8%**	5.9%
Expected return on assets (before tax)	**6.8%**	7.5%	**5.3%**	5.3%
Expected rate of pension increases	**3.0%**	3.0%	**1.9%**	1.9%
Expected rate of salary increases	**4.5%**	4.5%	**n/a**	n/a
Proportion of benefits expected to be taken as pensions	**60.0%**	60.0%	**n/a**	n/a
Inflation increases	**n/a**	n/a	**2.5%**	2.5%

25. Superannuation funds continued

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

The information set out in Note 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 $44m (2005: $6m) for the Australian defined benefit fund and $4m (2005: $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 Part(f) 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 2006), and actuarial advice at that time, AMP has been on a contribution holiday. This contribution holiday will continue until 1 July 2007, at which time AMP will recommence making regular contributions to the fund relative to the salaries of existing members.

(h) Allocation of assets

Shown in the following table are the asset allocations of the defined benefit funds.

	Australia[1]		New Zealand[1]	
	2006	**2005**	**2006**	**2005**
Equity	**44%**	44%	**59%**	61%
Property	**19%**	18%	**13%**	12%
Fixed interest	**26%**	25%	**20%**	20%
Cash	**3%**	4%	**8%**	7%
Alternative growth assets	**9%**	9%	**0%**	0%

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

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	
	2006 $'000	2005 $'000
Plans currently offered		
Performance rights	**7,884**	7,303
Restricted shares	**1,890**	874
Employee share acquisition plan – matching shares	**60**	215
Plans no longer offered		
Executive Short-term Incentive Program – matching shares	**471**	861
Employee and Executive Option Plan	**n/a**	n/a
Total share-based payments expense	**10,305**	9,253

(b) Performance rights

Plan description

Long-term incentives are an 'at risk' component of remuneration. The key form of delivering LTI is in performance rights and is granted to those executives considered to have the most direct influence on AMP's business performance.

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

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

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

At the end of the performance period, AMP's Remuneration Committee applies data from an independent external consultant to determine AMP's TSR performance relative to the comparator group. An independent external consultant is appointed so as to ensure objectivity in measuring AMP's performance. The Remuneration Committee then determines the number of performance rights that vest by applying this data to the vesting schedule.

Exercising performance rights

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.

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.

Treatment of performance rights on ceasing employment

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

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.

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
08/09/2006	$9.00	4.9 years	4.5%	20%	5.8%	54%	$4.13
01/09/2005	$7.43	4.9 years	4.0%	21%	4.9%	44%	$4.19

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

Grant date	Exercise period	Exercise price	Balance at 1 Jan 2006	Exercised during the year	Granted during the year	Lapsed during the year	Balance at 31 Dec 2006
22/02/2003	22/02/2006 – 21/02/2008	Nil	36,771	–	–	36,771	**–**
23/10/2003	30/08/2006 – 29/08/2008	Nil	2,029,602	1,703,995	–	60,432	**265,175**
18/03/2004	30/08/2006 – 29/08/2008	Nil	407,539	342,156	–	12,135	**53,248**
18/03/2004	22/02/2006 – 21/02/2008	Nil	8,292	–	–	8,292	**–**
06/09/2004	01/08/2007 – 31/07/2009	Nil	2,238,935	–	–	67,117	**2,171,818**
01/09/2005	31/07/2008 – 31/07/2010	Nil	2,306,028	–	–	68,417	**2,237,611**
08/09/2006	01/08/2009 – 31/07/2011	Nil	–	–	2,663,225	–	**2,663,225**
Total			**7,027,167**	**2,046,151**	**2,663,225**	**253,164**	**7,391,077**

Since the end of the financial year and up to the date of the report, no performance rights have been issued; 34,791 performance rights have been exercised; and no performance rights have lapsed. Of the performance rights outstanding at the end of the period, 236,202 in respect of the rights granted on 23/10/2003 and 47,430 in respect of the rights granted on 18/03/2004 have vested and are exercisable.

2005 and 2006 capital returns
On 19 May 2005, shareholders approved a 40 cents per share capital return to shareholders. On 18 May 2006, shareholders approved a further capital return of 40 cents per share. To compensate for the reduction in the value of performance rights held in the plan immediately prior to each capital return, the terms and conditions of performance rights were altered so that participating employees will be paid 40 cents, in respect of each capital return, for each performance right that vests and is converted into an AMP share. For example, an executive holding performance rights granted in 2004 will be entitled to a payment of 80 cents for each performance right granted in 2004 that vests. The fair value of each grant of performance rights immediately prior to the alteration was the same as the fair value immediately after the alteration.

(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 assist in retaining them.

While restricted shares are offered to selected employees, they are no longer offered to the CEO and nominated executives.

As this program is designed as a means of recognising and 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. Restricted shares are bought on market and granted at no cost to employees.

Plan valuation
The fair value of restricted shares has been determined using the share price of AMP ordinary shares on the grant date. As employees holding restricted shares are entitled to dividend payments no adjustment has been made to the fair value in respect of future dividend payments. In determining the share-based payments expense for the period, the number of instruments expected to vest has been adjusted to reflect the number of employees expected to remain with AMP until the end of the vesting period.

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
08/09/2006[1]	370,058	$8.91
01/09/2005[1]	442,307	$7.43
18/03/2005	50,000	$7.52

Footnote:
1 In 2005 and 2006, 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.

2005 and 2006 capital returns and demerger
No adjustments were made to the restricted shares for the 2005 and 2006 capital returns or the demerger.

26. Share-based payments continued

(d) Employee Share Acquisition Plan

Plan description

AMP currently offers all eligible employees and executives the opportunity to become shareholders in AMP through the Employee Share Acquisition Plan (ESAP). Under ESAP participants can elect to receive part of their base salary (and any short-term incentive payments) in the form of AMP shares. There are no performance hurdles applied to this part of the plan as participants sacrifice part of their salary to acquire these shares.

As an additional incentive to acquire shares, participants are entitled to receive (at no cost to the participant) one matching share for every 10 shares acquired (up to a maximum of 100 matching shares in any 12-month period). To receive the full entitlement to matching shares, shares must be held in the plan for a minimum of three years. There are no performance conditions for receiving matching shares as ESAP is primarily designed to encourage employee share ownership. Matching shares are bought on market.

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 leaving the company.

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 matching shares as at the grant date.

Grant date	Estimated number of matching shares to be granted	Weighted average fair value
2006 – various	24,432	$7.87
2005 – various	42,072	$6.47

2005 and 2006 capital returns

On 19 May 2005, shareholders approved a 40 cents per share capital return to shareholders. On 18 May 2006, shareholders approved a further capital return of 40 cents per share. 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 each capital return, the terms and conditions of the ESAP were altered so that participating employees will be paid 40 cents per share in respect of each capital return if those entitlements vest and are converted into AMP shares. The fair value of matching share entitlements immediately prior to the alteration was the same as the fair value immediately after the alteration.

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 program 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 for leaving the company.

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 entitlement 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 and 2006 – 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 and 2006 capital returns
On 19 May 2005, shareholders approved a 40 cents per share capital return to shareholders. On 18 May 2006, shareholders approved a further capital return of 40 cents per share. 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 each capital return, the terms and conditions of the program were altered so that participating employees will be paid 40 cents per share in respect of each capital return if those entitlements vest and are converted into AMP shares. For example, for shares acquired on 10 March 2004 as part of the 2003 Executive Short-term Incentive program, a payment of 80 cents per share will be made to each eligible participant when their matching share entitlements vest on 10 March 2007. The fair value of matching share entitlements immediately prior to the alteration was the same as the fair value immediately after the alteration.

Demerger
For shares acquired in March 2003 as part of the 2002 Executive Short-term Incentive Program, each participant received 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 schedule 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 are therefore 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 generally above the current market price of AMP shares.

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 2006	Exercised during the year	Granted during the year	Lapsed during the year	Balance at 31 Dec 2006
Executive Option Plan							
26/06/1999	26/06/2002 – 25/06/2009	$11.84	1,076,828	–	–	98,616	**978,212**
28/08/1999	26/06/2002 – 25/06/2009	$11.57	64,422	–	–	47,884	**16,538**
30/10/1999	30/10/2002 – 29/10/2009	$11.23	20,000	–	–	–	**20,000**
18/12/1999	18/12/2002 – 17/12/2009	$11.75	40,000	–	–	–	**40,000**
01/01/2000	01/01/2003 – 31/12/2009	$12.30	29,544	–	–	–	**29,544**
19/02/2000	19/02/2003 – 18/02/2010	$10.31	30,000	–	–	–	**30,000**
21/03/2001	21/03/2004 – 20/03/2011	$14.59	39,791	–	–	–	**39,791**
21/07/2001	21/07/2004 – 20/07/2011	$15.15	2,200,487	–	–	2,141,987	**58,500**
15/12/2001	15/12/2004 – 14/12/2011	$13.29	40,400	–	–	36,360	**4,040**
23/03/2002	23/03/2005 – 22/03/2012	$14.20	100,000	–	–	–	**100,000**
Employee Option Plan							
26/06/1999	26/06/2002 – 25/06/2009	$11.84	721,108	–	–	195,038	**526,070**
28/08/1999	20/08/2002 – 25/06/2009	$11.57	26,786	–	–	13,162	**13,624**
01/01/2000	01/01/2003 – 31/12/2009	$12.30	319,932	–	–	102,500	**217,432**
30/06/2000	30/06/2003 – 29/06/2010	$11.97	1,696,944	–	–	334,884	**1,362,060**
28/10/2000	28/10/2003 – 27/10/2010	$12.69	31,406	–	–	–	**31,406**
09/12/2000	09/12/2003 – 08/12/2010	$14.05	10,000	–	–	–	**10,000**
21/07/2001	21/07/2004 – 20/07/2011	$15.15	923,536	–	–	175,331	**748,205**
15/12/2001	15/12/2004 – 14/12/2011	$13.29	17,454	–	–	16,160	**1,294**
Total			**7,388,638**	**–**	**–**	**3,161,922**	**4,226,716**

Footnote:
1 The exercise prices shown in this column became effective on 18 May 2006. To compensate for the impact of the 2006 capital return of 40 cents per share the exercise prices of outstanding options were reduced by 40 cents per share in accordance with ASX listing rules.

Since the end of the financial year and up to the date of the report, 4,040 executive options granted on 15 December 2001 have lapsed and no options have been exercised. The total number of options on issue at the date of the report is 4,222,676.

2005 and 2006 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 both the 2005 and 2006 capital returns of 40 cents per share to shareholders. The terms and conditions of the options were not altered as a result of the capital returns as the reduction in exercise prices occurred under their original terms.

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 entity	Country of incorporation	Share type	Footnote	% Holdings 2006	% Holdings 2005
1 York Street Holdings Pty Ltd	Australia	Ord		**100**	100
140 St Georges Terrace Pty Limited	Australia	Ord	1	**100**	–
145 Old Pittwater Road Pty Ltd	Australia	Ord	2	**–**	100
255 George Street Investment A Pty Ltd	Australia	Ord		**100**	100
255 George Street Investment B Pty Ltd	Australia	Ord		**100**	100
35 Ocean Keys Pty Limited	Australia	Ord	1	**100**	–
A and B Properties Pty Ltd	Australia	Ord	2	**–**	100
A.C.N. 063 600 260 Pty Limited	Australia	Ord	4	**100**	100
A.C.N. 086 091 643 Pty Limited	Australia	Ord		**100**	100
Abbey Capital Properties (NSW) Pty Ltd	Australia	Ord	2	**–**	100
Abbey Capital Real Estate Pty Limited	Australia	Ord		**100**	100
ABN 43 102 756 990 Limited [formerly Magnify Financial Planners Limited]	Australia	Ord		**100**	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 (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	2	**–**	100
AMP Bank Limited	Australia	Ord		**100**	100
AMP Capital Bayfair Pty Limited	Australia	Ord	1	**100**	–
AMP Capital Global Property Securities Pty Limited	Australia	Ord	1	**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. 8 Limited	NZ	Ord A & B, Pref		**100**	100
AMP Capital Investments No. 11 Limited	NZ	Ord A & B		**100**	100
AMP Capital Investments No. 14 Limited	NZ	Ord A & B		**100**	100
AMP Capital Investments No. 15 Limited	NZ	Ord		**100**	100
AMP Capital Investors (C.I.) Limited	Jersey	Ord		**100**	100
AMP Capital Investors (New Zealand) Limited	NZ	Ord		**100**	100
AMP Capital Investors (Property Funds Management Jersey) Limited	Jersey	Ord		**100**	100
AMP Capital Investors (Singapore) Pte Ltd	Singapore	Ord		**100**	100
AMP Capital Investors (UK) Limited	UK	Ord		**100**	100
AMP Capital Investors International Holdings Limited	Australia	Ord		**100**	100
AMP Capital Investors Limited	Australia	Ord		**100**	100
AMP Capital Office and Industrial Pty Limited	Australia	Ord		**100**	100
AMP Capital Property Nominees Ltd	Australia	Ord		**100**	100
AMP Capital Research (India) Private Limited	India	Ord	1	**100**	–
AMP Capital Shopping Centre 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
AMP GBS Limited	Australia	Fixed		**100**	100
AMP GDPF Pty Limited	Australia	Ord	1	**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

27. Group controlled entity holdings continued

Name of entity	Country of incorporation	Share type	Footnote	% Holdings 2006	2005
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	4	**100**	100
AMP Insurance Investment Holdings Pty Limited	Australia	Ord		**100**	100
AMP Investment Management (NZ) Limited	NZ	Ord		**100**	100
AMP Investment Services No. 2 Pty Limited	Australia	Ord		**100**	100
AMP Investment Services Pty Limited	Australia	Ord		**100**	100
AMP Investments Chile Limitada	Chile	Ord		**100**	100
AMP Lending Services Limited	Australia	Ord		**100**	100
AMP Life Limited	Australia	Ord		**100**	100
AMP Macquarie Holding Pty Limited	Australia	Ord		**100**	100
AMP Macquarie Pty Limited	Australia	Ord		**100**	100
AMP NZ Retirement Properties Limited	NZ	Ord		**100**	100
AMP NZSSP Trustee Limited	NZ	Ord	2	**–**	100
AMP Pacific Fair Pty Limited	Australia	Ord		**100**	100
AMP Papamoa Beach Gardens Limited	NZ	Ord	4	**100**	100
AMP Personal Investment Services Limited	Australia	Ord		**100**	100
AMP Private Advice Limited	Australia	Ord	4	**100**	100
AMP Private Capital Funds Holdings Limited	NZ	Ord, Pref		**100**	100
AMP Private Capital New Zealand Limited	NZ	Ord		**100**	100
AMP Private Capital No. 2 Pty Limited	Australia	Ord		**100**	100
AMP Private Capital Pty Limited	Australia	Ord		**100**	100
AMP Private Investments Pty Limited	Australia	Ord		**100**	100
AMP 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	2	**–**	100
Arrive Wealth Management Limited	Australia	Ord		**100**	100
Arthur Ellis & Co. Limited	NZ	Ord		**100**	88
Arthur Ellis Limited	NZ	Ord		**100**	88
Auburn Mega Mall Pty Limited	Australia	Ord		**100**	100
Australian Mutual Provident Society Pty Limited	Australia	Ord		**100**	100
Australian Securities Administration Limited	Australia	Ord		**100**	100
AWOF New Zealand Office Pty Limited	Australia	Ord	1	**100**	–
Balclutha Holdings Limited	NZ	Ord, Pref		**100**	100
Bolfend Pty. Limited	Australia	Ord	4	**100**	100
Carillon Avenue Pty Limited	Australia	Ord		**12**	93
Cobalt Solutions Australia 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	2	**–**	97
Compania Contractual Minera Leonor	Chile	Ord A, B	2	**–**	97
Culinary Air Limited	NZ	Ord	2	**–**	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
Equatorial Mining Limited	Australia	Ord	2	**–**	97
Equatorial Mining North America, Inc.	USA	Ord, Pref	2	**–**	97
Equatorial Resources Limited	Bermuda	Ord, Red Pref	2	**–**	97
Equatorial Tonopah, Inc.	USA	Ord, Pref	2	**–**	97
Equatorial Treasure Limited	Bermuda	Ord, Pref	2	**–**	97
ERGO Personal Financial Services Limited	NZ	Ord		**100**	100
Financial Services Distribution Ltd	NZ	Ord	2	**–**	100
Frozen Foods Investment Limited	NZ	Ord	2	**–**	100
Genlis Pty Limited	Australia	Ord	4	**100**	100
Gordian Mortgage Insurance Limited	Australia	Ord	2	**–**	100
Gordian RunOff (UK) Limited	UK	Ord		**100**	100

27. Group controlled entity holdings continued

Name of entity	Country of incorporation	Share type	Footnote	% Holdings 2006	% Holdings 2005
Gordian RunOff Limited	Australia	Ord		**100**	100
Hillross Financial Services Limited	Australia	Ord		**100**	100
Honeysuckle 231 Pty Limited	Australia	Ord		**60**	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	2	**–**	100
Kadella Park Pty Limited	Australia	Ord	4	**100**	100
Kent Street Pty Limited	Australia	Ord		**100**	100
KMH Holdings Pty Ltd	Australia	Red Pref	4	**100**	100
Knox City Shopping Centre Investments (No. 2) Pty Limited	Australia	Ord		**100**	100
Maritime Insurance Agency Pty Ltd	Australia	Ord	4	**100**	100
Marrickville Metro Shopping Centre Pty Limited	Australia	Ord		**100**	100
Merson Property Pty. Limited	Australia	Ord, Red Pref	2	**–**	100
Mowla Pty. Ltd.	Australia	Ord		**100**	100
Narrawa Pty. Limited	Australia	Ord	2	**–**	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 No. 2 Pty Limited	Australia	Ord		**100**	100
Principal Healthcare Finance Pty Limited	Australia	Ord		**100**	100
Principal Healthcare Holdings Pty Limited	Australia	Ord		**100**	100
Priority One Agency Services Pty Ltd	Australia	Ord		**100**	100
Priority One Financial Services Limited	Australia	Ord		**100**	100
Quay Asset Management (Asia) Sdn Bhd	Malaysia	Ord	4	**100**	100
Quay Asset Management Limited	Australia	Ord		**100**	100
Quay Mining (No. 2) Limited [formerly AMP (Bermuda) Limited]	Bermuda	Ord, Red Pref		**100**	100
Quay Mining Pty Limited	Australia	Ord		**100**	100
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	4	**100**	100
SPP No. 1 (Alexandra Canal) Pty Limited	Australia	Ord		**86**	86
SPP No. 1 (Cowes) Pty Limited	Australia	Ord	1	**86**	–
SPP No. 1 (H) Pty Limited	Australia	Ord		**86**	86
SPP No. 1 (Mona Vale) Pty Limited	Australia	Ord		**86**	86
SPP No. 1 (Mornington) Pty Limited	Australia	Ord	1	**86**	–
SPP No. 1 (Newcastle) Pty Limited	Australia	Ord		**86**	86
SPP No. 1 (North Melbourne) Pty Limited	Australia	Ord		**86**	86
SPP No. 1 (Pakenham) Pty Limited	Australia	Ord		**86**	86
SPP No. 1 (Point Cook) Pty Limited	Australia	Ord		**86**	86
SPP No. 1 (Q Stores) Pty Limited	Australia	Ord		**86**	86
SPP No. 1 (Rosebery) Pty Limited	Australia	Ord		**86**	86
SPP No. 1 Holdings Pty Limited	Australia	Ord		**86**	86
SPP No. 1 (Hawthorn) Pty Limited	Australia	Ord		**86**	86
SPP No. 1 (Mt. Waverley Financing) Pty Limited	Australia	Ord		**86**	86
SPP No. 1 (Mt. Waverley) Pty Limited	Australia	Ord		**86**	86
SPP No. 1 (Port Melbourne) Pty Limited	Australia	Ord		**86**	86
Sugarland Shopping Centre Pty Limited	Australia	Ord		**100**	100
Sunshine West Development Pty Limited	Australia	Ord		**75**	75
Sunshine West Income Pty Limited	Australia	Ord		**100**	100
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	2	**–**	97
Victoria Avenue Nominees Limited	Australia	Ord		**100**	100
Warringah Mall Holdings Pty Limited	Australia	Ord	2	**–**	100
Warringah Mall Pty Limited	Australia	Ord	2	**–**	100
Waterfront Place (No. 2) Pty. Ltd.	Australia	Ord		**100**	100
Waterfront Place (No. 3) Pty. Ltd.	Australia	Ord		**100**	100

Footnote:
1 Companies acquired in 2006
2 Companies disposed in 2006
3 Not audited by Ernst & Young
4 Companies in the process of being deregistered.

27. Group controlled entity holdings continued

Details of investments in controlled trusts are as follows:

Trusts and other entities Name of entity	Country of registration	Footnote	% Holdings 2006	2005
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		68	60
AHGI Martineau Fund	Australia		100	100
AHGI Martineau Galleries Fund	Australia		100	100
Allco CAS Sub-Trust No.1	Australia	2	–	100
AMP Balanced Enhanced Equity	Australia		98	99
AMP Capital Asia ex-Japan Fund	Australia		96	96
AMP Capital Credit Strategies	Australia	1	96	–
AMP Capital Diversified TAA	Australia		100	100
AMP Capital Investors Australian Equity Long Short Fund	Australia	1	95	–
AMP Capital Investors Infrastructure Fund 1	Australia	1	100	–
AMP Capital Mature Life Fund A	Australia	1	61	–
AMP Capital Mature Life Fund B	Australia	1	61	–
AMP Conservative Enhanced Equity Fund	Australia		86	86
AMP Infrastructure Fund 1	Australia	1	100	–
AMP Investments Asia Pacific Power Fund	Australia	1	100	–
AMP Investments Australian Pacific Airports Fund	Australia		72	72
AMP Investments Infrastructure Debt Fund	Australia	2	–	68
AMP Liverpool Trust X	Australia		78	100
AMP Macquarie Holdings Trust	Australia		90	100
AMP Macquarie Trust	Australia		90	100
AMP Pacific Fair Trust	Australia		100	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		85	91
AMP Private Equity Fund IIIB	Australia		85	91
AMP Property Securities Fund	NZ		60	61
AMP UK Shopping Centre Fund	Australia		89	100
AMP US Property Trust	Australia		100	100
AMP Wholesale Office Fund	Australia		67	84
AMP Shopping Centre Fund	Australia		78	90
AMP Wholesale Shopping Centre Trust No 2	Australia		90	90
Australian Share Ex AMP Fund	Australia	2	–	67
Bayfair Trust (NZ)	NZ	1	100	–
Bishopsgate Trust	Australia	2	–	100
Casey Central Trust	Australia	1	100	–
Crossroads Trust	Australia		100	100
Davidson Road Trust	Australia		100	100
Enhanced Index International Share Fund	Australia		82	78
Enhanced Index Share Fund	Australia		75	74
External Fund Manager Australian Share Fund 1	Australia		96	96
External Fund Manager Australian Share Fund 2	Australia		99	99
External Fund Manager Australian Share Fund 3	Australia		98	99
External Fund Manager Australian Share Fund 4	Australia		94	88
External Fund Manager Australian Share Fund 5	Australia		97	95
External Fund Manager Australian Share Fund 6	Australia		99	100
External Fund Manager Australian Share Fund 7	Australia		99	100
External Fund Manager Diversified Fund 1	Australia		99	100
External Fund Manager Diversified Fund 2	Australia		98	100
External Fund Manager Diversified Fund 3	Australia		99	100
External Fund Manager Diversified Fund 4	Australia		100	100
External Fund Manager Diversified Fund 5	Australia		99	100
External Fund Manager Fixed Interest Fund 1	Australia		99	100
External Fund Manager Fixed Interest Fund 2	Australia		97	99
External Fund Manager Fixed Interest Fund 3	Australia		98	99
External Fund Manager Fixed Interest Fund 4	Australia	1	94	–
External Fund Manager International Share Fund 1	Australia		99	99
External Fund Manager International Share Fund 2	Australia		97	97
External Fund Manager International Share Fund 3	Australia		97	97
External Fund Manager International Share Fund 4	Australia		99	100
External Fund Manager International Share Fund 5	Australia		97	97
External Fund Manager International Share Fund 6	Australia		100	100
External Fund Manager Listed Property Fund 1	Australia		96	96
Floating Rate Income Fund [formerly AMP Capital Investors Enhanced Income Fund]	Australia		64	52
Future Direction Australian Bond Fund	Australia		92	66
Future Directions Australian Share Fund	Australia		86	64
Future Directions Australian Share Fund 1	Australia	1	96	–

27. Group controlled entity holdings continued

Trusts and other entities Name of entity	Country of registration	Footnote	% Holdings 2006	2005
Future Directions Australian Share Fund 2	Australia	1	92	–
Future Directions Australian Share Fund 3	Australia	1	88	–
Future Directions Australian Small Company Fund	Australia	1	85	–
Future Directions Balanced Fund	Australia		95	91
Future Directions Conservative Fund	Australia		81	76
Future Directions Core International Fund 2	Australia	1	55	–
Future Directions Enhanced Index International Share Fund	Australia		90	65
Future Directions Geared Australian Share Fund	Australia		86	85
Future Directions Global Property Securities Fund 1	Australia	1	91	–
Future Directions Growth Fund	Australia		89	87
Future Directions High Growth Fund	Australia		86	81
Future Directions International Bond Fund	Australia		81	63
Future Directions International Bond Fund 1	Australia		81	66
Future Directions International Bond Fund 2	Australia		81	66
Future Directions International Bond Fund 3	Australia		83	66
Future Directions International Bond Fund 4	Australia		84	66
Future Directions International Share Fund	Australia		88	62
Future Directions International Share Fund 1	Australia		91	93
Future Directions International Share Fund 2	Australia		82	86
Future Directions International Share Fund 3	Australia		99	99
Future Directions International Share Fund 4	Australia		97	96
Future Directions International Share Fund 5	Australia		98	99
Future Directions Moderate Conservative Fund	Australia		88	85
Future Directions Property Feeder Fund	Australia		90	93
Future Directions Total Return Fund	Australia	1	88	–
Global Credit Strategies Fund	Australia		85	87
Global Defender Fund	NZ		100	92
Global Growth Opportunities Fund	Australia		91	89
Hedged International Share Fund	Australia		88	93
International Bond Fund	Australia		88	81
International Share Fund	Australia		77	76
International Unlisted Investment Fund	Australia		100	100
Kent Street Investment Trust	Australia		100	100
Kent Street Unit Trust	Australia		100	100
Listed Property Trusts Fund	Australia		52	52
Loftus Street Trust	Australia		67	100
Macquarie Australian Enhanced	Australia		55	61
Macquarie Fixed Interest Plus Fund	Australia	2	–	64
Macquarie Life Capital Stable Fund	Australia		68	80
Managed Treasury Fund	Australia	1	77	–
Merrill Lynch Mercury Balanced Pooled Super Fund	Australia		74	71
Monash House Trust	Australia		100	100
Ocean Keys Holding Trust	Australia	1	100	–
Ocean Keys Trust	Australia	1	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		100	100
Progress 2005 – 2 Trust	Australia		100	100
Responsible Investment Leaders Australian Share Fund	Australia		71	78
Responsible Investment Leaders Balanced Fund A	Australia		66	100
Responsible Investment Leaders Conservative Fund	Australia		82	98
Responsible Investment Leaders Growth Fund	Australia		98	100
Riverside Plaza Trust	Australia		100	100
Royal Randwick Trust	Australia		78	100
Select Property Portfolio No. 1	Australia		86	86
Strategic Infrastructure Trust of Europe No.1	Australia	2	–	88
Strategic Infrastructure Trust of Europe No.2	Australia	2	–	88
Sustainable Future Australian Share Fund	Australia		64	67
Sydney Cove Trust [formerly Highway Trust]	Australia		100	100
The Pinnacle Fund	Australia		99	99
Warringah Mall Trust	Australia		100	100
Wholesale Australian Bond Fund	Australia		83	86

Footnote:
1 Trusts acquired in 2006.
2 Trusts disposed in 2006.

28. Investments in associated entities

Details of investments in associated companies are as follows:

Companies[1] Name of company	Principal activity[2]	Ownership interest 2006 %	Ownership interest 2005 %	Carrying amount 2006 $m	Carrying amount 2005 $m
Held by life insurers					
Gove Aluminium Finance	Aluminium smelting	**30%**	30%	**200**	213
Jeminex Pty Ltd	Industry and Safety Supplies	**43%**	–	**33**	–
Orphan Holdings Pty Ltd	Pharmaceuticals	**40%**	–	**31**	–
Minera El Tesoro[3]	Copper Mining	**–**	39%	**–**	112
Others (each less than $20m)		Various		**74**	41
Total investments in associated companies				**338**	366

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 was held by the life statutory funds and was disposed during the year.

Details of investments in associated unit trusts are as follows:

Unit trusts[1] Name of trust	Principal activity	Footnote	Ownership interest 2006 %	Ownership interest 2005 %	Carrying amount 2006 $m	Carrying amount 2005 $m
Held by life insurers						
AMPCI Australian Equity Long Short Fund	Investment trusts	2	**–**	29%	**–**	84
AMP Equity Trust	Investment trusts		**33%**	28%	**311**	252
AMP Hendersons Structure High Yield Fund	Investment trusts		**21%**	34%	**128**	79
AMP Investment Global Equity Fund (NZ)	Investment trusts		**–**	16%	**–**	79
AMP Investments World Index Fund	Investment trusts		**35%**	36%	**142**	142
AMP NZ Property Fund	Investment trusts		**41%**	45%	**312**	287
AMP Small Companies Trust	Investment trusts		**–**	26%	**–**	64
Auburn Mega Centre Trust	Investment trusts		**50%**	50%	**47**	50
Bourke Place Unit Trust	Investment trusts		**50%**	46%	**182**	192
Darling Park Property Trust	Investment trusts		**50%**	50%	**210**	190
Future Direction Australian Share Fund 1	Investment trusts	2	**–**	31%	**–**	257
Future Directions Core International Fund 2	Investment trusts	2	**–**	43%	**–**	2,333
Future Directions Total Return Fund	Investment trusts	2	**–**	41%	**–**	128
Global Property Securities Fund	Investment trusts		**37%**	40%	**633**	405
Henderson Shopping Centre Fund (UK)	Investment trusts		**–**	23%	**–**	314
Infrastructure Equity Fund	Investment trusts		**26%**	30%	**142**	132
Macquarie Balanced Growth	Investment trusts		**38%**	25%	**121**	79
Marrickville Metro Trust	Investment trusts		**50%**	50%	**79**	74
Property Income Fund	Investment trusts		**–**	42%	**–**	225
Southland Trust	Investment trusts		**50%**	50%	**482**	402
Strategic Infrastructure Trust Europe 1	Investment trusts		**48%**	88%	**79**	–
Strategic Infrastructure Trust Europe 2	Investment trusts		**48%**	88%	**79**	–
Sugarland Shopping Centre Trust	Investment trusts		**50%**	50%	**54**	55
Tea Tree Plaza Trust	Investment trusts		**50%**	50%	**238**	204
Others (each less than $50m)	Investment trusts				**110**	281
Investment in associated unit trusts					**3,349**	6,308
Balance of non-associated unit trust investments					**10,276**	8,823
Total investment in unit trusts					**13,625**	15,131

Footnote:
1 The balance date for all significant associated trusts is 31 December.
2 Trust became a controlled entity during 2006.

29. Forward investments, leasing and other commitments

	Consolidated 2006 $m	Consolidated 2005 $m	Parent 2006 $m	Parent 2005 $m
Commitments to provide credit	**654**	554	**–**	–
Forward investment – due within one year				
Balance outstanding under contracts for the purchase of freehold and leasehold properties and/or erection of buildings thereon	**17**	1	**–**	–
Total forward investment	**17**	1	**–**	–
Operating lease commitments (non cancellable)				
Due within one year	**21**	16	**–**	–
Due within one year to five years	**47**	57	**–**	–
Due later than five years	**11**	11	**–**	–
Total operating lease commitments	**80**	84	**–**	–

30. Contingent liabilities

The following matters are not recognised in the Balance sheet:

(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) 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 2006 $m	Consolidated 2005 $m	Parent 2006 $m	Parent 2005 $m
Uncalled capital on shares in relation to:[1]				
– associated entities	**53**	34	**–**	–
– other entities	**115**	44	**–**	–
Uncalled capital on units in relation to:[1]				
– associated unit trusts	**50**	87	**–**	–
– other unit trusts	**8**	16	**–**	–
Estimated maximum liabilities under legal actions pending	**–**	–	**–**	–
Financial guarantees	**–**	–	**–**	–
Bank guarantees and other contingent liabilities	**250**	350	**–**	–

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 (NEDs), the Chief Executive Officer (CEO) and other persons having authority and responsibility for planning, directing and controlling the activities of the entity (group executives). The following non-executive directors, CEO and group executives of AMP Limited held office during the year:

Name	Position	Name	Position
Peter Mason	Chairman	Andrew Mohl	Chief Executive Officer
John Astbury	Non-executive director	Craig Dunn	Managing Director, AMP Financial Services
David Clarke	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
		Matthew Percival	General Manager, Public Affairs
		Lee Barnett	Chief Information Officer

(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 06	Granted	Exercised	Lapsed	Holding at 31 Dec 06	Vested and exercisable at 31 Dec 06
Performance rights						
Andrew Mohl	1,192,784	474,331	(480,318)	–	**1,186,797**	**–**
Craig Dunn	400,642	203,451	(161,829)	–	**442,264**	**–**
Stephen Dunne	208,871	115,328	–	–	**324,199**	**41,749**
Paul Leaming	348,408	133,929	(142,147)	–	**340,190**	**–**
Peter Hodgett	261,909	106,027	(109,343)	–	**258,593**	**–**
David Cohen	297,146	102,307	(102,783)	(45,063)	**251,607**	**–**
Matthew Percival	198,457	83,706	(69,980)	–	**212,183**	**–**
Lee Barnett	153,793	89,286	(53,677)	–	**189,402**	**–**
Options						
Andrew Mohl	100,000	–	–	–	**100,000**	**–**
Craig Dunn	170,000	–	–	(40,000)	**130,000**	**–**
Stephen Dunne	47,500	–	–	(37,500)	**10,000**	**–**
Paul Leaming	75,000	–	–	(35,000)	**40,000**	**–**
Peter Hodgett	85,000	–	–	(45,000)	**40,000**	**–**
David Cohen	–	–	–	–	**–**	**–**
Matthew Percival	50,000	–	–	(50,000)	**–**	**–**
Lee Barnett	45,000	–	–	(25,000)	**20,000**	**–**

(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 06	Granted as remuneration during the period	Received on exercise of performance rights or options	Purchased through AMP NEDs Share Plan	Other changes[1]	Holding at 31 Dec 06
Peter Mason	78,154	–	–	13,294	90,269	**181,717**
John Astbury	15,209	–	–	3,734	5,850	**24,793**
David Clarke	14,148	–	–	13,483	51,500	**79,131**
Richard Grellman	23,542	–	–	3,734	–	**27,276**
Meredith Hellicar	28,889	–	–	3,734	412	**33,035**
Nora Scheinkestel	37,230	–	–	3,734	5,540	**46,504**
Andrew Mohl	410,409	26,928	480,318	–	145,700	**1,063,355**
Craig Dunn	98,465	16,486	161,829	–	–	**276,780**
Stephen Dunne	525	–	–	–	–	**525**
Paul Leaming	44,500	10,991	142,147	–	(135,190)	**62,448**
Peter Hodgett	123,504	10,991	109,343	–	34,081	**277,919**
David Cohen	29,538	–	102,783	–	–	**132,321**
Matthew Percival	50,967	10,991	69,980	–	48,402	**180,340**
Lee Barnett	–	–	53,677	–	(53,677)	**–**

Footnote:

1 Other changes includes the purchases and sales of shares on market by key management personnel.

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
Non-executive directors[1]						
2006[2]	**1,743**	**157**	**–**	**–**	**–**	**1,900**
2005[2]	1,138	102	–	–	–	1,240
2005 – as disclosed in 2005[3]	1,386	125	–	–	–	1,511
Executive directors						
2006[2]	**14,193**	**1,032**	**4,567**	**42**	**–**	**19,834**
2005[2]	12,365	935	4,089	8	–	17,397
2005 – as disclosed in 2005[3]	11,424	836	3,920	8	–	16,188
All key management personnel						
2006[2]	**15,936**	**1,189**	**4,567**	**42**	**–**	**21,734**
2005[2]	13,503	1,037	4,089	8	–	18,637
2005 – as disclosed in 2005[3]	12,810	961	3,920	8	–	17,699

Footnote:
1 Non-executive directors are not entitled to short-term incentive payments. Short-term benefits only include fees and allowances.
2 These amounts represent the total remuneration paid to the key management personnel listed in Note 31(a) for 2006 and 2005.
3 This represents the amount paid to those individuals considered key management personnel and disclosed as such in the 2005 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 2006 $'000	Written off $'000	Net advances (repayments) $'000	Balance at 31 Dec 2006 $'000	Interest charged $'000	Interest not charged $'000	Number in group
Key management personnel[1]	2,900	–	2,834	5,734	366	–	4

Individuals with loans above $100,000 during reporting period

	Balance 1 Jan 2006 $'000	Written off $'000	Net advances (repayments) $'000	Balance at 31 Dec 2006 $'000	Interest charged $'000	Interest not charged $'000	Highest indebtedness in period $'000
Andrew Mohl	2,134	–	2,321	4,455	286	–	5,607
Stephen Dunne	200	–	750	950	40	–	950
Lee Barnett	524	–	(228)	296	37	–	536

Footnote:
1 All loans to key management personnel are on terms 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.

(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 2006 $'000	Consolidated 2005 $'000	Parent 2006 $'000	Parent 2005 $'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	**3,600**	3,355	**140**	140
Total financial statement audits	**4,100**	3,855	**140**	140
Other audit services				
Audit of trusts and superannuation funds	**2,274**	2,214	**–**	–
Audit of statutory returns	**242**	337	**–**	–
Other audit work[1]	**1,736**	1,716	**–**	–
Total other audit services	**4,252**	4,267	**–**	–
Total audit services	**8,352**	8,122	**140**	140
Technical advice	**–**	15	**–**	–
Independent accountant's report	**–**	22	**–**	–
Other assurance services[2]	**1,567**	2,001	**–**	–
Total assurance related services	**1,567**	2,038	**–**	–
Other services				
Transaction support	**4**	253	**–**	–
Tax and compliance advice	**136**	99	**–**	–
Actuarial assistance	**–**	33	**–**	–
Other services	**124**	29	**–**	–
Total other services	**264**	414	**–**	–
Total non audit services	**1,831**	2,452	**–**	–
Total amounts received or due and receivable by Auditors of AMP Limited[3]	**10,183**	10,574	**140**	140
Other auditors for:				
Auditing of financial statements of certain controlled entities	**110**	94	**–**	–
Total amounts received or due and receivable by other auditors	**110**	94	**–**	–

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 $1,017,000 (2005: $1,732,000) 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
On 15 February 2007, AMP proposed a final dividend on ordinary shares.

Capital return
On 15 February 2007, AMP announced that, subject to shareholder approval, AMP Limited shareholders will receive a capital return of 40 cents a share in a proposed capital initiative of $750 million in the first half of 2007, subject to Australian Tax Office approval. AMP's shareholders will have the opportunity to approve the proposed capital return at the Annual General Meeting in Melbourne on 17 May 2007. If approved, payment will be made in June 2007. AMP has applied for a ruling from the Australian Tax Office to treat the capital return as a reduction in the cost base of the shares and not as a taxable dividend and a ruling is in progress.

The capital return will be funded from surplus capital, which stood at over $1.4 billion at 31 December 2006.

Directors' declaration

for the year ended 31 December 2006

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 2006;
(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, 15 February 2007

Independent audit report

for the year ended 31 December 2006

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 2006. 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 2006 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

Brian Long
Partner

Sydney, 15 February 2007

Shareholder information

Distribution of shareholdings at 2 March 2007

Range	Number of holders	Units	% of issued capital
1–1,000	655,797	261,080,998	13.9254
1,001–5,000	176,784	349,499,308	18.6414
5,001–10,000	14,230	100,771,816	5.3749
10,001–100,000	6,614	139,511,898	7.4412
100,001 and over	300	1,023,988,856	54.6170
Totals	853,725	1,874,852,876	100

The total number of shareholders holding less than a marketable parcel of 49 is 25,820.

Twenty largest shareholdings as at 2 March 2007

		Ordinary shares	% of issued capital
1	J P Morgan Nominees Australia Limited	225,154,838	12.01
2	Westpac Custodian Nominees Limited	198,517,058	10.59
3	National Nominees Limited	168,898,713	9.01
4	HSBC Custody Nominees (Australia) Limited	67,813,334	3.62
5	ANZ Nominees Limited	57,199,306	3.05
6	Citicorp Nominees Pty Limited	38,038,742	2.03
7	Cogent Nominees Pty Limited	23,130,505	1.23
8	Queensland Investment Corporation	20,786,876	1.11
9	AMP Life Limited	20,107,016	1.07
10	Citicorp Nominees Pty Limited <CFS WSLE GEARED SHR FND A/C>	19,314,696	1.03
11	Citicorp Nominees Pty Limited <CS WSLE IMPUTATION FND A/C>	13,232,606	0.71
12	Australian Reward Investment Alliance	10,665,599	0.57
13	Australian Foundation Investment Company Limited	9,057,364	0.48
14	Citicorp Nominees Pty Limited <CFS IMPUTATION FUND A/C>	8,672,297	0.46
15	Citicorp Nominees Pty Limited <CFS WSLE 452 AUST SHARE A/C>	8,017,399	0.43
16	ARGO Investments Limited	6,225,099	0.33
17	Cogent Nominees Pty Limited <SMP ACCOUNTS>	6,101,927	0.33
18	Citicorp Nominees Pty Limited <CFS WSLE AUST SHARE FND A/C>	6,025,594	0.32
19	UBS Nominees Pty Ltd	5,475,000	0.29
20	Citicorp Nominees Pty Limited <CFS WSLE INDUSTRIAL SHR A/C>	4,575,800	0.24
Top 20 total		917,009,769	48.91
Total shares		1,874,852,876	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 2 March 2007, the share capital of AMP Limited consisted of 1,874,852,876 ordinary shares held by 853,725. 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 8 March 2007, AMP Limited had on issue 4,174,216 options over unissued ordinary shares in AMP Limited held by 2,593 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.

Go online to manage your shareholding
www.amp.com.au/shareholdercentre

We've redesigned our website
to make managing your AMP shares easier

In a hurry?
All the latest news and reports in one convenient place

Want to see the value of your shares? Our online calculator will tell you in a flash

Check out AMP's online summary of the 2006 results, including video presentations from the Chairman and CEO

See the share price on both the Australian and New Zealand stock exchanges

Manage your holding online – such as changing your address and bank details

See when your dividends are being paid. You can choose to be sent an email reminder using our interactive calendar

PLEASE
RECYCLE

MANAGE YOUR AMP SHAREHOLDING ONLINE AT
www.amp.com.au/shareholdercentre

NEED HELP? CONTACT THE AMP SHARE REGISTRY

AUSTRALIA
AMP SHARE REGISTRY
REPLY PAID 2980
MELBOURNE VIC 8060
PHONE 1300 654 442
FAX 1300 301 721

NEW ZEALAND
AMP SHARE REGISTRY
P O BOX 91543
AUCKLAND MAIL CENTRE
PHONE 0800 448 062
FAX 09 488 8787

OTHER COUNTRIES
AMP SHARE REGISTRY
GPO BOX 2980
MELBOURNE VIC 3001
AUSTRALIA
PHONE +613 9415 4051
FAX +612 8234 5002

EMAIL
ampservices@computershare.com.au

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