2010 annual report

Contents

Annual Report 2010
All amounts are in Australian dollars, unless otherwise specified. The information in this report is current as at 2 March 2011.

AMP Limited
ABN 49 079 354 519

Peter Mason AM
Chairman

Welcome to AMP's 2010 Annual Report

2010 financial performance
AMP maintained its strong financial position during 2010.

Underlying profit, which removes some of the impact of investment market volatility and is the basis on which the board determines dividend payments, was $760 million. While down two per cent on 2009, this was a solid result in a year in which we implemented significant changes that are reshaping the business for future growth.

Importantly, our disciplined cost control enabled us to continue investment in growth initiatives, which are yielding encouraging results.

Dividend
The board declared a final 2010 dividend of 15 cents per share, which represents a payout ratio of 83 per cent of AMP's second half underlying profit.

Your total 2010 dividend is 30 cents per share and is 60 per cent franked.

Capital position
The company's capital position strengthened and, by the end of 2010, we held $1.5 billion in capital above minimum regulatory requirements. This is an increase of $240 million from 31 December 2009.

We continue to take a prudent approach to capital management and we are biased towards holding some excess capital, particularly given changing prudential standards.

Outlook
The markets in which AMP operates remain attractive. We are well positioned to grow shareholder value.

Peter Mason
Chairman

Five-year financial summary

Year ended 31 December	2010 $m	2009 $m	2008 $m	2007 $m	2006 $m
Consolidated income statement[1]					
Net premium, fee and other revenue	**2,824**	2,665	2,877	2,869	2,437
Investment gains (losses)	**4,840**	8,250	(13,843)	8,128	11,791
Profit (loss) before income tax from continuing operations	**881**	1,228	(1,094)	1,237	1,608
Income tax (expense) credit	**(126)**	(505)	1,668	(445)	(781)
Profit from discontinued operations held for sale after income tax[1]	**–**	–	6	193	88
Minority interests	**20**	16	–	–	–
Profit after tax attributable to shareholders of AMP Limited	**775**	739	580	985	915
Consolidated statement of financial position					
Cash and cash equivalents	**3,158**	2,409	2,056	2,141	1,108
Investment assets	**82,943**	84,171	80,641	99,150	93,484
Intangibles	**919**	946	939	1,005	862
Assets of discontinued operations held for sale[1]	**–**	–	–	747	–
Other assets	**2,241**	2,304	3,114	2,266	2,520
Total assets	**89,261**	89,830	86,750	105,309	97,974
Borrowings and subordinated debt	**11,136**	12,350	12,376	11,653	10,423
Life insurance contract liabilities	**17,762**	18,380	19,250	20,635	20,974
Investment contract liabilities	**48,579**	47,239	41,510	52,357	46,668
Outstanding claims	**–**	–	–	–	805
Liabilities of discontinued operations held for sale[1]	**–**	–	–	672	–
Other liabilities	**8,786**	9,227	11,497	17,978	16,650
Total liabilities	**86,263**	87,196	84,633	103,295	95,520
Net assets	**2,998**	2,634	2,117	2,014	2,454
Contributed equity	**5,051**	4,814	4,481	3,827	4,067
Reserves	**(2,565)**	(2,563)	(2,598)	(2,446)	(1,983)
Retained earnings	**452**	320	154	546	328
Total equity attributable to shareholders of AMP Limited	**2,938**	2,571	2,037	1,927	2,412
Minority interests	**60**	63	80	87	42
Total equity	**2,998**	2,634	2,117	2,014	2,454

		2010	2009	2008	2007	2006
Other financial data						
Basic earnings per ordinary share	($ps)	**$0.38**	$0.37	$0.31	$0.53	$0.50
Diluted earnings per ordinary share	($ps)	**$0.38**	$0.37	$0.31	$0.53	$0.49
Dividends per ordinary share	($ps)	**$0.30**	$0.30	$0.40	$0.46	$0.40
Number of ordinary shares	(m)	**2,094**	2,049	1,993	1,875	1,875
Assets under management	($bn)	**115**	112	105	129	122

Footnote:

1 On 5 March 2008, the AMP group completed the sale of its closed reinsurance operations, Cobalt/Gordian. The sale represented a complete exit from this business by the AMP group. For 2008, 2007 and 2006, the results of the discontinued operations are disclosed as a single item in the Consolidated income statement above. For 2007, the assets and liabilities of the discontinued operations held for sale are disclosed as separate items in the Consolidated statement of financial position above.

Profit

Underlying profit of $760 million ▼ 2%

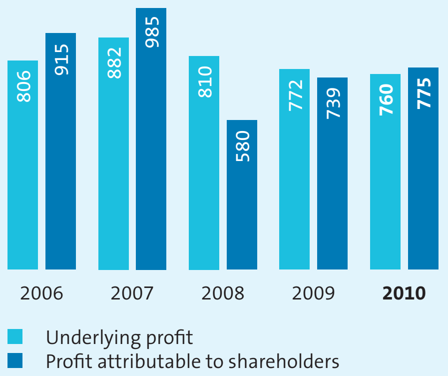
AMP delivered an underlying profit of $760 million in 2010. This compares with an underlying profit of $772 million in 2009.

Underlying profit is AMP's preferred measure of profitability as it removes some of the impact of investment market volatility and is the earnings base from which dividends are determined.

Profit attributable to shareholders of $775 million ▲ 5%

Profit attributable to shareholders in 2010 was $775 million, compared with $739 million in 2009.

Full year profit
$ million



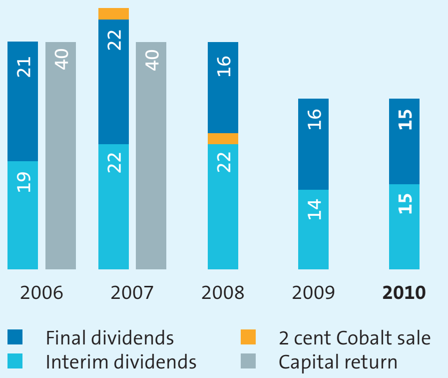
Dividend

Final dividend of 15 cents per share

This brings the total dividend for 2010 to 30 cents per share, steady on 2009.

The final dividend will be 60 per cent franked and will be paid on 8 April 2011.

Dividends and payments to shareholders
cents per share



Your directors present their report on the consolidated entity consisting of AMP Limited and the entities it controlled at the end of or during the year ended 31 December 2010.

Directors' details

The directors of AMP Limited during the year ended 31 December 2010 and up to the date of this report are shown below. Directors were in office for this entire period except where stated otherwise: Peter Mason (Chairman), Craig Dunn (Managing Director and Chief Executive Officer), Catherine Brenner (appointed 16 June 2010), Brian Clark, Paul Fegan, Richard Grellman, John Palmer, Nora Scheinkestel and Peter Shergold.

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

Peter Mason AM

Chairman BCom (Hons), MBA, Hon DBus (UNSW), FAICD. Age 64

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

Experience. Peter has 40 years' experience in investment banking and is currently a Senior Advisor to UBS Investment Bank. He was Chairman of JP Morgan Chase Bank in Australia from 2000–05 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 businesses in the Asia Pacific region. He was a member of the Council of the University of New South Wales for 13 years. 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. In 1995, Peter was appointed a Member of the Order of Australia for his contribution to the Children's Hospital.

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

Other current directorships
- Director of the University of New South Wales Foundation
- Director of Headspace National Youth Mental Health Foundation Limited
- Chairman of the UBS Australia Foundation
- Member of the Takeovers Panel

Craig Dunn

Chief Executive Officer and Managing Director BCom, FCA. Age 47

Craig was appointed Managing Director and Chief Executive Officer (CEO) in January 2008. He has been a Director of AMP Life since April 2002 and of AMP Capital Investors since January 2008.

Experience. Prior to becoming CEO, Craig was Managing Director, AMP Financial Services from 2002–07. He joined AMP in January 2000 and has held a number of senior roles including Managing Director of AMP Bank and Director, Office of the CEO.

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

Listed directorships
- Director of AMP Capital Investors (responsible entity of AMP Capital China Growth Fund, a managed investment scheme listed on the ASX) (appointed January 2008)

Other directorships appointments
- Advisory board member with the Government's Financial Literacy Foundation
- Member of the Australian Government's Financial Services Advisory Committee (FSAC)
- Leader's Forum member of the Australian Institute for Population Ageing
- Research Member of the Australian Government's Australian Financial Centre Forum

Catherine Brenner

Director BEc LLB MBA. Age 40

Catherine was appointed to the AMP Limited Board in June 2010 and is a member of the Diversity Advisory Committee. She was appointed to the AMP Life Board in May 2009 and is a member (and former Chairman) of the AMP Life Audit Committee.

Experience. Catherine is a former Managing Director, Investment Banking at ABN AMRO where she held various senior roles. She is experienced in both corporate advisory and equity capital markets. Prior to this she was a corporate lawyer.

Listed directorships
- Director of Boral Limited (appointed September 2010)
- Director of Coca-Cola Amatil Limited (appointed April 2008)
- Within the last three years, Catherine served as a Director of Trafalgar Corporate Group (2003–February 2008), Cryosite Limited (2006–October 2008) and Centennial Coal Company Limited (2005–September 2010).

Other directorships/appointments
- Director of the Australian Brandenburg Orchestra
- Trustee of the Sydney Opera House Trust
- Member of the Takeovers Panel

Brian Clark

Director DSc. Age 62

Brian was appointed to the AMP Limited Board in January 2008. He is a member of the Nomination Committee, Diversity Advisory Committee and People and Remuneration Committee, and became Chairman of the AMP Capital Investors Board in March 2009. He has been a Director of AMP Capital Investors and a member of its Audit Committee since February 2008.

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

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

Listed directorships
- Director of Boral Limited (appointed May 2007)
- Chairman of AMP Capital Investors (responsible entity of AMP Capital China Growth Fund, a managed investment scheme listed on the ASX) (appointed February 2008)

Paul Fegan

Director MBA. Age 49

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

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

Listed directorships

Within the last three years, Paul served as a director of St George Bank Limited (February 2008–December 2008).

Richard Grellman AM

Director FCA. Age 60

Richard was appointed to the AMP Limited Board in March 2000. He is a member (and former Chairman) of the Audit Committee and a member of the Nomination Committee. He was appointed Chairman of AMP Life in April 2009 and has been a Director of that board since November 2001. He is also a member (and former Chairman) of the AMP Life Audit Committee and has been a member of the AMP Capital Investors' Audit Committee since August 2005.

Experience. Richard has over 32 years' experience in the accounting profession. He was a partner of KPMG from 1982–2000 and a member of KPMG's National Board from 1995–97 and National Executive from 1997–2000. He was an independent financial expert for AMP's demutualisation and investigating accountant for AMP's prospectus and listing. In 2007, Richard was appointed a Member of the Order of Australia for service to the community, particularly through leadership roles with Mission Australia and fundraising with Variety, The Children's Charity, and to the finance and insurance sectors.

Listed directorships
- Bisalloy Steel Group Limited (appointed February 2003)
- Within the last three years, Richard served as a Director of Trafalgar Corporate Group (2002–November 2008, Chairman from 2006), Chairman of Cryosite Limited (2002–March 2008) and a Director of Centennial Coal Company Limited (2008– September 2010).

Other directorships/appointments
- Chairman of The Association of Surfing Professionals (International) Limited
- Chairman of the Bible Society, Australia
- Chairman of the Centre for Public Christianity

John Palmer ONZM

Director BAgrSc, FNZID. Age 63

John was appointed to the AMP Limited Board in July 2007. He is Chairman of the People and Remuneration Committee and has been a Director of AMP Life since May 2004.

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

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

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

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

Professor Peter Shergold AC

Director BA (Hons), MA, PhD. Age 64

Peter was appointed to the AMP Limited Board in May 2008. He is a member of the Audit Committee and the Diversity Advisory Committee and has been a Director of AMP Life since August 2008.

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

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

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

Other directorships/appointments
- Director of Corrs Chambers Westgarth
- Chairman of QuintessenceLabs Pty Limited
- Chairman of the National Centre for Vocational Education Research
- Director of the Sir John Monash Foundation
- Director of the National Centre for Indigenous Excellence
- Chairman of the Ministerial Expert Advisory Group on Gambling

Dr Nora Scheinkestel

Director LLB (Hons), PhD, FAICD. Age 50

Nora was appointed to the AMP Limited Board in September 2003. She is Chairman of the Nomination Committee, Chairman of the Diversity Advisory Committee, a member of the Audit Committee, a Director of AMP Bank and a member of its Audit Committee. She has been a Director of AMP Capital Investors since February 2004 and is a member (and former Chairman) of its Audit Committee.

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

Listed directorships
- Director of Orica Limited (appointed August 2006)
- Director of Pacific Brands Limited (appointed June 2009)
- Director of Telstra Corporation Limited (appointed August 2010)
- Director of AMP Capital Investors (responsible entity of AMP Capital China Growth Fund, a managed investment scheme listed on the ASX in December 2006) (appointed February 2004)
- Within the last three years, Nora served as a Director of PaperlinX Limited (2000–December 2009), Newcrest Mining Limited (2000–August 2007) and Mayne Pharma Limited (2005–February 2007).

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

Attendance at board and committee meetings

The table below shows details of attendance by directors of AMP Limited at meetings of boards and the committees of which they were members during the year ended 31 December 2010. The directors also attended other meetings, including management meetings and meetings of subsidiary boards or committees of which they were not a member during the year.

Board/Committee	AMP Limited Board Meetings		Audit Committee		Nomination Committee		People and Remuneration Committee		Diversity Advisory Committee		Ad hoc Committees[1]		Subsidiary Boards and Committee meetings[2]	
Held/attended	A	B	A	B	A	B	A	B	A	B	A	B	A	B
Catherine Brenner	12	11	–	–	–	–	–	–	3	3	4	4	11	11
Brian Clark	22	22	–	–	5	5	7	7	4	3	2	2	18	18
Craig Dunn	22	22	–	–	–	–	–	–	4	2	4	4	18	16
Paul Fegan	22	22	9	8	–	–	–	–	–	–	5	5	5	5
Richard Grellman	22	21	9	9	5	5	–	–	–	–	4	4	18	17
Peter Mason[3]	22	21	–	–	5	5	7	7	–	–	3	3	–	–
John Palmer	22	21	–	–	–	–	7	7	–	–	–	–	11	11
Nora Scheinkestel	22	22	9	9	5	5	–	–	4	4	2	2	28	27
Peter Shergold	22	21	9	8	–	–	–	–	4	4	–	–	7	7

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 financial results and merger and acquisition activity.
2 Subsidiary board and committee meetings include AMP Life, AMP Bank and AMP Capital Investors.
3 The Chairman attended a number of audit committee and subsidiary board and committee meetings held during 2010 in an ex officio capacity.
4 Some board meetings were called at short notice to address specific matters only.

Company secretaries' details

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

Brian Salter

General Counsel and Company Secretary BA, LLB (Hons), LLM (Hons), MAICD

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

Graeme Blackett

Company Secretary BA, LLB, GradDipCSP, FCIS

Graeme is a Company Secretary of AMP Limited and AMP Life Limited. He joined AMP in November 2006. From 1993–2006, Graeme served in company secretarial roles at NRMA Limited, NRMA Insurance Limited, Reckon Limited and Westfield Group. He holds a graduate diploma in Company Secretarial Practice and is a fellow of Chartered Secretaries Australia. Graeme has been a member of the Legislation Review Committee of Chartered Secretaries Australia since 2008.

Vicki Vordis

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

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

Principal activities

AMP is a leading wealth management company operating in Australia and New Zealand, with an evolving banking business in Australia and selective investment management activities in Asia. Its ambition is to become the region's pre-eminent wealth manager and investment house.

AMP Financial Services

AMP Financial Services provides a range of financial products and services to customers in Australia and New Zealand. These products and services include financial planning advice, superannuation, retirement savings, investments, risk insurance and banking products. The products and services are primarily distributed through self-employed financial planners and advisers aligned with AMP Financial Services.

AMP Capital Investors

AMP Capital Investors manages investments across all the major asset classes including equities, fixed interest, infrastructure, property, diversified funds and multi-manager funds. AMP Capital Investors also provides commercial, industrial and retail property management services. It provides its services through in-house investment professionals and a network of investment partners. AMP Capital Investors has offices in Australia, New Zealand, Beijing, London, Mumbai, New York, Singapore and Tokyo.

AMP Bank

AMP Bank offers a range of products, and is focused on broadening the group's customer base and channel access. At the end of 2010, AMP Bank had over 100,000 customers with a mortgage portfolio of $10.1 billion and a deposit book of $4.8 billion.

AMP has over 3.8 million customers in Australia and New Zealand, around 3,700 employees, some 2,100 aligned financial planners, around 780,000 shareholders and $115 billion of assets under management.

Review of operations and results

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

AMP's statutory profit attributable to shareholders of AMP Limited for the year ended 31 December 2010 was $775 million, compared to $739 million for the previous corresponding period. Basic earnings per share for the year ended 31 December 2010 on a statutory basis was 37.9 cents per share (2009: 37.1 cents per share).

Underlying profit is AMP's preferred measure of profitability as it smoothes investment market volatility. Directors use underlying profit as the primary determinant of dividend decisions. AMP's underlying profit of $760 million for the year ended 31 December 2010 was reduced two per cent from $772 million for the year ended 31 December 2009. On an underlying basis, earnings were 36.7 cents per share (2009: 38.3 cents per share).

AMP's performance for 2010 against its four key performance measures was as follows:

- underlying profit $760 million, down two per cent on 2009
- 63 per cent of AMP Capital Investors managed funds met or exceeded the benchmark over the 12 months to 31 December 2010
- growth measures (compared to the previous corresponding period):
  - net cash inflows into AMP Financial Services were $789 million in 2010, compared with $1,661 million over the 12 months to 31 December 2009; net external cash inflows into AMP Capital Investors were $2,618 million in 2010 compared with $1,077 million net outflows over the 12 months to 31 December 2009
  - value of risk new business increased $6 million to $108 million
- underlying return on equity decreased by 5.4 percentage points to 26.2 per cent, reflecting AMP's prudent approach to capital management.

AMP experienced overall investment gains attributable to shareholders, policyholders, external unitholders and non-controlling interests for the year ended 31 December 2010. The vast majority of investment returns are attributable to wealth management products where the shareholders are not directly exposed to changes in asset values.

Total AMP group assets under management were $115 billion at 31 December 2010, an increase of 3 per cent from $112 billion at 31 December 2009.

Differences between underlying profit and statutory profit

The 31 December 2010 underlying profit of $760 million excludes an investment income market adjustment loss of $5 million. The underlying profit also excludes merger and acquisition transaction costs of $16 million, and other items of $2 million loss. Accounting mismatch gains of $22 million and other timing differences gains of $16 million are also excluded from underlying profit. A reconciliation between underlying profit and statutory profit is provided in Note 2(d) of the Financial Report.

Capital management

Equity and reserves of the AMP group increased to $2,938 million at 31 December 2010 from $2,571 million at 31 December 2009. This was a result of additional share capital issued under the Dividend Reinvestment Plan, profits to 31 December 2010 and other movements in reserves and contributed equity, partially offset by dividends paid up to 31 December 2010.

AMP remains strongly capitalised, with $1,482 million in regulatory capital resources above minimum regulatory requirements (MRR) at 31 December 2010 ($1,242 million at 31 December 2009). This was 2.4 times MRR (2.2 times at 31 December 2009). The MRR coverage ratio varies throughout the year due to a range of factors, including investment market movements, dividend payments and statutory profits.

AMP continues to take a prudent approach to capital management and is biased towards holding some excess capital, particularly in the current environment where there are a number of regulatory capital reviews in progress.

AMP has declared a final dividend of 15 cents per share, franked to 60 per cent. This takes AMP's dividend payout ratio to 82 per cent of underlying profit for the year ended 31 December 2010. AMP's dividend policy is to pay out 75–85 per cent of underlying profit and franked to the maximum extent possible. Following the proposed merger between AMP and AXA APH's Australian and New Zealand operations, it is expected that the franking capacity of the merged group will be less than AMP's current franking level in the near term, given AXA APH's current franking position.

AMP offers a dividend reinvestment plan (DRP) for shareholders. AMP will offer a discount of 1.5 per cent to DRP participants. The DRP will not be underwritten and new shares will be issued.

Impact of accounting mismatches on profit

During the year, the aggregate impact of accounting mismatches increased the net profit attributable to the shareholders of AMP Limited by $22 million from $753 million to $775 million. Further details on accounting mismatches are provided in the accounting policies Note 1(d) in the Financial Report.

The accounting mismatches arise in respect of:

- gains and losses on 'treasury shares':
  2010 gain of $22 million (2009: $26 million loss)

– gains and losses on investments in controlled entities of the life statutory funds: 2010 loss of $4 million (2009: $21 million gain)
– other accounting mismatches: 2010 gain of $4 million (2009: $4 million gain).

Political donations
AMP's policy is that it does not make donations to political parties. No political donations were made during 2010.

Significant changes to the state of affairs
Details of capital changes during 2010 are set out earlier 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
As at the date of this report, the directors are not aware of any matter or circumstance that has arisen since the end of the year that has significantly affected or may significantly affect the operations of the consolidated entity, the results of its operations or its state of affairs, which is not already reflected in this report, other than the following:

– on 17 January 2011, AXA APH released an explanatory memorandum setting out information for AXA APH shareholders about a proposed merger of AXA APH's Australian and New Zealand businesses with AMP. The proposed transaction is a joint proposal with AXA SA under which AXA SA would acquire 100 per cent of AXA APH's Asian business.

  AXA APH's independent directors have unanimously recommended the proposal to minority shareholders in the absence of a superior proposal. AXA APH shareholders will have the opportunity to vote on the proposal on 2 March 2011. Assuming shareholders vote in favour of the proposal, and subject to court approval, it is expected that the implementation date for the merger will be 30 March 2011. In addition to receiving shareholder and court approvals, the merger also remains subject to various regulatory approvals, including from the Federal Treasurer.
– on 17 February 2011, AMP announced a final dividend on ordinary shares of 15 cents per share. Details of the announced final dividend and dividends paid and declared during the financial year are disclosed in Note 17 of the Financial Report.

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

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

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

As an investor, AMP believes engagement with companies on environmental issues is an effective way to influence management practices for the benefit of customers and the environment. During 2010, AMP Capital Investors continued to be 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). AMP Capital Investors is also a signatory to the United Nations Principles of Responsible Investment.

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

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

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

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

AMP's 2010 report on *Energy Efficient Opportunities* is available at www.amp.com.au/socialresponsibility

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
– the company will maintain directors' and officers' insurance cover for the directors to the extent permitted by law for the period of their office and for seven years after they cease to hold office.

Rounding
In accordance with the Australian Securities and Investments Commission Class Order 98/0100, amounts in this Directors' Report and the accompanying Financial Report have been rounded off to the nearest million Australian dollars, unless stated otherwise.

Auditor's independence declaration to the directors of AMP Limited
The directors have obtained an independence declaration from the company's auditor, Ernst & Young for the year ended 31 December 2010.

ERNST & YOUNG

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

Auditor's Independence Declaration to the Directors of AMP Limited
In relation to our audit of the Financial Report of AMP Limited for the financial year ended 31 December 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Andrew Price
Partner
17 February 2011

Liability limited by a scheme approved under Professional Standards Legislation

Non-audit services
The Audit Committee has reviewed details of the amounts paid or payable for non-audit services provided to the AMP group of companies during the year ended 31 December 2010, 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 $1,345,000 or 11 per cent of total audit fees (refer to Note 32 of the Financial Report for further details).

Remuneration disclosures
The remuneration arrangements for AMP directors and senior executives are outlined in the Remuneration Report which forms part of the Directors' Report for the year ended 31 December 2010.

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

Remuneration Report

This year's Remuneration Report is presented in a revised format. It provides a clear and concise account of AMP's approach to remuneration for Key Management Personnel (KMP). The report has been divided into the following sections:

1. Overview
2. Executive remuneration strategy
3. Executive remuneration structure in 2010
4. Changes proposed to the remuneration structure in 2011
5. The link between company performance and remuneration
6. Executive remuneration quantitative data for 2010
7. Executive contractual arrangements
8. Non-executive director remuneration.

Key Management Personnel

For the purpose of this Remuneration Report and AASB 124 *Related Party Disclosures* (refer to note (31) to the Financial Statements), KMP are people who have authority and responsibility for planning, directing and controlling the activities of the AMP group. They include the Chief Executive Officer (CEO) of AMP Limited and his direct reports (collectively the 'nominated executives') and the non-executive directors of the AMP Limited Board.

The individuals disclosed in this report were KMP for the full financial year, with the exception of Catherine Brenner, who was appointed as a non-executive director on 16 June 2010.

The directors note that the nominated executives include the five highest-paid executives of the AMP group[1].

1 Overview

1.1 Remuneration strategy and structure

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

The key components of the 2010 remuneration structure were as follows:

<table>
<tr><th>Employee group</th><th>Fixed remuneration</th><th>Short-term incentives (STI)[2]</th><th>Long-term incentives (LTI)</th><th>Other equity arrangements</th></tr>
<tr><td>Non-executive directors</td><td>Board fees, committee fees, and superannuation</td><td>None</td><td>None</td><td>26% of fees required to be taken as shares</td></tr>
<tr><td>Nominated executives</td><td rowspan="3">Annual base salary and superannuation (base salary includes salary-sacrificed benefits and fringe benefits tax thereon)</td><td rowspan="3">Annual cash-based awards dependent on individual, business unit and company performance assessed against financial and non-financial measures</td><td>Performance rights: rights to AMP Limited shares subject to a three-year relative total shareholder return (TSR) vesting hurdle</td><td>Minimum shareholding requirement</td></tr>
<tr><td>Other senior leaders</td><td>Selected employees received performance rights (as above) and/or shares restricted for three years</td><td>None</td></tr>
<tr><td>Other employees</td><td>None</td><td>None</td></tr>
</table>

Footnote:
1 In addition to remuneration disclosures for KMP, the *Corporations Act 2001* (Cth) requires disclosure of remuneration details for the five 'company executives' and five 'relevant group executives' who received the highest remuneration during the year.
2 A limited number of investment management and sales employees also participated in tailored business unit plans, which are based on individual/team financial measures and delivered in cash, AMP Limited equity or AMP investment products.

1.2 2010 remuneration outcomes

Remuneration in 2010 remained aligned to AMP's financial performance, which continued to be impacted by the effects of the 2008–2009 global financial crisis.

- Base salaries for non-award staff remained frozen at April 2008 levels, with exceptions made only for newly promoted employees or critical talent.
- STI awards for the nominated executives decreased slightly in 2010, consistent with the movements in AMP's financial performance from 2009 to 2010.
- Performance rights issued under the 2007 long-term incentive (LTI) lapsed in 2010 as the total shareholder return (TSR) hurdle was not met. The LTI program has not delivered any value to nominated executives since 2008 (the 2006 performance rights lapsed in 2009).
- The 2009 LTI was granted in March 2010; the late timing of the grant was a result of pending changes to taxation rules. To ensure continuity in long-term performance assessment, the performance/service conditions apply to the three-year period from August 2009 to July 2012.
- The 2010 LTI was awarded in August 2010 subject to performance/service conditions until July 2013.

1.3 Initiatives to enhance the effectiveness of our remuneration approach

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

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

1.4 Key changes to remuneration approach in 2010

While AMP is making some changes to its remuneration framework in 2011, the existing remuneration approach largely continued to meet the needs of the business during 2010. Select refinements were made to remuneration structures to respond to specific business pressures and regulatory requirements as described below.

- The PRC increased its oversight of remuneration and the AMP Limited Board approved a remuneration policy to ensure AMP's remuneration is aligned to AMP's guiding principles (refer to section 2.2 for list of guiding principles) (refer to the Corporate Governance Report for details of the PRC's composition and responsibilities).
- The STI policy was adjusted to increase the business's ability to reflect employee behaviours in rewards; employees are now formally required to meet a minimum behavioural rating to receive any STI award.
- Under the 2009 and 2010 LTI terms and conditions, participants are no longer required to request the release of rights/shares upon vesting. This change was introduced to reduce the likelihood of participants being taxed before they have access to the awards (as may be the case under the revised taxation rules, applicable for share-based payments made after 1 July 2009).
- Employment contracts issued to newly appointed employees provide a new clause limiting an employee's termination entitlements to payments not requiring shareholder approval under the *Corporations Act 2001* (Cth) (i.e. payments capped at one year's 'base salary').

1.5 Anticipated changes to remuneration approach in 2011

The board has approved the changes to remuneration structures to be made in 2011 as detailed below, which were developed as part of Phase 2 of the remuneration framework review.

- The 2011 STI pool will incorporate a risk adjustment to support AMP's enhanced enterprise risk management framework, which emphasises acting within approved risk appetite ranges.
- Forty per cent of the 2011 STI (awarded March 2012) will be deferred into equity for two years for employees who can influence AMP's financial soundness or who are responsible for protecting AMP's financial soundness (including all of the nominated executives).

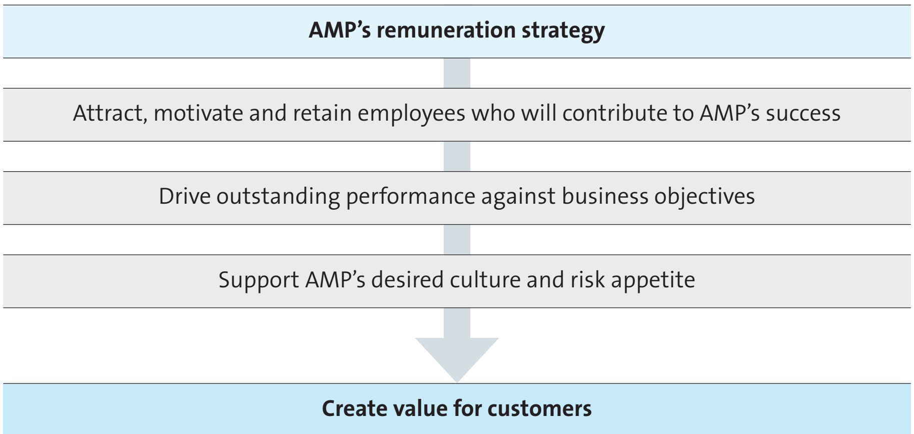
  The vesting of deferred STI will be subject to ongoing employment, compliance with AMP policies and the board's discretion.
- Invitations to participate in the LTI plan will be limited to a select group of AMP's senior leaders (including all of the nominated executives). This will ensure long-term performance incentives are provided to the employees most able to influence the creation of shareholder value.
- In order to retain and reward key employees, middle managers who are consistent high performers may be invited to participate in a new equity plan, whereby the value of the award will be a proportion of the cash STI award (the 'STI match' plan).

If AMP's proposed merger with AXA Asia Pacific Holdings' (AXA APH) Australian and New Zealand businesses is successful, a project to integrate remuneration of AXA and AMP employees will be undertaken by the merger integration team. The project will incorporate a detailed assessment of the current remuneration approaches, including identification of which aspects of remuneration should be harmonised and implementing harmonisation changes, where deemed appropriate.

2 Executive remuneration strategy

2.1 The role of remuneration in supporting business strategy

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



2.2 Guiding principles for AMP remuneration

To ensure remuneration practices are aligned with the remuneration strategy, AMP applies seven guiding principles for remuneration. These specify that remuneration arrangements should:

1. align and contribute to AMP's key strategic objectives, business outcomes and desired performance culture
2. support AMP's risk management framework and protect its long-term financial soundness
3. support the engagement of employees in a manner relevant to their role, to achieve outstanding performance and create value for AMP and its shareholders
4. attract and retain the desired talent within AMP
5. align the defined interests of stakeholders: shareholders, customers and employees
6. be simple and practical
7. be supported by a governance framework that avoids conflicts of interest, defines clear accountabilities and ensures that proper checks and balances are in place.

AMP has a comprehensive remuneration policy which expands these principles and outlines the responsibilities of the board, PRC and management in maintaining alignment with these principles.

2.3 Remuneration value

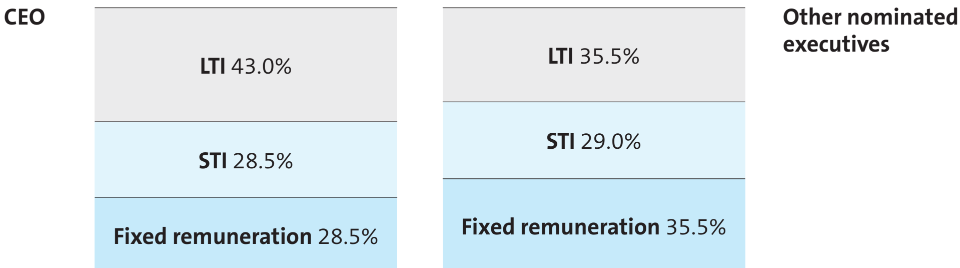
AMP generally positions fixed remuneration at the median (i.e. the 50th percentile) of the market. When determining the relevant 'market' for each role, AMP considers companies from which AMP sources talent, and to whom it could potentially lose talent. For the nominated executives, AMP sources data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

The position of each individual against the market varies based on the complexity of the role, the capability of the individual and the criticality to AMP of retaining the specific individual.

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

2.4 Remuneration mix

All executives have a significant component of their total remuneration linked to performance, as illustrated below, using the STI at midpoint. The STI and LTI are 'at risk' remuneration and will only be paid if specified performance standards are met.



3 Executive remuneration structure in 2010

During 2010, executive remuneration comprised three key components:

Variable or 'at risk' remuneration	Long-term incentives	Annual grant of rights to AMP Limited shares subject to a three-year relative total shareholder return (TSR) performance hurdle
	Short-term incentives	Annual cash award based on individual business unit and company performance against financial and non-financial measures
Fixed or 'guaranteed' remuneration	Fixed remuneration	Annual salary package including superannuation, salary sacrificed benefits and fringe benefits tax thereon

3.1 Fixed remuneration

Fixed remuneration for the nominated executives is expressed as an annual salary package and is generally targeted at the median of the market (see section 2.3 for more detail). From this amount, AMP deducts the required superannuation contributions and any additional superannuation contributions at the executive's election. Executives may also salary sacrifice the cost of selected benefits. Any fringe benefits tax incurred by AMP in providing benefits is on-charged to the executive.

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

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

3.2 Short-term incentives

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

– CEO: CEO STI plan (see section 3.2.1)
– direct reports to the CEO: AMP group STI Plan (see section 3.2.2).

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

3.2.1 CEO STI plan

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

In 2010, the CEO's award was based on the measures and weightings provided below, which were selected to reward the CEO for performance that will drive sustainable growth in shareholder value. For more detail on the AMP group measures, see section 3.2.2.

Group measures		Individual measures
Financial: weighting 60%	**Non-financial: weighting 10%**	**Weighting 30%**
– Underlying profit after tax – Underlying return on equity – Growth in funds under management – Investment performance	Including: – Risk management – People – Growth	– Risk management – Stakeholder relationships – Talent and culture – Leadership – Growth

3.2.2 AMP group STI plan

The nominated executives and other permanent employees earn STI awards based on the achievement of AMP's group-wide measures and personal objectives. STI opportunity for the nominated executives is provided in section 5.2.

STI pool

The size of the AMP group's short-term incentive pool which is available for distribution each year is determined by the PRC. To make this determination, the PRC assesses AMP's performance against financial and non-financial measures approved by the PRC at the start of each year.

The CEO then distributes the pool among business units and group functions based on their contribution to AMP's performance.

Footnote:
1 Targeted incentive plans provide those employees who have a direct ability to influence financial performance (e.g. sales roles) with market competitive rewards linked to individual/team-based financial measures. Only plans that adhere to the AMP remuneration guiding principles (see section 2.2) and contain risk-management protocols are approved.

Group-wide measures
The following group-wide measures were used in 2010 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 board, and provide an overall view of performance.

	Financial measures: weighting 70%	Non-financial measures: weighting 30%
Measures	– Underlying profit after tax – Underlying return on equity – Growth in funds under management – Investment performance	– Growth (e.g. market share, service/product ratings) – People (e.g. engagement, leadership and cultural survey results; attraction and retention of talent) – Risk management (e.g. capital adequacy and liquidity performance) – External standing (e.g. stakeholder management)
Link to strategy	– These financial measures are key drivers of shareholder value – Targets are set to drive upper quartile returns (i.e. to be in the top 25% of the top 50 industrials companies in the S&P/ASX 100 index)	– These measures are key indicators of the sustainability of financial results

The board has the discretion to consider the quality of AMP's financial results, business leadership and the realisation of strategic opportunities, in determining the final score.

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

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

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

3.3 Long-term incentives

AMP's long-term incentive (LTI) plans provide the nominated executives and selected senior leaders with rewards delivered in equity if conditions are met over a three-year period. LTI awards are granted annually, which provides ongoing benefits to participants for increasing shareholder value. Senior executive participants (including the nominated executives) receive their LTI in the form of performance rights, which are subject to a relative total shareholder return (TSR) hurdle (see section 3.3.2). Other participants may take a portion or all of their LTI in restricted shares, which are subject to their ongoing service (see section 3.3.3).

In addition to these two traditional LTI programs, AMP has in previous years offered selected executives in AMP Capital Investors the opportunity to invest in the business over a period of three years or more through the AMP Capital Associates Plan (see section 3.3.4).

3.3.1 Terms applying to performance rights and restricted shares granted in 2010
Determining the value of the award and the number of securities
Participation in the LTI and the value of awards is recommended by the PRC for approval by the board (and by shareholders in the case of the award to the CEO). When recommending the value of awards for each participant, the PRC, on advice from the CEO, considers the recipient's seniority, influence on AMP's long-term performance and contribution to AMP over the past 12 months or more. The number of securities is calculated by dividing the value of the award by the fair value of the LTI instrument, which is based on the 90-day average closing share price prior to the month in which grants are made. Fair values are, in the case of performance rights, discounted for the value of foregone dividends and the risk of performance conditions not being met.

Hedging
AMP policy prohibits executives from entering into any hedging arrangement in relation to any vested or unvested shares, options or performance rights in any AMP share plan. Breaches of this policy will lead to forfeiture of the relevant long-term incentives. In accepting an LTI award, executives are required to sign an agreement that they will not enter into any hedging arrangements in relation to their LTI.

Treatment of LTI on cessation of employment
Unvested LTI awards lapse at the end of the employee's notice period if the participant resigns from AMP. Unvested and unexercised LTI awards also lapse on termination due to misconduct or inadequate performance. In some other cases, such as retirement and redundancy, LTI awards are retained by the participant with vesting continuing to be subject to the same vesting conditions as if they had remained in AMP employment. In the event of a change in control, outstanding LTI awards typically vest.

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

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

Performance hurdle
Vesting of performance rights is dependent on AMP's TSR[1] performance relative to a comparator group of Australian listed companies over a three-year performance period. The comparator group for grants made during 2010 (and for all historical grants that were subject to performance testing during 2010) was the top 50 industrials companies in the S&P/ASX 100 Index (based on market capitalisation rank) at the start of the relevant performance period. The performance testing period and TSR comparator group companies for grants subject to performance testing during 2010 are provided below.

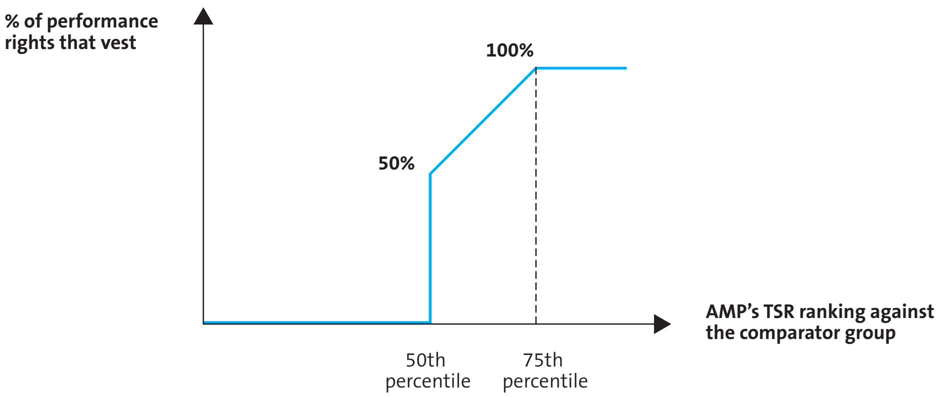
Plan	2010 annual award	2009 annual award	2008 annual award	2007–08 CEO award	2007 annual award (excluding the CEO)
Grant date	8 September 2010	12 March 2010[2]	19 September 2008	6 June 2008	5 September 2007 (21 September 2007 for Craig Meller)
Performance period	1 August 2010–31 July 2013	1 August 2009–31 July 2012	1 August 2008–31 July 2011	1 January 2008–31 December 2010	1 August 2007–31 July 2010
Comparator group	AGL Energy Ltd, Amcor Ltd, AMP Ltd, ANZ Banking Group Ltd, ASX Ltd, AXA Asia Pacific Holdings Ltd, Boral Ltd, Brambles Ltd, Coca-Cola Amatil Ltd, Commonwealth Bank of Australia, Computershare Ltd, CSL Ltd, Dexus Property Group (previously known as DB Reef Trust), Fairfax Media Ltd, Foster's Group Ltd, GPT Group, Insurance Australia Group Ltd, Intoll Group (previously known as Macquarie Infrastructure Group), Leighton Holdings Ltd, Lend Lease Corporation Ltd, MAP Group (previously known as Macquarie Airports), Macquarie Group Limited (previously known as Macquarie Bank Ltd), Mirvac Group, National Australia Bank Ltd, News Corporation, Orica Ltd, Qantas Airways Ltd, QBE Insurance Group Ltd, Sonic Healthcare Ltd, Stockland, Suncorp-Metway Ltd, Tabcorp Holdings Ltd, Tatts Group Ltd, Telstra Corporation Ltd, Toll Holdings Ltd, Transurban Group, Wesfarmers Ltd, Westfield Group, Westpac Banking Corporation, Woolworths Ltd.				
	plus for the 2010 annual award	**plus for the 2009 annual award**	**plus for the 2008 annual award**	**plus for the 2008 CEO award**	**plus for the 2007 annual award**
	Asciano Group, Bendigo and Adelaide Bank Ltd, CFS Retail Property Trust, Cochlear Ltd, Goodman Group, Incitec Pivot, James Hardie Industries SE, Telecom Corporation of New Zealand Ltd.	Asciano Group, Incitec Pivot Ltd, CFS Retail Property Trust, Cochlear Ltd, Crown Ltd, CSR Ltd, David Jones Ltd, Lion Nathan Ltd, Metcash Ltd, Telecom Corporation of New Zealand Ltd.	Bendigo and Adelaide Bank Ltd, Boart Longyear Ltd, CFS Retail Property Trust, Crown Ltd, Goodman Group, Incitec Pivot Ltd, Lion Nathan Ltd, Metcash Ltd, Telecom Corporation of New Zealand Ltd. *The following company is no longer listed, but was originally included: St George Bank Ltd.*	Aristocrat Leisure Ltd, Asciano Group, Bendigo and Adelaide Bank Ltd, Babcock & Brown Ltd, Cochlear Ltd, Crown Ltd, Goodman Group, Harvey Norman Holdings Ltd, Incitec Pivot Ltd. *The following company is no longer listed, but was originally included: St George Bank Ltd.*	Aristocrat Leisure Ltd, Asciano Group, Babcock & Brown Ltd, Centro Properties Group, Consolidated Media Holdings Ltd (previously known as Publishing & Broadcasting Ltd), Goodman Group. *The following companies are no longer listed, but were originally included: Alinta Ltd, Coles Group Ltd, Investa Property Group Ltd, St George Bank Ltd.*

Footnote:
1 Total shareholder return measures the benefit delivered to shareholders over the given period, which includes dividend payments, capital returns and the movement in the share price.
2 The later than usual grant timing was a result of pending changes to taxation rules. To ensure continuity in long-term performance assessment, the vesting conditions were applied from August 2009.

The performance hurdle was chosen because it requires participants to outperform major ASX listed companies before the awards generate any value.

During 2010, the PRC reviewed the LTI performance hurdle and TSR comparator group and considered incorporating a dual performance hurdle. The PRC determined that the existing TSR measure was the most reliable and objective measure of long-term shareholder value creation and that an additional measure would add unnecessary complication.

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



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

Exercise
If the awards vest, they are automatically exercised on behalf of the participant (i.e. converted to shares) at a nominal cost to the participant of $1 for all performance rights exercised at the one time. Upon exercise, participants become entitled to shareholder benefits, including dividends and voting rights.

3.3.3 Restricted shares
AMP uses restricted shares to recognise and retain high performing employees who contribute significantly to AMP's overall business success, but have a reduced ability to influence the creation of shareholder value compared to the nominated executives. A 'restricted share' is an ordinary AMP share that has a holding lock in place until the three-year vesting period ends. During this time, the holder is eligible for dividends, but is unable to sell, transfer or hedge their award. Restricted shares are awarded at no cost to the participant. As this program is designed as a means of recognising and retaining employees, no performance hurdles apply other than continued service.

Key feature of 2010 LTI structure: Under the 2009 and 2010 LTI terms and conditions, participants are no longer required to request the release of rights/shares upon vesting. Rather, at the first trading window after vesting has been approved by the board, performance rights are automatically exercised and the holding lock is automatically removed from restricted shares.

3.3.4 Legacy plans – AMP Capital Associates Plan
The AMP Capital Associates Plan (CAPs) is offered to selected executives in AMP Capital Investors, including Stephen Dunne, the Managing Director. The objective of the plan is to align AMP Capital Investors executives with the long-term performance of the business by offering them the opportunity to invest in notional shares in AMP Capital Investors Limited (CAPs).

Five tranches of CAPs investments have been made – on 1 January 2005, 1 January 2006, 1 January 2007, 1 January 2008 and 1 January 2009. No offers were made under this plan in 2010.

Under the plan, participants acquire deferred purchase agreements (known as 'CAP units') with AMP Capital Holdings Limited. Participants use their own money to purchase CAP units and are able to borrow money through AMP Bank, on full commercial terms, in order to fund their investment. CAP units allow participants to share in AMP Capital Investors' performance through annual cash distributions and capital appreciation (or depreciation). Additionally, participants may receive bonus distributions.

– *Annual cash distributions:* distributions are linked to a measure of the yield of AMP Capital Investors and the capital value of CAP units, which is based on independent valuations of AMP Capital Investors. As CAPs are notional shares, CAPs holders are not entitled to dividends.
– *Capital appreciation/depreciation:* the capital value of CAP units is realised on redemption of the units. A minimum holding period of three years applies before CAP units can be redeemed by continuing employees. On redemption, the capital value of the participant's CAP unit holdings is transferred to units in selected AMP Capital Investors unit trusts.
– *Bonus distributions:* participants are entitled to bonus distributions on the third and fifth anniversaries of the purchase of CAP units. Bonus distributions are each equal to 10 per cent of the capital value of unredeemed CAP units, and are made in cash. The three-year distribution compensates employees for the reduced liquidity of a CAP unit, as compared to other personal investment vehicles. The five-year distribution provides an incentive for participants to retain their holdings, and thus retain alignment with investors.

In the event of termination of employment with AMP, holders are generally required to redeem their CAP units at the lesser of the opening investment value or the most recent valuation of the CAP units. In the case of redundancy, holders have the option to redeem either at the time of termination or at the three-year or five-year anniversary of purchase (using the most recent valuation of the CAP units). While there is no limit to the amount that participants can invest, the eligibility for bonus distributions is capped.

3.4 Other equity arrangements

3.4.1 Executive minimum shareholding requirement

In 2006 the PRC introduced guidelines outlining the minimum number of AMP shares 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 by 2011 (or within five years of their appointment if appointed after 2006):
– CEO: 300,000 shares
– direct reports to the CEO: 60,000 shares.

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

Name	Date by which minimum holding must be met	Holding at 1 Jan 2010[1]	Granted as remuneration during the period	Received on exercise of performance rights or options	Other changes[2]	Holding at 31 Dec 2010
Craig Dunn	Jan 2013	558,497	–	–	–	558,497
Craig Meller	Oct 2012	96,207	–	–	–	96,207
Stephen Dunne	Jul 2011	209,396	–	–	–	209,396
Paul Leaming	Jul 2011	208,257	–	–	–	208,257
Lee Barnett	Jul 2011	52,978	–	–	–	52,978
Brian Salter	Jul 2013	10,610	–	–	610	11,220
Matthew Percival	Jul 2011	45,000	–	–	–	45,000
Fiona Wardlaw	Aug 2013	26,259	–	–	–	26,259
Jonathan Deane	Jan 2013	93,583	–	–	–	93,583

Footnote:
1 Holdings for Lee Barnett and Jonathan Deane have been restated from those disclosed at 31 December 2009 to reflect adjustments not notified before year end.
2 Other changes represent individuals' purchases and sales made during the period or participation in the AMP Dividend Reinvestment Plan.

Several of the nominated executives are approaching the date by which they must acquire their minimum holdings. The minimum shareholding requirement will next be tested on 31 December 2011.

3.4.2 Employee Share Acquisition Plan

From time to time, AMP has provided employees and executives with the opportunity to become shareholders in AMP through the Employee Share Acquisition Plan (ESAP), typically by way of salary sacrificing their fixed remuneration or STI to acquire shares. Depending on the terms of the particular award, participants may be entitled to receive matching shares for shares acquired under the ESAP (e.g. the 2009 awards provided one free share for every 10 shares acquired via salary sacrifice). Additionally, AMP can provide employees with free shares under the ESAP. Where the awards are acquired at no cost to the participant, service-based conditions must be met for the participant to receive their full entitlement. The plan was suspended mid-way through 2009 in Australia due to the changes to the taxation treatment of employee share plan awards. The plan continues to operate in New Zealand.

4 Changes proposed to the remuneration structure in 2011

4.1 2010 remuneration framework review

In late 2009, the PRC commissioned an extensive review of AMP's remuneration framework and practices. The review considered:

- AMP's strategic goals and guiding principles for remuneration
- market practice of Australian and international financial services companies
- the regulatory environment, with particular attention to APRA's new prudential standards on remuneration policy and governance
- feedback from AMP shareholders and other stakeholders.

Following the review, the board endorsed priorities for change and a three-phased approach to enhancing the effectiveness of AMP's remuneration approach.

Phase		Focus	Summary of progress
1	Immediate priorities – Meet APRA's 1 April 2010 implementation requirements under their revised Prudential Standards	Formalising the board and PRC's role in remuneration governance	Implemented in early 2010 (refer to the Corporate Governance report for details of the PRC's composition and responsibilities)
2	Short-term priorities – Meet APRA's full requirements and review equity plan design	Designing a remuneration framework that complies with prudential regulation and supports business objectives	Revised frameworks were approved by the board in December 2010 and are summarised below
3	Mid-term priorities – Detailed review of performance management and reward links	Reviewing the AMP group short-term incentive plan to ensure it continues to be aligned to business strategy	To be reviewed in 2011 for implementation in 2012

4.2 2011 executive remuneration structure

From 2011, remuneration for the nominated executives will include an additional component: deferred STI. Forty per cent of the STI for the 2011 performance year will be deferred into equity for two years, with vesting subject to ongoing employment, compliance with AMP policies and the board's discretion. STI deferral will also be applied to other senior employees who can influence AMP's financial soundness or are responsible for protecting AMP's financial soundness.

<table>
<tr><td rowspan="3">Variable or 'at risk' remuneration</td><td>LTI</td><td>Annual grant of rights to AMP Limited shares subject to a three-year relative total shareholder return (TSR) performance hurdle</td><td rowspan="2">Deferred equity</td></tr>
<tr><td>Deferred STI</td><td>Portion of STI deferred into equity for two years</td></tr>
<tr><td>STI</td><td>Annual award based on individual, business unit and company performance against financial and non-financial measures</td><td rowspan="2">Cash</td></tr>
<tr><td>Fixed or 'guaranteed' remuneration</td><td>Fixed remuneration</td><td>Annual salary package including superannuation, salary sacrificed benefits and fringe benefits tax thereon</td></tr>
</table>

4.3 2011 equity participation for other employees

Invitations to participate in the LTI plan will be made to a smaller group of AMP's senior leaders in 2011. This will ensure long-term performance incentives are only provided to those employees most able to influence the creation of shareholder value. The CEO and his direct reports, as well as selected senior executives, will be required to take their LTI awards in performance rights. All other participants will be provided with a degree of choice over whether their LTI award is composed of performance rights, restricted shares or a combination of the two.

In order to continue to reward and retain key employees who do not participate in the LTI plan, nominated individuals who are consistent high performers may be invited to participate in a new equity plan (the 'STI match' plan). The value of the STI match will be a proportion of the participant's cash STI award for the year; i.e. based on the achievement of group-wide measures and personal objectives (see section 3.2.2). The link to personal objectives will better enable employees to influence their reward outcomes. The award will be delivered in rights to AMP Limited shares, with vesting dependent on ongoing employment.

4.4 AXA integration

If AMP's proposed merger with AXA Asia Pacific Holdings' (AXA APH) Australian and New Zealand businesses is successful, a project to integrate remuneration of AXA and AMP employees will be undertaken by the integration team. The project will incorporate a detailed assessment of the remuneration approaches of both companies, identification of which aspects of remuneration should be harmonised and implementation of changes, where appropriate.

5 The link between company performance and remuneration

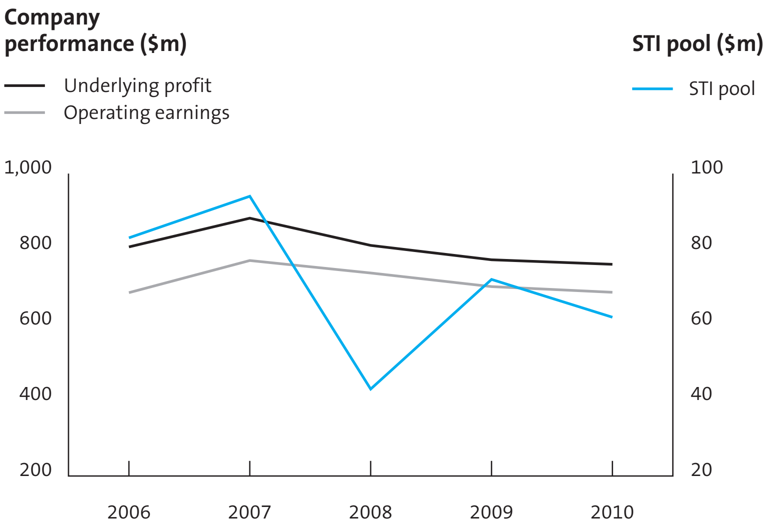
5.1 Company performance and short-term incentive expenditure

The following table shows how STI outcomes compared to AMP's financial results over the past five years. The STI pool for 2010 is lower than it was for 2009, reflecting AMP's 2010 performance relative to the targets agreed with the board. Notably, STI outcomes and company results are not expected to be perfectly correlated as AMP's STI performance assessment involves a broader consideration of AMP's progress in generating future value for shareholders (e.g. non-financial performance and financial results relative to shareholder expectations).

	2006	2007	2008	2009	2010
Underlying profit ($m)	806	882	810	772	760
Operating earnings ($m)	685	770	737	701	686
Underlying return on equity	31%	38%	39%	32%	26%
STI pool ($m)	83	94	43	72	62
STI pool as % of underlying profit	10%	11%	5%	9%	8%
Average STI as % of maximum opportunity for the nominated executives[1]	80%	75%	39%	67%	65%

Footnote:
1 The average STI figures for 2008 and 2009 have been restated from those disclosed at 31 December 2009 to reflect the STI outcomes for Key Management Personnel, rather than all employees, in those years.

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



5.2 Company performance and 2010 executive STI outcomes

The 2010 STI outcomes for the nominated executives were typically lower than in 2009 (see section 6.1), which is consistent with 2010 financial results. During the year, however, significant achievements were made across key strategic projects and major change initiatives.

The following table provides STI opportunities for each nominated executive (as a percentage of fixed remuneration) and the proportions of STI opportunity earned and forfeited during 2010. On average, the nominated executives were awarded 65 per cent of their maximum opportunity. The differing percentages 'awarded' reflect each nominated executive's relative contribution to AMP's 2010 financial and non-financial performance (as measured against their respective 2010 performance objectives). As the STI is an 'at risk' component of remuneration, any STI not earned (35 per cent of opportunity on average) was forfeited.

Executive	Position	Maximum STI opportunity	% awarded	% forfeited
Craig Dunn	Managing Director and Chief Executive Officer	200%	70%	30%
Craig Meller	Managing Director, AMP Financial Services	200%	71%	29%
Stephen Dunne	Managing Director, AMP Capital Investors	200%	50%	50%
Paul Leaming	Chief Financial Officer	150%	60%	40%
Lee Barnett	Chief Information Officer	150%	63%	37%
Brian Salter	General Counsel and Company Secretary	150%	72%	28%
Matthew Percival	General Manager, Public Affairs	150%	84%	16%
Fiona Wardlaw	General Manager, Human Resources	150%	55%	45%
Jonathan Deane	General Manager, Strategy	150%	60%	40%
Average			**65%**	**35%**

5.3 Company performance and long-term incentive vesting

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

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

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

Year	Award	Performance period for the LTI grant	AMP's TSR for that period[1]	AMP's ranking relative to the LTI comparator group	Vesting status at 31 December 2010
2006	Executive award	1 Aug 2006–31 Jul 2009	-30.72%	38th	Lapsed
2007	CEO award	1 Jan 2007–31 Dec 2009	Awards lapsed on departure of the previous CEO		
	Executive award	1 Aug 2007–31 Jul 2010	-35.51%	42nd	Lapsed
2008	CEO award	1 Jan 2008–31 Dec 2010	-38.06%	33rd	Lapsed
	Executive award	1 Aug 2008–31 Jul 2011	Performance period not complete		
2009	Annual award	1 Aug 2009–31 Jul 2012	Performance period not complete		
2010	Annual award	1 Aug 2010–31 Jul 2013	Performance period not complete		

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

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

6 Executive remuneration quantitative data for 2010

6.1 Accounting value of 2010 executive remuneration

The following table shows the remuneration details for the nominated executives for the year ended 31 December 2010. No termination payments were made to nominated executives in 2010.

		Short-term employee benefits			Post-employment benefits		Share-based payments[1]		Other long-term benefits	
Executive		Cash salary $'000	Short-term incentive $'000	Other short-term benefits $'000	Super-annuation benefits $'000	Subtotal $'000	Options and performance rights[2] $'000	Matching and restricted shares[3] $'000	Cash distributions on equity plans[4] $'000	Grand total $'000
Craig Dunn Managing Director and CEO	**2010** 2009	**1,385** 1,386	**1,960** 2,100	**–** –	**15** 14	**3,360** 3,500	**2,109** 1,508	**–** –	**–** –	**5,469** 5,008
Craig Meller Managing Director AMP Financial Services	**2010** 2009	**910** 911	**1,320** 1,350	**–** –	**15** 14	**2,245** 2,275	**916** 671	**–** –	**–** –	**3,161** 2,946
Stephen Dunne Managing Director, AMP Capital Investors	**2010** 2009	**910** 911	**925** 950	**–** –	**15** 14	**1,850** 1,875	**912** 700	**–** –	**8** 28	**2,770** 2,603
Paul Leaming Chief Financial Officer	**2010** 2009	**915** 916	**840** 875	**–** –	**15** 14	**1,770** 1,805	**933** 747	**–** –	**–** –	**2,703** 2,552
Lee Barnett Chief Information Officer	**2010** 2009	**678** 679	**650** 720	**–** –	**15** 14	**1,343** 1,413	**690** 538	**–** –	**–** –	**2,033** 1,951
Brian Salter General Counsel and Company Secretary	**2010** 2009	**685** 686	**760** 660	**–** –	**22** 14	**1,467** 1,360	**576** 249	**–** –	**–** –	**2,043** 1,609
Matthew Percival General Manager, Public Affairs	**2010** 2009	**498** 499	**650** 505	**–** –	**15** 14	**1,163** 1,018	**518** 425	**–** –	**–** –	**1,681** 1,443
Fiona Wardlaw General Manager, Human Resources[5]	**2010** 2009	**565** 566	**475** 570	**–** –	**15** 14	**1,055** 1,150	**478** 206	**32** 43	**–** –	**1,565** 1,399
Jonathan Deane General Manager, Strategy	**2010** 2009	**460** 461	**425** 450	**–** –	**15** 14	**900** 925	**423** 250	**–** 1	**–** –	**1,323** 1,176
2010 total	**2010**	**7,006**	**8,005**	**–**	**142**	**15,153**	**7,555**	**32**	**8**	**22,748**
2009 total	2009	7,015	8,180	–	126	15,321	5,294	44	28	20,687

Footnote:

1 All share-based payments are equity settled as per the relevant Australian Accounting Standard (AASB 2 '*Share-based Payment*').

2 The fair value of options and performance rights has been calculated as at the grant date by external consultants using Monte Carlo simulation techniques. Fair value has been discounted for the probability of not meeting the performance hurdles. The value of the award made in any year is amortised over the vesting period.

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

4 The fair value of the bonus distribution in the AMP Capital Associates Plan has been determined as being 10% of the capital value of each tranche of CAP units as at the most recent valuation date. The value of the bonus distribution is amortised over the vesting period.

5 Fiona Wardlaw's restricted share amount relates to a $100,000 award of restricted shares in 2008, with half of these shares having vested in 2010 (two years after her commencement date), and the remaining shares vesting in 2011 (three years after her commencement date).

6.2 Performance rights holdings

The table below summarises the movements, by number, in the nominated executives' holdings of performance rights granted by AMP Limited, for the year ended 31 December 2010. For details on the fair valuation methodology, see note 26 to the financial statements. Rights granted in 2010 include both the 2009 and 2010 awards as the 2009 award was delayed until after enactment of the changes to the new employee share scheme taxation rules.

Name	Grant date	Fair value per performance right	Market price on exercise[1]	Holding at 1 Jan 2010	Rights granted in 2010	Rights exercised in 2010[1]	Rights lapsed in 2010	Holding at 31 Dec 2010	Vested[2] and exercisable at 31 Dec 2010
Craig Dunn	5/09/07	$6.01	–	238,298	–	–	238,298	–	–
	6/06/08	$3.56	–	102,914	–	–	–	102,914	–
	19/09/08	$3.81	–	586,593	–	–	–	586,593	–
	12/03/10	$3.53	–	–	777,778	–	–	777,778	–
	8/09/10	$2.50	–	–	697,675	–	–	697,675	–
Total				**927,805**	**1,475,453**	**–**	**238,298**	**2,164,960**	**–**
Craig Meller	5/09/07	$6.01	–	73,171	–	–	73,171	–	–
	21/09/07	$5.65	–	68,448	–	–	68,448	–	–
	19/09/08	$3.81	–	258,380	–	–	–	258,380	–
	12/03/10	$3.53	–	–	342,593	–	–	342,593	–
	8/09/10	$2.50	–	–	307,309	–	–	307,309	–
Total				**399,999**	**649,902**	**–**	**141,619**	**908,282**	**–**
Stephen Dunne	5/09/07	$6.01	–	139,265	–	–	139,265	–	–
	19/09/08	$3.81	–	258,380	–	–	–	258,380	–
	12/03/10	$3.53	–	–	342,593	–	–	342,593	–
	8/09/10	$2.50	–	–	307,309	–	–	307,309	–
Total				**397,645**	**649,902**	**–**	**139,265**	**908,282**	**–**
Paul Leaming	5/09/07	$6.01	–	154,739	–	–	154,739	–	–
	19/09/08	$3.81	–	259,777	–	–	–	259,777	–
	12/03/10	$3.53	–	–	344,445	–	–	344,445	–
	8/09/10	$2.50	–	–	308,971	–	–	308,971	–
Total				**414,516**	**653,416**	**–**	**154,739**	**913,193**	**–**
Lee Barnett	5/09/07	$6.01	–	110,252	–	–	110,252	–	–
	19/09/08	$3.81	–	193,576	–	–	–	193,576	–
	12/03/10	$3.53	–	–	256,667	–	–	256,667	–
	8/09/10	$2.50	–	–	230,233	–	–	230,233	–
Total				**303,828**	**486,900**	**–**	**110,252**	**680,476**	**–**
Brian Salter	19/09/08	$3.81	–	195,531	–	–	–	195,531	–
	12/03/10	$3.53	–	–	259,260	–	–	259,260	–
	8/09/10	$2.50	–	–	232,559	–	–	232,559	–
Total				**195,531**	**491,819**	**–**	**–**	**687,350**	**–**
Matthew Percival	5/09/07	$6.01	–	88,008	–	–	88,008	–	–
	19/09/08	$3.81	–	143,297	–	–	–	143,297	–
	12/03/10	$3.53	–	–	190,000	–	–	190,000	–
	8/09/10	$2.50	–	–	170,432	–	–	170,432	–
Total				**231,305**	**360,432**	**–**	**88,008**	**503,729**	**–**
Fiona Wardlaw	19/09/08	$3.81	–	162,012	–	–	–	162,012	–
	12/03/10	$3.53	–	–	214,815	–	–	214,815	–
	8/09/10	$2.50	–	–	192,692	–	–	192,692	–
Total				**162,012**	**407,507**	**–**	**–**	**569,519**	**–**
Jonathan Deane	5/09/07	$6.01	–	29,269	–	–	29,269	–	–
	19/09/08	$3.81	–	132,682	–	–	–	132,682	–
	12/03/10	$3.53	–	–	175,926	–	–	175,926	–
	8/09/10	$2.50	–	–	157,808	–	–	157,808	–
Total				**161,951**	**333,734**	**–**	**29,269**	**466,416**	**–**

Footnote:
1 None of the nominated executives exercised performance rights during 2010.
2 No performance rights awards vested during 2010.

6.3 Option holdings

The following table summarises the movements, by number, in the options awarded by AMP Limited to the CEO and nominated executives under the former Executive Option Plan. Options are no longer awarded. The other nominated executives did not hold options during 2010.

Name	Grant date	Exercise price	Market price on exercise	Holding at 1 Jan 2010	Options exercised in 2010	Options lapsed in 2010	Holding at 31 Dec 2010[1]
Craig Dunn	19/02/00	$9.91	–	30,000	–	30,000	–
Jonathan Deane	30/06/00	$11.57	–	10,000	–	10,000	–

Footnote:
1 No options were granted or vested in 2010.

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

The following table summarises the movement of options and performance rights, by value, during the year. No performance rights were exercised during 2010. No options were granted or exercised during 2010.

Name	Value of performance rights granted during 2010 $'000	Value of performance rights exercised during 2010 $'000	Value of performance rights lapsed during 2010[1] $'000	Value of options lapsed during 2010 $'000
Craig Dunn	4,490	–	1,280	178
Craig Meller	1,978	–	760	–
Stephen Dunne	1,978	–	748	–
Paul Leaming	1,988	–	831	–
Lee Barnett	1,482	–	592	–
Brian Salter	1,497	–	–	–
Matthew Percival	1,097	–	473	–
Fiona Wardlaw	1,240	–	–	–
Jonathan Deane	1,016	–	157	54

Footnote:
1 The method for valuing lapsed performance rights and options is according to the relevant Australian Accounting Standard (AASB 2 '*Share-based Payment*').

6.5 Other incentive arrangements that will impact remuneration in future periods

6.5.1 Employee Share Acquisition Plan matching shares

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

Name	Date shares acquired under the ESAP	Number of shares acquired	Matching shares granted in 2010[1]	Maximum number of matching shares in future	Estimated value vesting in future years[2]
Lee Barnett	2007	740	74	–	–
	2008	1,000	–	100	$529
Fiona Wardlaw	2009	1,000	–	100	$529
Jonathan Deane	2007	700	70	–	–
	2008	1,000	–	100	$529
	2009	530	–	53	$280

Footnote:
1 The nominated executives received 100% of the possible matching share entitlement in respect of shares acquired through the ESAP during 2007 as they met the service requirements for these entitlements.
2 Estimated value is based on AMP's closing share price of $5.29 at 31 December 2010.

6.5.2 CAPs distributions

As described in section 3.3.4, investors in CAPs are entitled to annual cash distributions and bonus distributions (also in cash) after three and five years of making their investment. For Stephen Dunne's investments in the CAPs scheme in 2006, he will receive a projected bonus distribution of $60,875 in 2011 (based on the current CAPs value and subject to retaining the CAPs units for this period). The entitlement to a bonus distribution is forfeited if the employee leaves AMP prior to the third or fifth anniversary respectively of purchase of the units. The minimum bonus distribution in a given year would therefore be zero.

7 Executive contractual arrangements

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

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

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

8 Non-executive director remuneration

8.1 Philosophy

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

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

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

8.2 Structure

During 2010, non-executive director remuneration comprised three components.

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

8.2.1 AMP Limited Board fees

While shareholders approved an increase in the non-executive director fee pool to $3.5m in May 2010, the fees provided to each director remained at 2008 levels, as follows:

	Chairman	Other non-executive directors
Base fee (excluding superannuation) 2010	$550,000	$160,000

The fee for the AMP Board Chairman incorporates all payments. No additional fees are paid for his membership of board committees or subsidiary boards, or for his attendance at board meetings or meetings of board committees of which he is not a member. 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.

8.2.2 Committee and subsidiary board fees

Individual non-executive directors are paid additional fees for duties associated with membership of board sub-committees, membership of AMP subsidiary boards and for duties associated with due diligence committees or other special purpose committees. The 2010 fees (excluding superannuation) are presented below, effective as at 1 March 2010:

	Board/committee chairman	Board/committee member
Audit Committee	$40,000	$15,000
Nomination Committee	$15,000	$7,500
People and Remuneration Committee	$35,000	$15,000
AMP Life Limited Board	$137,500	$85,000
AMP Life Audit Committee	$25,000	$15,000
AMP Capital Investors Limited Board	$110,000	$70,000
AMP Capital Investors Audit Committee	$25,000	$15,000
AMP Bank Board	$80,000	$50,000
AMP Bank Audit Committee	$25,000	$15,000

Committee and subsidiary board membership details are provided in the Corporate Governance Report.

8.2.3 Benefits
Benefits provided to directors are as follows:

- *Superannuation:* Superannuation contributions totalling nine per cent of fees are paid in addition to fees and allowances. Directors may also elect to salary-sacrifice their fees into superannuation.
- *Expense allowance:* An expense allowance of $6,000 is paid to each director, except the Chairman, for incidental expenses related to the business of the company.
- *Retirement benefits:* AMP ceased providing retirement benefits to directors in March 2003 and entitlements were frozen at that time. One director, Richard Grellman, who was appointed to the board prior to March 2003, has a frozen retirement allowance which provides a cash benefit in the event of his death or retirement from the board.

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

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

Key feature of 2010 remuneration: Despite the changes to the taxation of share-based remuneration provided subsequent to 1 July 2009, AMP Directors elected to continue to use fees to purchase shares throughout the year to provide continued alignment to shareholders.

Shareholdings
The following table summarises the movements in 2010 in holdings of shares in AMP Limited held by the non-executive directors and their personally related entities.

Non-executive director	Holding at 1 Jan 2010	Purchased through the NED Share Plan	Other changes[1]	Holding at 31 Dec 2010
Peter Mason	367,835	25,172	21,804	414,811
Catherine Brenner	–	2,634	25,000	27,634
Brian Clark	23,612	7,323	1,547	32,482
Paul Fegan	7,182	7,323	–	14,505
Richard Grellman	48,143	7,323	2,959	58,425
John Palmer	39,819	7,323	2,479	49,621
Nora Scheinkestel	84,123	7,323	5,026	96,472
Peter Shergold	13,728	7,323	980	22,031

Footnote:
1 Includes the purchase and sale of shares 'on market' and participation in the Dividend Reinvestment Plan.

8.4 Accounting value of 2010 non-executive director remuneration

The table below shows the remuneration details for the non-executive directors of AMP Limited for 2010.

		Short-term benefits					Post-employment benefits	
		AMP Limited Board and committee fees[1] $'000	Fees for other group boards[1] $'000	Other short-term benefits $'000	Additional board duties[2] $'000	Non-monetary benefits $'000	Superannuation $'000	Total $'000
Peter Mason	**2010**	**550**	**–**	**–**	**30**	**–**	**15**	**595**
Chairman	2009	550	–	–	20	–	31	601
Catherine Brenner[3]	**2010**	**87**	**102**	**3**	**–**	**–**	**17**	**209**
Non-executive director	2009	–	57	–	–	–	5	62
Brian Clark	**2010**	**182**	**123**	**6**	**–**	**–**	**28**	**339**
Non-executive director	2009	175	103	6	–	–	26	310
Paul Fegan	**2010**	**177**	**38**	**6**	**20**	**–**	**22**	**263**
Non-executive director	2009	70	–	2	–	–	7	79
Richard Grellman	**2010**	**205**	**164**	**6**	**20**	**–**	**36**	**431**
Non-executive director	2009	198	134	6	30	–	33	401
John Palmer[4]	**2010**	**194**	**98**	**6**	**–**	**–**	**27**	**325**
Non-executive director	2009	183	109	6	–	–	25	323
Nora Scheinkestel	**2010**	**190**	**143**	**6**	**–**	**–**	**31**	**370**
Non-executive director	2009	190	98	6	–	–	26	320
Peter Shergold	**2010**	**175**	**85**	**6**	**–**	**–**	**24**	**290**
Non-executive director	2009	175	85	6	–	–	24	290
Total for 2010		**1,760**	**753**	**39**	**70**	**–**	**200**	**2,822**
Total for 2009		1,541	586	32	50	–	177	2,386

Footnote:

1 Details of the non-executive directors' committee memberships and directorships of subsidiary boards are provided in the Corporate Governance Report.
2 Relates to additional work performed for an AMP Limited Board sub-committee.
3 Catherine Brenner was appointed to the AMP Limited Board on 16 June 2010. The remuneration shown above includes fees paid to her as a Director of AMP Life Limited from 1 May 2009.
4 2009 fees include NZ$30,000 as a member of the AMP New Zealand Finance and Risk Committee.

Signed in accordance with a resolution of the directors.

Peter Mason
Chairman

Sydney, 17 February 2011

Craig Dunn
Managing Director and Chief Executive Officer

Analysis of shareholder profit

for the year ended 31 December 2010

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

All amounts are after income tax	2010 $m	2009 $m
AMP Financial Services	**639**	647
AMP Capital Investors	**87**	91
Business unit operating earnings	**726**	738
Group Office costs	**(40)**	(37)
Total operating earnings	**686**	701
Underlying investment income	**130**	126
Interest expense on corporate debt	**(72)**	(71)
AMP Limited tax loss recognition	**16**	16
Underlying profit	**760**	772
Market adjustment – investment income	**(5)**	(13)
Merger and acquisition transaction costs	**(16)**	(10)
Other items	**(2)**	20
Seed pool valuation adjustments[1]	**–**	(30)
Profit after income tax before timing differences	**737**	739
Market adjustment – annuity fair value[2]	**22**	20
Market adjustment – risk products[2]	**(7)**	(14)
Loan hedge revaluations[2]	**1**	(5)
Accounting mismatches[2]	**22**	(1)
Profit attributable to shareholders of AMP Limited	**775**	739

Footnote:

1 Seed pool valuation adjustments in 2009 represent the abnormal write down of seed pool assets, being Singapore industrial property and an Australian retirement village business.

2 Timing differences relate to accounting losses or gains that do not reflect the underlying profitability of the group. These losses or gains are expected to reverse over time. For further details regarding Accounting mismatches, see Note 1(d) of the Financial Report.

Approach to corporate governance

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

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

In accordance with the ASX Corporate Governance Principles and Recommendations (ASX Recommendations), AMP has posted copies of our governance practices (including copies of relevant policies and terms of reference) in the corporate governance section of our website: www.amp.com.au

Role of the AMP Limited Board and management

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

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

The board primarily represents the long-term interests of shareholders by bringing informed and independent judgement in:
- providing strategic direction to AMP through constructive engagement with senior management in the development, execution and modification of AMP's strategy and the allocation of resources to implement that strategy
- appointing the Managing Director and Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the Company Secretary and approving executive succession plans
- monitoring, and reviewing at reasonable intervals, the performance of AMP and its CEO
- approving remuneration policies and practices, including the AMP short-term incentive (STI) plan performance measures, the size of the AMP group STI pool and the total remuneration package and performance objectives for the CEO and the direct reports of the CEO and other persons whose individual activities may affect the financial soundness of the AMP group
- ensuring remuneration outcomes are aligned to AMP's long-term financial soundness and risk management framework
- reporting to shareholders and ensuring all regulatory requirements are met
- providing advice and counsel to senior management
- setting the overall group risk appetite and ensuring appropriate group-wide compliance and risk frameworks and controls are in place and are subject to regular review
- approving management delegations of authority and 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
- approving 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
- overseeing and approving AMP's governance model
- 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
- ensuring clear and transparent communication and disclosure to the market, shareholders and other stakeholders as appropriate
- listening and responding to shareholders' views on the management and direction of the company
- considering the interests of all stakeholders.

Management
The 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.

AMP Limited Board composition and size

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

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 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 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
- 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, diversity, personal qualities and their capacity to commit themselves to the board's activities. Any appointment is subject to the 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 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
The chairman is appointed by and from the non-executive directors of the board.

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
- guides and promotes the ongoing effectiveness and development of the board and individual directors
- from time to time, attends board committee and subsidiary board meetings of which he is not a member.

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

When conducting board business, directors will question, request information, raise issues of concern, canvass issues confronting AMP and vote on resolutions according to their own judgement. Directors keep confidential board discussions, deliberations and decisions that are not required to be disclosed publicly.

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 the costs are reasonable and must advise the chairman before the advice is sought. Any advice received must be made available to the rest of the board.

Code of conduct

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

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

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

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

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

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

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

Any related-parties transactions by directors must be reported in writing to the Company Secretary and, where appropriate, raised for consideration at the next board meeting.

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

AMP's Trading Policy aims to:

- protect stakeholders' interests at all times
- ensure that directors and employees do not use any information they possess for their personal advantage, or to the detriment of AMP
- ensure that directors and employees comply with insider trading provisions of the Corporations Act.

Trading in AMP securities by directors, executives and certain employees ('Designated Persons') is restricted to the following trading windows:

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

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

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

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

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

AMP Limited Board committees

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

There are currently three standing committees:

- Audit Committee
- Nomination Committee
- People 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 membership and high level duties of the board committees are summarised in the diagram on page 32.

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

Nomination Committee
(ASX Recommendations 2.4 and 2.5)
Evaluating the performance of the board, its committees and individual directors

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

The Nomination Committee is responsible for reviewing the remuneration of non-executive directors on the AMP Limited Board and on boards of key operating subsidiaries. AMP Limited Board non-executive directors are included on key operating subsidiary boards to increase the non-executive directors' knowledge and understanding of the businesses and to enhance the governance of the subsidiary boards.

Board performance assessment
The AMP Limited Board reviews its own performance and that of individual directors, including the chairman, on a regular basis. Reviews are either facilitated by the chairman (and in the case of his own review by the chairman of the Nomination Committee), or by an external consultant as deemed appropriate by the board from time to time.

In addition, the board reviews the performance of any director standing for re-election at a general meeting of the company. All committees of the AMP Limited Board as well as the boards, the individual directors and committees of key operating subsidiaries regularly review their own performance.

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

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

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

The People and Remuneration Committee oversees the effectiveness of AMP's succession planning policy and talent management strategy. It also advises the board on overall remuneration policy and strategy and, in particular, the effectiveness, competitiveness, integrity and alignment with overall business objectives and shareholders' interests of AMP's remuneration programs, protocols, practices and structures. Other key responsibilities include annually reviewing and recommending to the board the group short-term incentive pool and performance measures and the performance objectives, performance appraisals and total remuneration packages of the CEO, direct reports of the CEO and other persons whose individual activities may affect the financial soundness of the company. The People and Remuneration Committee engages external consultants as and when required to assist it in fulfilling its responsibilities.

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

Non-executive directors' and executives' remuneration

Comprehensive information on AMP's remuneration policies and practices is contained in the Remuneration Report on page 11.

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

The primary function of the Audit Committee is to review and provide recommendations to the board in regard to:
– AMP's financial statements and financial reporting systems
– the appointment, performance and independence of the external auditor
– the effectiveness of the business risk management framework including compliance, internal controls and the assurance provided by internal audit
– AMP group's insurance program.

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

Committees

AMP Limited Board

Audit Committee	Nomination Committee	People and Remuneration Committee
Chair: Paul Fegan **Members**: Richard Grellman, Nora Scheinkestel, Peter Shergold **Duties**: – AMP's relationship with the external auditor – Integrity of financial statements – Business risk management framework, including compliance and internal controls	**Chair**: Nora Scheinkestel **Members**: Brian Clark, Richard Grellman, Peter Mason **Duties**: – Composition of the board – Succession planning of the board – Appointment of non-executive directors to subsidiary companies – Continuing education – Board performance reviews – Director remuneration	**Chair**: John Palmer **Members**: Brian Clark, Peter Mason **Duties**: – Effectiveness, integrity and legal compliance of remuneration programs – Annual review and recommendation of total remuneration package, performance objectives and performance appraisals for the CEO, CEO's direct reports and other persons whose activities may affect the financial soundness of the AMP group – Review and recommendation of AMP remuneration policy – Recommendation of STI plan performance measures and size of the AMP group STI pool

Risk management
The AMP Limited Board has overall responsibility for ensuring there is a sound system of risk management and internal control across the business that addresses the material business risks faced by AMP. It also has responsibility for establishing risk management policies and the risk appetite of the AMP group, and ensuring these are implemented.

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

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

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

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

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 regularly if required.

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

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

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

The board has received and considered management's report on the material business risks for the year ended 31 December 2010.

Compliance
Compliance is a key element of risk management. The board is responsible for ensuring 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 regularly if required.

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

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

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

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

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

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

The biggest contribution AMP can make to the long-term sustainability of its business and to the communities that AMP serves is by bringing extra focus to some well known subjects, which are:
– helping our customers build savings for the future
– encouraging responsible investment
– minimising our own environmental impacts.

AMP continues to invest directly in the community through the AMP Foundation.

Helping our customers build savings for tomorrow
AMP's core business purpose is to help its customers and clients own their tomorrows by delivering the right balance of security and performance. One of the key ways AMP achieves this is by providing our customers with the financial advice, products and services they need to build and protect savings for the future.

By helping our customers take responsibility for their own financial security in retirement, AMP believes it is also making an important contribution to a strong, sustainable economy.

In addition, AMP works to enhance Australia and New Zealand's retirement savings systems by sharing experiences and insights with government and the community to ensure the regulatory approach provides incentives for long-term savings within an efficient and competitive financial services market and an informed community.

AMP believes strongly in the role that quality financial advice plays in helping build future savings for our customers and we contribute to the increasing professionalism of the financial planning industry through active participation in industry groups and alliances.

Through online tools, published research and participation in public conversations about financial services issues, AMP works to help all our customers understand what they can do to build and protect their savings for the future.

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

Through AMP Capital Investors, AMP is a significant investor in the Australian and New Zealand markets on behalf of our customers. This position is used to improve corporate governance standards across the business sector through policy forums and public dialogue as well as through active engagement with the management of the companies over which AMP has some influence.

Minimising our own environmental impacts
AMP helps to safeguard its future and that of our communities by using energy, water and paper resources as efficiently as possible; maximising recycling of waste; and reducing its carbon footprint and the other environmental impacts of its business.

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

Diversity

(ASX Recommendation 3.2)
Promote ethical and responsible decision making

For AMP, diversity is not a program or initiative: we want to make it a competitive asset that will help us respond to the diverse needs of our employees, customers and communities. AMP is committed to creating an inclusive environment where all employees are encouraged to reach their full potential and where individual differences are valued and respected.

As one of the founding members of the Diversity Council of Australia, AMP understands the importance of diversity in its workplace. We also recognise that while we have taken some steps to increase diversity this is an area of continuous improvement for our organisation.

Currently 55 per cent of AMP employees are female and we continue to focus on gender diversity, particularly in our management and executive roles. We know that to increase the number of females at senior levels, it is important to develop a pipeline of talent and ensure pay parity. In 2010, half of the candidates hired for our graduate program were women.

As one of the first private sector employers in Australia to offer paid parental leave, AMP has long championed programs to help employees manage their work and home commitments. These include offering 14 weeks paid parental leave, a formal program to help parents stay informed and connected to the business while they are on parental leave, a sponsored child care centre in Sydney and onsite carers' rooms to assist parents who have returned to work. Together with flexible work arrangements, a leave purchase scheme and a culture that supports flexibility, these initiatives have resulted in 85 per cent of employees returning to work after parental leave.

AMP also offers a range of development and networking programs designed to help facilitate the career progression of upcoming talent through the organisation including an enterprise wide mentoring program. In 2010, half of the participants in the mentoring program were women. To help create an inclusive environment, AMP also offers leadership training to increase understanding of unconscious biases and how they impact the culture at AMP.

AMP continues to enrich the programs that are offered to all employees, because we believe it's what we do today that will help our employees, customers and communities "own tomorrow".

Communication with shareholders

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

AMP is committed to transparency and quality in its communication to shareholders. 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. The policy permits exceptions to immediate notification in accordance with the ASX Listing Rules.

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

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

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

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

Full details of the 2011 AGM are included in the 2011 Notice of Meeting and are available on AMP's website.

Comparison of NZX and ASX corporate governance rules

As an overseas listed issuer, AMP is deemed to satisfy and comply with the New Zealand Stock Exchange (NZX) Listing Rules so long as it remains listed on the Australian Securities 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 Principles and Recommendations may be obtained from the ASX website at:
www.asx.com.au/about/corporate_governance/index.htm

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Income statement

for the year ended 31 December 2010

	Note	Consolidated 2010 $m	Consolidated 2009 $m	Parent 2010 $m	Parent 2009 $m
Income and expenses of shareholders, policyholders, external unitholders and non-controlling interests[1]					
Life insurance premium and related revenue	3	**1,100**	1,049	**–**	–
Fee revenue	3	**1,430**	1,331	**11**	11
Other revenue	3	**294**	285	**–**	–
Investment gains and (losses)	4	**4,840**	8,250	**376**	207
Life insurance claims and related expenses	5	**(1,289)**	(1,251)	**–**	–
Operating expenses	5	**(2,270)**	(2,132)	**(11)**	(11)
Finance costs	5	**(889)**	(655)	**–**	–
Share of profit or (loss) of associates accounted for using the equity method		**6**	4	**–**	–
Movement in external unitholders' liabilities		**(284)**	(343)	**–**	–
Change in policyholder liabilities					
– life insurance contracts		**202**	641	**–**	–
– investment contracts		**(2,259)**	(5,951)	**–**	–
Income tax (expense) credit	6	**(126)**	(505)	**16**	97
Profit		**755**	723	**392**	304
Profit of shareholders of AMP Limited excluding impact of accounting mismatches		**753**	740	**392**	304
Unmatched changes in policyholder liabilities ('accounting mismatches') due to:[2]					
– treasury shares		**22**	(26)	**–**	–
– investment in controlled entities of statutory funds		**(4)**	21	**–**	–
– other		**4**	4	**–**	–
Profit of shareholders of AMP Limited		**775**	739	**392**	304
Profit (loss) attributable to non-controlling interests		**(20)**	(16)	**–**	–
Profit		**755**	723	**392**	304

Footnote:

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

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

	Note	Consolidated 2010 Cents	Consolidated 2009 Cents
Earnings per ordinary share			
Basic before accounting mismatches	24	**36.4**	36.7
Diluted before accounting mismatches	24	**36.2**	36.5
Basic after accounting mismatches	24	**37.9**	37.1
Diluted after accounting mismatches	24	**37.7**	36.9

Statement of comprehensive income

for the year ended 31 December 2010

	Consolidated		Parent	
	2010 $m	**2009 $m**	**2010 $m**	**2009 $m**
Profit	**755**	723	**392**	304
Other comprehensive income recognised in retained earnings				
Defined benefit plans[1]				
– actuarial gains and (losses)	**(15)**	61	**–**	–
– income tax (expense)/credit	**4**	(18)	**–**	–
	(11)	43	**–**	–
Other comprehensive income recognised in reserves				
Cash flow hedges[2]				
– gains and (losses) in fair value of cash flow hedges	**(12)**	45	**–**	–
– income tax (expense)/credit	**4**	(14)	**–**	–
– transferred to profit for the period – gross	**32**	55	**–**	–
– transferred to profit for the period – income tax (expense)/credit	**(10)**	(17)	**–**	–
	14	69	**–**	–
Owner-occupied property				
– gains (losses) in valuation of owner-occupied property	**(1)**	(29)	**–**	–
– income tax (expense)/credit	**–**	2	**–**	–
	(1)	(27)	**–**	–
Exchange difference on translation of foreign operations				
– exchange gains (losses)	**(21)**	(65)	**–**	–
– transferred to profit for the period	**–**	19	**–**	–
	(21)	(46)	**–**	–
Revaluation of hedge of net investments				
– gains and (losses) in fair value of hedge of net investments	**3**	30	**–**	–
– income tax (expense)/credit	**(1)**	(9)	**–**	–
– transferred to profit for the period – gross	**(4)**	3	**–**	–
– transferred to profit for the period – income tax (expense)/credit	**1**	(1)	**–**	–
	(1)	23	**–**	–
Total comprehensive income	**735**	785	**392**	304
Total comprehensive (profit) loss attributable to non-controlling interests	**20**	16	**–**	–
Total comprehensive income attributable to shareholders of AMP Limited	**755**	801	**392**	304

Footnote:

1 Under accounting standards, actuarial gains and losses on AMP's employer sponsored defined benefit plans are recognised directly in retained earnings. Whilst the defined benefit plans are in a liability position as measured under accounting standards, under the accrued benefits calculation method used to determine employer contributions, the Australian defined benefit plan was in a surplus position at reporting date while the New Zealand defined benefit plan was in a deficit position and needed to make additional contributions of $2m per year as recommended by the plan actuaries.

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

Statement of financial position

as at 31 December 2010

	Note	Consolidated 2010 $m	Consolidated 2009 $m	Parent 2010 $m	Parent 2009 $m
Assets					
Cash and cash equivalents		**3,158**	2,409	**2**	1
Receivables	7	**887**	959	**99**	9
Current tax assets		**8**	32	**–**	32
Inventories and other assets	8	**312**	184	**–**	–
Investments in financial assets measured at fair value through profit or loss	9	**64,797**	65,573	**–**	–
Investments in financial assets measured at amortised cost	9	**10,935**	10,650	**836**	836
Investment property	10	**7,122**	7,832	**–**	–
Investments in associates accounted for using the equity method	28	**89**	116	**–**	–
Property, plant and equipment	11	**452**	475	**–**	–
Deferred tax assets	6	**582**	654	**66**	133
Intangibles	12	**919**	946	**–**	–
Investments in controlled entities	9	**–**	–	**7,072**	7,072
Total assets of shareholders of AMP Limited, policyholders, external unitholders and non-controlling interests		**89,261**	89,830	**8,075**	8,083
Liabilities					
Payables	13	**1,033**	981	**1**	165
Current tax liabilities		**203**	40	**148**	–
Provisions	14	**253**	280	**4**	5
Derivative financial liabilities		**718**	1,120	**–**	–
Borrowings	15	**10,791**	11,997	**–**	–
Subordinated debt	16	**345**	353	**–**	–
Deferred tax liabilities	6	**620**	629	**–**	–
External unitholders' liabilities		**5,892**	6,121	**–**	–
Life insurance contract liabilities	19	**17,762**	18,380	**–**	–
Investment contract liabilities	20	**48,579**	47,239	**–**	–
Defined benefit plan liability	25	**67**	56	**–**	–
Total liabilities of shareholders of AMP Limited, policyholders, external unitholders and non-controlling interests		**86,263**	87,196	**153**	170
Net assets of shareholders of AMP Limited and non-controlling interests		**2,998**	2,634	**7,922**	7,913
Equity					
Contributed equity	18	**5,051**	4,814	**5,209**	4,957
Reserves		**(2,565)**	(2,563)	**6**	2
Retained earnings		**452**	320	**2,707**	2,954
Total equity of shareholders of AMP Limited		**2,938**	2,571	**7,922**	7,913
Non-controlling interests		**60**	63	**–**	–
Total equity of shareholders of AMP Limited and non-controlling interests		**2,998**	2,634	**7,922**	7,913

Statement of changes in equity

for the year ended 31 December 2010

	Equity attributable to shareholders of AMP Limited											
Consolidated	Contributed equity $m	Equity contribution reserve[1] $m	Share-based payment reserve[2] $m	Cash flow hedge reserve[3] $m	Owner occupied property revaluation reserve[4] $m	Foreign currency translation reserve[5] $m	Hedge of net investment reserve[6] $m	Demerger loss reserve[7] $m	Retained earnings $m	Total shareholder equity $m	Non-controlling interest $m	Total equity $m
2010												
Balance at the beginning of the period	**4,814**	**1,019**	**1**	**(19)**	**67**	**(48)**	**2**	**(3,585)**	**320**	**2,571**	**63**	**2,634**
Profit	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**775**	**775**	**(20)**	**755**
Other comprehensive income	**–**	**–**	**–**	**14**	**(1)**	**(21)**	**(1)**	**–**	**(11)**	**(20)**	**–**	**(20)**
Total comprehensive income	**–**	**–**	**–**	**14**	**(1)**	**(21)**	**(1)**	**–**	**764**	**755**	**(20)**	**735**
Share-based payment expense	**–**	**–**	**23**	**–**	**–**	**–**	**–**	**–**	**–**	**23**	**–**	**23**
Share purchases	**–**	**–**	**(16)**	**–**	**–**	**–**	**–**	**–**	**–**	**(16)**	**–**	**(16)**
Net sale/(purchase) of 'treasury shares'	**(15)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(15)**	**–**	**(15)**
Dividends paid[8]	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(639)**	**(639)**	**–**	**(639)**
Dividends paid on 'treasury shares'[8]	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**7**	**7**	**–**	**7**
New capital from shares issued under dividend reinvestment plan	**252**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**252**	**–**	**252**
Non-controlling interest on sales and acquisitions	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**17**	**17**
Balance at the end of the period	**5,051**	**1,019**	**8**	**(5)**	**66**	**(69)**	**1**	**(3,585)**	**452**	**2,938**	**60**	**2,998**
2009												
Balance at the beginning of the period	4,481	1,019	(15)	(88)	94	(2)	(21)	(3,585)	154	2,037	80	2,117
Profit	–	–	–	–	–	–	–	–	739	739	(16)	723
Other comprehensive income	–	–	–	69	(27)	(46)	23	–	43	62	–	62
Total comprehensive income	–	–	–	69	(27)	(46)	23	–	782	801	(16)	785
Share-based payment expense	–	–	17	–	–	–	–	–	–	17	–	17
Share purchases	–	–	(1)	–	–	–	–	–	–	(1)	–	(1)
Net sale/(purchase) of 'treasury shares'	25	–	–	–	–	–	–	–	(22)	3	–	3
Dividends paid[8]	–	–	–	–	–	–	–	–	(601)	(601)	–	(601)
Dividends paid on 'treasury shares'[8]	–	–	–	–	–	–	–	–	7	7	–	7
New capital from shares issued under dividend reinvestment plan	308	–	–	–	–	–	–	–	–	308	–	308
Non-controlling interest on sales and acquisitions	–	–	–	–	–	–	–	–	–	–	(1)	(1)
Balance at the end of the period	4,814	1,019	1	(19)	67	(48)	2	(3,585)	320	2,571	63	2,634

Parent	Contributed equity $m	Share-based payment reserve[2] $m	Retained earnings $m	Total shareholder equity $m
31 December 2010				
Balance at the beginning of the period	**4,957**	**2**	**2,954**	**7,913**
Profit	**–**	**–**	**392**	**392**
Other comprehensive income	**–**	**–**	**–**	**–**
Total comprehensive income	**–**	**–**	**392**	**392**
Share-based payment expense	**–**	**4**	**–**	**4**
Share purchases	**–**	**–**	**–**	**–**
Dividends paid[8]	**–**	**–**	**(639)**	**(639)**
New capital from shares issued under dividend reinvestment plan	**252**	**–**	**–**	**252**
Balance at the end of the period	**5,209**	**6**	**2,707**	**7,922**
31 December 2009				
Balance at the beginning of the period	4,649	(3)	3,251	7,897
Profit	–	–	304	304
Other comprehensive income	–	–	–	–
Total comprehensive income	–	–	304	304
Share-based payment expense	–	6	–	6
Share purchases	–	(1)	–	(1)
Dividends paid[8]	–	–	(601)	(601)
New capital from shares issued under dividend reinvestment plan	308	–	–	308
Balance at the end of the period	4,957	2	2,954	7,913

Footnote:
1 The Equity contribution reserve recognises the additional loss on the demerger of AMP's UK operations in December 2003. The additional loss is the difference between: the pro-forma loss on demerger based upon directors' valuation of the UK operations and the estimated net assets to be demerged, and the market based fair value of the UK operations based upon the share price of the restructured UK operations on listing and the actual net assets of the UK operations on demerger.
2 The Share-based payment reserve represents the cumulative expense recognised in relation to equity settled share-based payments less the cost of shares purchased and transferred to share-based payments recipients upon vesting.
3 The Cash flow hedge reserve represents the cumulative impact of changes in the fair value of derivatives designated as cash flow hedges which are effective for hedge accounting. Hedge gains and losses are transferred to the Income statement when they are deemed ineffective or upon realisation of the cash flow.
4 The Owner-occupied property revaluation reserve represents cumulative valuation gains and losses on owner-occupied property required to be recognised in equity.
5 Exchange differences arising on translation of foreign controlled entities within the AMP group are recognised in Foreign currency translation reserve. Exchange gains and losses are transferred to the Income statement upon realisation of the investment in the foreign controlled entity.
6 The Hedge of net investment reserve reflects gains and losses on effective hedges of net investments in foreign operations. Hedge gains and losses are transferred to the Income statement when they are deemed ineffective or upon realisation of the investment in the foreign controlled entity.
7 The Demerger loss reserve represents the transfer from Shareholders' retained earnings of the total loss on demerger.
8 Dividends paid includes the dividends paid on 'treasury shares'. Dividends paid on 'treasury shares' are required to be excluded from the consolidated financial statements by adjusting retained earnings.

Statement of cash flows

for the year ended 31 December 2010

	Note	Consolidated 2010 $m	Consolidated 2009 $m	Parent 2010 $m	Parent 2009 $m
Cash flows from operating activities	23				
Cash receipts in the course of operations		**12,491**	11,751	**16**	4
Interest and other items of a similar nature received		**2,041**	1,843	**2**	2
Dividends and distributions received		**2,193**	1,151	**374**	200
Cash payments in the course of operations		**(13,640)**	(12,358)	**(8)**	(3)
Finance costs		**(756)**	(552)	**–**	–
Income tax refunded		**135**	72	**4**	254
Cash flows from operating activities		**2,464**	1,907	**388**	457
Cash flows from investing activities					
Net proceeds from sale of/(payments to acquire):					
– investment property		**74**	306	**–**	–
– investments in financial assets		**(966)**	(2,776)	**–**	–
Loan to controlled entities		**–**	–	**–**	(172)
Proceeds from disposal of subsidiaries and other businesses[1]		**297**	46	**–**	–
Payments to acquire subsidiaries and other businesses[2]		**(19)**	(14)	**–**	–
Cash flows (used in) investing activities		**(614)**	(2,438)	**–**	(172)
Cash flows from financing activities					
Proceeds from borrowings – non Banking operations		**1,264**	1,643	**–**	–
Proceeds from A$ and NZ$ AMP Notes		**–**	287	**–**	–
Net movement in deposits from customers		**514**	473	**–**	–
Repayment of borrowings – non Banking operations		**(1,944)**	(1,324)	**–**	–
Net movement in borrowings – Banking operations		**(578)**	(220)	**–**	–
Repayment of subordinated Floating Rate Note		**–**	(100)	**–**	–
Repayment of subordinated Guaranteed Set-up Bonds		**–**	(223)	**–**	–
Dividends paid[3]		**(380)**	(286)	**(387)**	(293)
Cash flows from (used in) financing activities		**(1,124)**	250	**(387)**	(293)
Net increase (decrease) in cash and cash equivalents		**726**	(281)	**1**	(8)
Cash and cash equivalents at the beginning of the period		**5,112**	5,398	**1**	9
Effect of exchange rate changes on cash and cash equivalents		**(14)**	(5)	**–**	–
Cash and cash equivalents at the end of the period	23	**5,824**	5,112	**2**	1

Footnote:

1 Proceeds are in respect of disposals of trusts and operating businesses controlled by the life statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group, net of cash disposed of.

2 Payments are in respect of the acquisition of a financial planning business that did not have a material impact on the composition of the AMP group, net of cash acquired.

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

1. Basis of preparation and summary of significant accounting policies

The consolidated economic entity (the AMP group) comprises AMP Limited (the parent entity), a company limited by shares, and incorporated and domiciled in Australia, and all entities that it controlled during the period and at the reporting date.

(a) Basis of preparation

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

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

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

Assets and liabilities have been presented on the face of the Statement of financial position in decreasing order of liquidity and do not distinguish between current and non-current items. The majority of the assets of the AMP group are investment assets held to back investment contract and life insurance contract liabilities. Although the amount of those assets which may be realised and those liabilities which may be settled within 12 months of the reporting date are not always known, estimates have been provided in Note 20(f) (in respect of the life statutory funds). Details of other amounts expected to be recovered or settled (a) no more than 12 months after the reporting date, and (b) more than 12 months after the reporting date, have been provided in footnotes to the relevant notes.

Significant judgements, estimates and assumptions

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

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

Changes in accounting policy

Since 1 January 2010, the AMP group has adopted a number of Australian Accounting Standards and Interpretations which are mandatory for annual periods beginning on or after 1 January 2010. Adoption of these Standards and Interpretations has not had any material effect on the financial position or performance of the AMP group.

The main standards adopted since 1 January 2010 were the revised AASB 3 '*Business Combinations*', amended AASB 127 '*Consolidated and Separate Financial Statements*' and AASB 2008-3 '*Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127*'. These revised standards introduce significant changes to accounting for business combinations and consolidation. The major impacts include the requirement for acquisition costs to be expensed at the time they are incurred; and, upon gaining control of an entity, revaluation of any pre-existing interests in that entity to fair value. The changes only impact business combination transactions which occurred on or after 1 January 2010.

Australian Accounting Standards issued but not yet effective/ Early adoption of Australian Accounting Standards

A number of new accounting standards have been issued but are not yet effective during 2010. The AMP group has not elected to early adopt any of these new standards or amendments in this Financial Report. These new standards, when applied in future periods, are not expected to have a material impact on the financial position or performance of the AMP group other than the following:

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

Change in presentation of the Statement of financial position

The Statement of financial position has been enhanced so as to give greater prominence to the categories of financial assets as defined by AASB139 *'Financial instruments: Recognition and measurement'* with consequential changes to the Statement of cash flows and Note 9 Investments in financial assets. The Statement of financial position now presents investments in financial assets by measurement category whereas previously it presented investment assets by asset type. A split of investments in financial assets by measurement category was previously provided in the notes to the financial statements. Comparatives are presented on a basis consistent with the current period presentation.

(b) Principles of consolidation

The financial statements consolidate the financial information of controlled entities. Control is determined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

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

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

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

Controlled entities acquired are accounted for using the acquisition method of accounting. Information from the financial statements of controlled entities is included from the date the parent entity obtains control until such time as control ceases. Where the AMP group ceases to control an entity, the consolidated financial statements include the results for the part of the reporting date during which the parent entity had control. All inter-company balances and transactions are eliminated in full, including unrealised profits arising from intra-group transactions.

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

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

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.

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

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

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

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

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

Assets backing investment contract and life insurance contract liabilities
These assets are measured on a basis that is consistent with the measurement of the liabilities, to the extent permitted under accounting standards.

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

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

Assets not backing investment and life insurance contract liabilities
To ensure consistency across the AMP group, and except where specifically stated otherwise, all financial assets and all non-financial assets other than those backing investment or life insurance contract liabilities, are also recognised at fair value through profit or loss to the extent permitted under Australian Accounting Standards. Similarly, adjustments to the value of such assets are recognised in the Income statement when the corresponding Australian Accounting Standards allow such treatment.

(d) Accounting mismatches

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

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

'Treasury shares'
The Australian Securities and Investments Commission (ASIC) has granted relief from restrictions in the *Corporations Act 2001* to allow AMP Life to hold and trade shares in AMP Limited as part of the policyholder funds' investment activities. These shares (defined by Australian 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.

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

Under Australian Accounting Standards, the AMP group cannot recognise 'treasury shares' in the consolidated Statement of financial position. These assets, plus any corresponding Income statement fair value movement on the assets and dividend income, are eliminated when the life 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 life 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 assets movements impacting the profit attributable to shareholders of AMP Limited.

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

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

However, the corresponding investment contract and life 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 assets movements impacting the profit attributable to shareholders of AMP Limited.

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

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

Life statutory funds' superannuation products invested in AMP Bank assets
AMP Bank assets are measured at amortised cost using the effective interest rate method.

However, to the extent any such assets are funded by policyholder investments through life statutory funds, Australian Accounting Standards require these investments to be measured at fair value within investment contract and life insurance contract liabilities, with movements recognised in the Income statement. This mismatch can result in policyholder asset movements impacting the profit attributable to shareholders of AMP Limited. At the AMP group consolidated level, this mismatch results in policyholder assets movements impacting the profit attributable to shareholders of AMP Limited.

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

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

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

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

(h) Investments in financial assets
Investments in financial assets measured at fair value through profit or loss
Investments in financial assets, other than debt securities held by AMP Bank and its securitisation vehicles, are designated on initial recognition as financial assets measured at fair value through profit or loss. Investments in associates held to back life insurance or life investment contracts are exempt from the requirement to apply equity accounting and have been designated on initial recognition as financial assets measured at fair value through profit or loss.

Investments in financial assets measured at fair value through profit or loss are initially recognised at fair value. Initial fair value is determined as the purchase cost of the asset, exclusive of any transaction costs.

Investments in financial assets measured at fair value through profit or loss are subsequently measured at fair value with any realised and unrealised gains or losses arising from changes in fair value being recognised in the Income statement in the period in which they arise. Subsequent to initial recognition, fair value of investments measured at fair value through profit or loss is determined as follows:

– the fair value of equity securities in an active market and listed managed investment schemes reflects the quoted bid price at the reporting date. In the case of equity securities and listed managed investment schemes where there is no active market, a fair value is established using valuation techniques including the use of recent arm's length transactions, references to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.

- the fair value of listed debt securities reflects the bid price at the reporting date. Listed debt securities that are not frequently traded are valued by discounting estimated recoverable amounts. The fair value of unlisted debt securities is estimated using interest rate yields obtainable on comparable listed investments. The fair value of loans is determined by discounting the estimated recoverable amount using prevailing interest rates.
- the fair value of investments in unlisted managed investment schemes is determined on the basis of published redemption prices of those managed investment scheme at the reporting date.
- the fair value of derivative financial assets is determined in accordance with the policy set out in Note 1(r).

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

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

Investments in debt securities, loans and advances and other receivables held by AMP Bank and the securitised trusts are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset.

These assets are subsequently recognised at amortised cost using the effective interest rate method.

Investments in controlled entities
Investments by the Parent entity in controlled entities are measured at cost (which, in the case of the investment in AMP Group Holdings Limited, was determined as net asset value on demutualisation) less any accumulated impairment losses.

(i) Investments in associates accounted for using the equity method
Associated entities are defined as those entities over which the AMP group has significant influence but there is no capacity to control. Investments in associates, other than those backing investment contract and life insurance contract liabilities are initially measured at cost plus any excess of the fair value of AMP's share of identifiable assets and liabilities above cost at acquisition date subsequently adjusted for AMP group's share of post acquisition profit or loss and movements in reserves net of any impairment. AMP group's share of profit or loss of associates is included in the consolidated Income statement.

(j) 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(k). There are no property interests held under operating leases accounted for as investment property.

Investment property is initially recognised at cost, including transaction costs. Expenditure capitalised to investment property also comprises capital and refurbishment additions, and during development includes finance costs, related professional fees incurred and other directly attributable costs. Subsequent to initial recognition, investment property is measured at fair value at each reporting date. Fair value represents the amount at which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable wiling seller in an arm's length transaction.

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

(k) 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 AMP group in the production or supply of goods or services, or for administrative purposes, that property is classified for accounting purposes as owner-occupied property.

Owner-occupied property is initially recognised at cost, including transaction costs. It is subsequently measured at the revalued amount, being its fair value at the date of the revaluation, less any subsequent accumulated depreciation and accumulated impairment losses. Fair value is determined on the same basis as investment property in Note 10.

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

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

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

Plant and equipment
Plant and equipment is initially measured at cost, including transaction costs. It is subsequently measured at cost less any subsequent accumulated depreciation and accumulated impairment losses. The written down amount approximates fair value.

Each item of plant and equipment is depreciated on a systematic basis over the useful life of the asset of 3–10 years.

Leasehold improvements
Leasehold improvements are recognised as an asset only when it is probable that future economic benefits associated with the asset will flow to AMP group and the cost of the item can be reliably measured.

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

(l) Intangible assets

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

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

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

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

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

(m) Impairment of assets

Assets measured at fair value, where changes in value are reflected in the Income statement, are not subject to impairment testing. As a result, financial assets, 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, investments in associates accounted for using the equity method and debt securities held by AMP's banking operations are subject to impairment testing.

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

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.

(n) Taxes

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

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

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

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

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

Income tax for investment contracts and life insurance contracts business
The income tax expense recognised in the Income statement arising in AMP Life reflects tax imposed on shareholders as well as policyholders.

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

Arrangements made with some superannuation funds result in AMP Life making payments to the Australian Taxation Office in relation to contributions tax arising in those funds. The amounts paid are recognised as a decrease in investment contract liabilities and are not included in income tax expense.

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

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

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

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

Deferred tax
Deferred tax assets and liabilities are recognised for temporary differences at the tax rates which are expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction.

The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax, including amounts in respect of investment contracts and life insurance contracts, is not discounted to present value.

Goods and services tax
The AMP group operates across a number of tax jurisdictions and offers products and services that may be subject to various forms of goods and services tax (GST) imposed by local tax authorities.

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

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

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

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

(p) Provisions
Provisions are recognised when:

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

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

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

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

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

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

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

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

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

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

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

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently measured at their fair value. All derivatives are recognised as assets when their fair value is positive, and as liabilities when their fair value is negative.

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

- a hedge of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge)
- a hedge of highly probable forecast transactions (cash flow hedge)
- a hedge of a net investment in a foreign operation (net investment hedge).

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

Accounting for hedges

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

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

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

Derivatives that do not qualify for hedge accounting

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

Fair value estimation

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

(s) Recognition and derecognition of financial assets and liabilities

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

(t) Investment contract liabilities
An investment contract consists of a financial instrument and an investment management services element, both of which are measured at fair value. With the exception of fixed retirement-income policies, the resulting liability to policyholders is closely linked to the performance and value of the assets (after tax) that back those liabilities. The fair value of such liabilities is therefore the same as the fair value of those assets (after tax) charged to the policyholders with the exception of the impact of the accounting mismatch items. See Note 1(d).

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

(u) 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 a life insurance contract are linked to the assets backing it, the discount rate applied is based on the expected future earnings rate of those assets. Where the benefits are not linked to the performance of the backing assets, a risk-free discount rate is used. The risk-free discount rate is determined by the Appointed Actuary based on the Commonwealth Government bond rate or the inter-bank zero coupon mid swap rates depending on the nature, structure and terms of the contract liabilities.

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

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

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

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

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

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

The principles of allocation of the profit arising from discretionary participating business determined under the Life Act and MoS are as follows:
(i) Investment income (net of tax and investment expenses) on retained earnings in respect of discretionary participating business is allocated between policyholders and shareholders in proportion to the balances of policyholders' and shareholders' retained earnings, being 80:20.
(ii) Other MoS profits arising from discretionary participating business (excluding the additional tax attributable to shareholders in respect of Australian superannuation business) are allocated 80 per cent to policyholders and 20 per cent to shareholders, with the following exceptions:
   – The profit arising from New Zealand corporate superannuation business is apportioned such that shareholders are allocated 15 per cent of the profit allocated to policyholders.
   – The profit arising in respect of Preservation Superannuation Account business is allocated 92.5 per cent to policyholders and 7.5 per cent to shareholders.
(iii) Additional tax on taxable income to shareholders in respect of Australian superannuation business is allocated to shareholders only.
(iv) All profits arising from non-participating business, including net investment returns on shareholder capital and retained earnings in life 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(bb).

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

(v) 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.

(w) Foreign currency transactions

Functional and presentation currency
The consolidated Financial Report is presented in Australian dollars (the presentation currency). Items included in the financial statements for each of the AMP group entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The functional currency of the parent entity is Australian dollars.

Transactions and balances
Income and expense items denominated in a currency other than the functional currency are translated at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date, with exchange gains and losses recognised in the Income statement.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Translation of controlled entities
Where the functional currency of a controlled entity is not the presentational currency, the transactions and balances of that entity are translated as follows:

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

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

(x) Insurance premium and related revenue

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

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

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

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

(y) Fee and other revenue

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

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

The revenue that can be attributed to the origination service is recognised at inception. Any amounts paid to financial planners is also recognised as an expense at that time. See Note 1(bb).

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

Fees charged for performing a significant act in relation to funds managed by the AMP group are recognised as revenue when that act has been completed.

(z) Investment gains or losses

Dividend and interest income is recognised in the Income statement on an accruals basis when the AMP group obtains control of the right to receive the revenue.

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

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

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

(aa) 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(t).

(bb) Operating expenses

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

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 payments to external service and advice providers. Where the amount paid equates to a fee charged to policyholders for the provision of advice, the amount is expensed either at inception or over the period of the contract consistent with the basis for recognising the fee revenue on the respective contracts. See Note 1(y).

Operating lease payments are recognised as an expense in the Income statement on a straight-line basis over the lease term or other systematic basis representative of the patterns of the benefits obtained. Operating incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

(cc) Finance costs

Finance costs include:

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

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

(iii) Changes in the fair value of derivative hedges together with any change in the fair value of the hedged asset or liabilities that are designated and qualify as fair value hedges, foreign exchange gains and losses and other financing related amounts. The accounting policy for derivatives is set out in Note 1(r).

Borrowing costs are recognised as expenses when incurred.

(dd) Share-based payments

The AMP group issues performance rights, restricted shares and other equity instruments to employees as a form of equity-settled share-based compensation. Equity-settled share-based compensation to employees is considered to be an expense in respect of the services received and is recognised in the Income statement over the vesting period of the instrument with a corresponding amount in the share-based payment reserve within equity.

The expense is based on the fair value of each grant, measured at the date of the grant. For performance rights and similar instruments the fair value is determined by an external valuer. The fair value calculation takes into consideration a number of factors, including the likelihood of achieving market-based vesting conditions such as total shareholder return. The fair value determined at grant date is not altered over the vesting period. Non-market vesting conditions are included in assumptions about the number of instruments that are expected to vest. At each reporting date, the AMP group reviews its estimates of the number of instruments that are expected to vest. Any changes to the original estimates are recognised in the Income statement and the share-based payment reserve, over the remaining vesting period.

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

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

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

(ee) 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, refer to Note 25 for further information on the funds.

The contributions paid and payable by AMP group to defined contributions funds are recognised in the Income statement as an operating expense when they fall due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

For the defined-benefit sections of superannuation funds operated by the AMP group, the AMP group recognises the net deficit or surplus position of each fund in the Statement of financial position. The deficit or surplus is measured as the difference between the fair value of the funds' assets and the discounted defined-benefit obligations of the funds, using a government bond yield as the discount rate. The defined-benefit obligation is calculated annually, with half-yearly reviews, by independent actuaries.

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

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

(ff) Earnings per share

Basic earnings per share before accounting mismatches is calculated by dividing the consolidated profit attributable to shareholders of AMP Limited before accounting mismatches, by the weighted average number of ordinary shares outstanding during the period. The weighted average number of 'treasury shares' held during the period is included in calculating the weighted average number of ordinary shares outstanding.

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

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

2. Segment information

(a) Segments – background

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

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

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

(b) Description of segments

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

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

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

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

AMP Capital Investors (AMPCI) – manages investments across all the major asset classes including equities, fixed interest, infrastructure, property, diversified funds and multi-manager funds. AMPCI also provides commercial, industrial and retail property management services. It provides its investment management services through in-house investment professionals and a carefully selected global network of investment partners. In addition to its well established reputation in Australia and New Zealand, AMPCI has a strong and growing international presence with offices in Beijing, London, Mumbai, Singapore, Tokyo and New York, allowing it to source competitive offshore opportunities.

(c) Segment profit

	Australian Contemporary Wealth Management $m	Australian Contemporary Wealth Protection[2] $m	Australian Mature[2] $m	AMP Financial Services New Zealand[2] $m	AMP Capital Investors[3] $m	Total Operating Segments $m
31 December 2010						
Segment profit after income tax[1]	**303**	**138**	**140**	**58**	**87**	**726**
Other segment information[4]						
External customer revenue	**1,067**	**138**	**140**	**58**	**226**	**1,629**
Intersegment revenue[5]	**85**	**–**	**–**	**–**	**172**	**257**
Income tax expense	**130**	**59**	**60**	**25**	**29**	**303**
Depreciation and amortisation	**30**	**6**	**–**	**–**	**6**	**42**
31 December 2009						
Segment profit after income tax[1]	278	164	151	54	91	738
Other segment information[4]						
External customer revenue	1,009	164	151	54	216	1,594
Intersegment revenue[5]	80	–	–	–	163	243
Income tax expense	119	70	65	23	31	308
Depreciation and amortisation	15	6	–	–	1	22

Footnote:

1 Segment profit after income tax differs from profit attributable to shareholders of AMP Limited due to the exclusion of the following items:
   i) group office costs
   ii) investment return on shareholder assets invested in income producing investment assets
   iii) interest expense on AMP corporate debt
   iv) the effects of non-recurring items such as: mergers and acquisition transaction costs, recognition of prior year tax deductions offset by one-off and non-recurring costs, seed pool valuation adjustments being items which do not reflect the underlying operating performance of the operating segments
   v) timing differences and accounting mismatches.

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

3 AMP Capital Investors segment revenue is reported net of external investment manager fees paid in respect of certain assets under management. AMP Capital Investors segment profit after income tax excludes seed pool valuation adjustments.

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

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

2. Segment information continued

(d) Reconciliation of segment profit after tax

	2010 $m	2009 $m
Segment profit after income tax (BU Operating Earnings)	**726**	738
Group office costs	**(40)**	(37)
Total operating earnings	**686**	701
Underlying investment income[1]	**130**	126
Interest expense on corporate debt	**(72)**	(71)
AMP Limited tax loss recognition	**16**	16
Underlying profit	**760**	772
Market adjustment – investment income[1]	**(5)**	(13)
Merger and acquisition transaction costs	**(16)**	(10)
Other items[2]	**(2)**	20
Seed pool valuation adjustments	**–**	(30)
Profit after income tax before timing differences	**737**	739
Timing differences – annuity fair value, risk products and loan hedge revaluations[3]	**16**	1
Accounting mismatches	**22**	(1)
Profit attributable to shareholders of AMP Limited	**775**	739
Analysis of investment gains (losses) attributable to shareholders of AMP Limited		
Underlying investment income[1]	**130**	126
Market adjustment – investment income[1]	**(5)**	(13)
Investment gains (losses) attributable to shareholders of AMP Limited	**125**	113

Footnote:
1 Underlying investment income consists of investment income on shareholder assets invested in income producing investment assets (as opposed to income producing operating assets) normalised in order to bring greater clarity to the results by eliminating the impact of short-term market volatility on underlying performance. Underlying performance is based on long-term expected returns for each asset class. Market adjustment – investment income is the excess (shortfall) between the underlying investment income and the actual return on shareholder assets invested in income producing investment assets.
2 Other items principally comprises one-off and non-recurring costs offset by the benefit from the retrospective impact changes in tax legislation.
3 Timing differences of $16m profit (2009: $1m profit) comprise the net impact of changes in market economic variables (bond yields and CPI) on the valuation of risk insurance liabilities $7m loss (2009: $14m loss), annuity fair value gains $22m (2009: $20m) and loan hedge revaluations gains of $1m (2009: $5m loss). These losses or gains are expected to reverse over time.

(e) Reconciliation of segment revenue

	2010 $m	2009 $m
Total segment revenue	**1,886**	1,837
Add revenue excluded from segment revenue		
– Investment gains and (losses) – shareholders and policyholders (excluding AMP bank interest revenue)	**4,000**	7,524
– Revenue of investment entities controlled by the life statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group	**277**	262
– Other revenue	**17**	23
Add back expenses netted against segment revenue		
– Claims, expenses, movement in insurance contract liabilities and tax relating to Australian Contemporary Wealth Protection, Australian Mature and AFS NZ businesses	**764**	680
– Interest expense related to AMP Bank	**705**	590
– External investment manager fees paid in respect of certain assets under management	**272**	241
Remove intersegment revenue	**(257)**	(243)
Total revenue[1]	**7,664**	10,915

Footnote:
1 Revenue as per the Income statement of $7,664m (2009: $10,915m) comprises Premiums and related revenue $1,100m (2009: $1,049m), Fee revenue $1,430m (2009: $1,331m), Other revenue $294m (2009: $285m) and Investment gains and (losses) gain of $4,840m (2009: gains of $8,250m).

3. Income

	Consolidated 2010 $m	Consolidated 2009 $m	Parent 2010 $m	Parent 2009 $m
(a) Life insurance premium and related revenue				
Life insurance contract premium revenue	**1,051**	1,017	**–**	–
Reinsurance recoveries	**49**	32	**–**	–
Total life insurance premium and related revenue	**1,100**	1,049	**–**	–
(b) Fee revenue				
Investment management and origination fees	**1,252**	1,164	**–**	–
Financial advisory fees	**165**	151	**–**	–
Banking business fees	**13**	16	**–**	–
Service fees – subsidiaries	**–**	–	**11**	11
Total fee revenue[1]	**1,430**	1,331	**11**	11
(c) Other revenue				
Defined benefit plan income	**1**	–	**–**	–
Other revenue[2]	**293**	285	**–**	–
Total other revenue	**294**	285	**–**	–

Footnote:
1 Total fee revenues of AMP group (consolidated) include fee income from trust and fiduciary activities that result in the holding or investing of assets on behalf of individuals, trusts, retirement benefit plans, and other institutions, with the exception of $13m (2009: $16m) fees from banking operations, which are fees from financial assets that are not measured at fair value through profit or loss.
2 Other revenue includes trading revenue of investment entities controlled by the life statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group.

4. Investment gains and (losses)

	Consolidated 2010 $m	Consolidated 2009 $m	Parent 2010 $m	Parent 2009 $m
Investment gains and (losses)				
Interest[1]	**2,074**	1,835	**2**	2
Dividends and distributions				
– subsidiaries	**–**	–	**374**	200
– associated entities	**47**	62	**–**	–
– other entities	**2,354**	1,306	**–**	–
Rental income	**744**	764	**–**	–
Net realised and unrealised gains and (losses)[2]	**(379)**	4,283	**–**	5
Total investment gains and (losses)	**4,840**	8,250	**376**	207

Footnote:
1 Interest includes interest income from financial assets designated at fair value through profit or loss upon initial recognition, with the exception of $702m (2009: $593m) interest income from held to maturity investments and loans and receivables in banking operations, which are measured at amortised cost.
2 Net realised and unrealised gains and losses include net gains and losses on financial assets and financial liabilities designated at fair value through profit or loss upon initial recognition.

5. Expenses

	Consolidated 2010 $m	Consolidated 2009 $m	Parent 2010 $m	Parent 2009 $m
(a) Life insurance claims and related expenses				
Life insurance contract claims and related expenses	**(1,241)**	(1,203)	**–**	–
Outwards reinsurance expense	**(48)**	(48)	**–**	–
Total life insurance claims and related expenses	**(1,289)**	(1,251)	**–**	–
(b) Operating expenses				
Commission and advisory fee-for-service expense	**(524)**	(491)	**–**	–
Investment management expenses	**(202)**	(173)	**–**	–
Fee expense on banking business	**(10)**	(12)	**–**	–
Fee and commission expenses[1]	**(736)**	(676)	**–**	–
Wages and salaries	**(568)**	(576)	**(5)**	(6)
Contributions to defined contribution plans	**(52)**	(52)	**–**	–
Share-based payments expense	**(23)**	(17)	**(4)**	(3)
Other staff costs	**(43)**	(46)	**(1)**	–
Staff and related expenses	**(686)**	(691)	**(10)**	(9)
Occupancy and other property related expenses	**(76)**	(88)	**–**	–
Direct property expenses[2]	**(186)**	(191)	**–**	–
Information technology and communication	**(122)**	(104)	**–**	–
Professional fees	**(80)**	(74)	**–**	–
Advertising and marketing	**(38)**	(37)	**–**	–
Travel and entertainment	**(24)**	(23)	**–**	–
Impairment of intangibles	**(19)**	(3)	**–**	–
Amortisation of intangibles	**(61)**	(56)	**–**	–
Depreciation of property, plant and equipment	**(41)**	(57)	**–**	–
Other expenses[3]	**(201)**	(132)	**(1)**	(2)
Other operating expenses	**(848)**	(765)	**(1)**	(2)
Total operating expenses	**(2,270)**	(2,132)	**(11)**	(11)
(c) Finance costs				
Interest expense on borrowings and subordinated debt	**(789)**	(599)	**–**	–
Other finance costs	**(100)**	(56)	**–**	–
Total finance costs	**(889)**	(655)	**–**	–

Footnote:
1 Fee and commission expenses include fee expenses from trust and other fiduciary activities that result in the holding or investing of assets on behalf of individuals, trusts, retirement benefit plans, and other institutions, with the exception of $10m (2009: $12m) fees expense on banking business, which are fees from financial liabilities that are not measured at fair value through profit or loss.
2 Direct property expenses relate to investment properties which generate rental income.
3 Other expenses include trading expenses of investment entities controlled by the life statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group.

6. Income tax

	Consolidated 2010 $m	Consolidated 2009 $m	Parent 2010 $m	Parent 2009 $m
(a) Analysis of income tax (expense) credit				
Current tax	**(207)**	(42)	**2**	(1)
Increase (decrease) in deferred tax assets	**(4)**	(307)	**17**	16
(Increase) decrease in deferred tax liabilities	**32**	(254)	**–**	–
Over (under) provided in previous years including amounts attributable to policyholders	**48**	98	**(3)**	82
Effect of change in overseas tax rate	**5**	–	**–**	–
Income tax (expense) credit	**(126)**	(505)	**16**	97

(b) Relationship between income tax expense and accounting profit

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

In respect of income tax expense attributable to shareholders, the tax rate which applies in both Australia and New Zealand is 30 per cent. There are certain differences between the amounts of income and expenses recognised in the financial statements and the amounts recognised for income tax purposes. During the period the New Zealand government announced a decrease in the company tax rate from 30 per cent to 28 per cent from 1 January 2011.

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

	Consolidated 2010 $m	Consolidated 2009 $m	Parent 2010 $m	Parent 2009 $m
Profit before income tax	**881**	1,228	**376**	207
Policyholder tax credit (expense) recognised as part of the change in policyholder liabilities in determining profit before tax.	**62**	(441)	**–**	–
Profit before income tax excluding tax charged to policyholders	**943**	787	**376**	207
Prima facie tax at the rate of 30%	**(283)**	(236)	**(113)**	(62)
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	**21**	37	**–**	–
Non-deductible expenses	**(19)**	(11)	**(1)**	–
Non-taxable income	**20**	7	**–**	–
Tax offsets and credits	**9**	6	**–**	1
Dividend income from controlled entities	**–**	–	**112**	60
Other items	**(3)**	20	**3**	–
Over (under) provided in previous years after excluding amounts attributable to policyholders[1]	**43**	98	**(2)**	82
Benefit arising from previously unrecognised tax losses	**19**	16	**17**	16
Differences in overseas tax rate	**(1)**	(1)	**–**	–
Effect of change in overseas tax rates	**6**	–	**–**	–
Income tax (expense) credit attributable to shareholders	**(188)**	(64)	**16**	97
Income tax (expense) credit attributable to policyholders	**62**	(441)	**–**	–
Income tax (expense) credit per Income statement	**(126)**	(505)	**16**	97

Footnote:

1 The over provision by AMP group recognised in 2010 is principally in relation to the retrospective effect of changes in taxation legislation enacted in 2010. The over provision in 2009 by AMP group and the parent entity, mainly relates to benefits of entering the tax consolidation regime in 2003 not recognised at that time.

6. Income tax continued

	Consolidated 2010 $m	Consolidated 2009 $m	Parent 2010 $m	Parent 2009 $m
(c) Analysis of deferred tax assets				
Expenses deductible and income recognisable in future years	**106**	138	**1**	1
Unrealised movements on borrowings and derivatives	**44**	45	**–**	–
Unrealised investment losses	**65**	98	**–**	–
Losses available for offset against future taxable income	**331**	317	**62**	128
Other	**36**	56	**3**	4
Total deferred tax assets	**582**	654	**66**	133
(d) Analysis of deferred tax liabilities				
Unrealised investment gains	**414**	422	**–**	–
Unrealised movements on borrowings and derivatives	**46**	42	**–**	–
Other	**160**	165	**–**	–
Total deferred tax liabilities	**620**	629	**–**	–
(e) Amounts recognised directly in equity				
Deferred income tax (expense) related to items taken directly to equity during the current period	**(2)**	(57)	**–**	–
(f) Unused tax losses and deductible temporary differences not recognised				
Revenue losses	**129**	154	**115**	139
Capital losses	**358**	359	**358**	359

7. Receivables

	Consolidated 2010 $m	Consolidated 2009 $m	Parent 2010 $m	Parent 2009 $m
Investment income and sales proceeds receivable	**211**	271	**–**	–
Life insurance contract premiums receivable	**271**	284	**–**	–
Reinsurance and other recoveries receivable	**8**	4	**–**	–
Reinsurers' share of life insurance contract liabilities	**65**	44	**–**	–
Trade debtors[1]	**193**	208	**4**	9
Other receivables				
– subsidiaries – tax related amounts	**–**	–	**95**	–
Other receivables	**139**	148	**–**	–
Total receivables[1,2]	**887**	959	**99**	9

Footnote:
1 Trade debtors include trade debtors of investment entities controlled by the life statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group.
2 $22m (2009: $4m) of total consolidated receivables is expected to be recovered more than 12 months from reporting date.

8. Inventories and other assets

	Consolidated		Parent	
	2010 $m	2009 $m	2010 $m	2009 $m
Inventories[1]	**275**	136	**–**	–
Prepayments	**28**	34	**–**	–
Other assets	**9**	14	**–**	–
Total inventories and other assets[2,3]	**312**	184	**–**	–

Footnote:
1 Inventories include inventories and development properties 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 and financial planning registers held for resale in the ordinary course of business.
2 $140m (2009: $51m) of inventories and other assets is expected to be recovered more than 12 months from the reporting date.
3 Inventories and other assets include inventories and other assets of investment entities controlled by the life statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group.

9. Investments in financial assets

	Consolidated		Parent	
	2010 $m	2009 $m	2010 $m	2009 $m
Investments in financial assets measured at fair value through profit or loss				
Equity securities and listed managed investment schemes	**32,130**	32,328	**–**	–
Debt securities	**20,631**	20,629	**–**	–
Investments in unlisted managed investment schemes	**9,921**	10,340	**–**	–
Derivative financial assets	**1,873**	2,103	**–**	–
Other financial assets[1]	**242**	173	**–**	–
Total investments in financial assets measured at fair value through profit or loss[2]	**64,797**	65,573	**–**	–
Investments in financial assets measured at amortised cost				
Loans and advances – to subsidiaries	**–**	–	**836**	836
Loans and advances[3]	**10,202**	9,815	**–**	–
Debt securities – held to maturity	**733**	835	**–**	–
Total investments in financial assets measured at amortised cost[4]	**10,935**	10,650	**836**	836
Investments in controlled entities	**–**	–	**7,072**	7,072

Footnote:
1 Other financial assets include investments of the life statutory funds and controlled entities of the life statutory funds.
2 Investments measured at fair value through profit or loss are mainly assets of the life statutory funds and controlled entities of the life statutory funds. The timing of the recovery of these assets will be in a pattern similar to that of policyholder liabilities, refer to Note 20(f).
3 Loans and advances include securitised assets of $4,953m (2009: $5,859m) after allowing for amortisation of the initial assets securitised. During the year, loans of $980m (2009: $502m) were transferred into securitisation vehicles.
4 $10,016m (2009: $9,871m) of Total investments in financial assets measured at amortised cost is expected to be recovered more than 12 months from reporting date.

10. Investment property

	Consolidated 2010 $m	Consolidated 2009 $m	Parent 2010 $m	Parent 2009 $m
Investment property[1]				
Directly held	**7,122**	7,832	**–**	–
Total investment property	**7,122**	7,832	**–**	–
Movements in investment property				
Balance at the beginning of the period	**7,832**	9,227	**–**	–
Additions				
– subsequent expenditure recognised in carrying amount	**123**	176	**–**	–
Acquisitions (disposal) through business combinations[2]	**(835)**	421	**–**	–
Disposals[2]	**(197)**	(812)	**–**	–
Net gains (losses) from fair value adjustments	**290**	(1,113)	**–**	–
Foreign currency exchange differences	**(12)**	(67)	**–**	–
Transfer from inventories	**4**	–	**–**	–
Transfer (to) inventories	**(83)**	–	**–**	–
Balance at the end of the period[3]	**7,122**	7,832	**–**	–

Footnote:
1 Investment property includes properties of the life statutory funds and investment entities controlled by the life statutory funds of $7,122m (2009: $7,645m).
2 Additions (disposals) through business combinations and disposals include transactions of investment entities in which the life statutory funds hold a controlling equity interest.
3 Investment property of $1,418m (2009: $1,440m) held by controlled entities of the life statutory funds has been provided as security against borrowings of these controlled entities of the life statutory funds.

Valuation of investment property

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

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

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

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

	2010 $m	2009 $m	2010 $m	2009 $m
Primary assumptions used in valuing investment property				
Capitalisation rates	**6.25%–9.75%**	6.25%–9%	**–**	–
Market determined, risk adjusted discount rate	**7%–10.35%**	8.73%–11%	**–**	–

11. Property, plant and equipment

Consolidated	Owner-occupied property[1] $m	Leasehold improvements $m	Plant & equipment[2] $m	Total $m
2010				
Property, plant and equipment				
Gross carrying amount	**301**	**72**	**300**	**673**
Less: accumulated depreciation and impairment losses	**–**	**(57)**	**(164)**	**(221)**
Property, plant and equipment at written down value	**301**	**15**	**136**	**452**
Movements in property, plant and equipment				
Balance at the beginning of the period	**301**	**20**	**154**	**475**
Additions				
– through direct acquisitions	**–**	**–**	**18**	**18**
– subsequent expenditure recognised in carrying amount	**4**	**1**	**–**	**5**
Disposals through sale of controlled entities	**–**	**–**	**(3)**	**(3)**
Increases(decreases) from revaluations recognised directly in equity	**(1)**	**–**	**–**	**(1)**
Depreciation expense for the period	**(3)**	**(6)**	**(32)**	**(41)**
Foreign currency exchange differences	**–**	**–**	**(1)**	**(1)**
Balance at the end of the period	**301**	**15**	**136**	**452**
2009				
Property, plant and equipment				
Gross carrying amount	301	71	299	671
Less: accumulated depreciation and impairment losses	–	(51)	(145)	(196)
Property, plant and equipment at written down value	301	20	154	475
Movements in property, plant and equipment				
Balance at the beginning of the period	332	24	236	592
Additions				
– through direct acquisitions	–	–	34	34
– subsequent expenditure recognised in carrying amount	2	–	–	2
Disposals	–	–	(67)	(67)
Increases (decreases) from revaluations recognised directly in equity	(29)	–	–	(29)
Depreciation expense for the period	(4)	(4)	(49)	(57)
Balance at the end of the period	301	20	154	475

Footnote:
1 Owner-occupied property is measured at fair value; had the asset been measured at historic cost the amortised carrying value would have been $199m (2009: $198m).
2 Plant and equipment includes 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.

12. Intangibles

Consolidated	Goodwill[1,2] $m	Capitalised costs[3] $m	Management rights $m	Other intangibles $m	Total $m
2010					
Intangibles					
Gross carrying amount	**777**	**512**	**22**	**66**	**1,377**
Less: accumulated amortisation and/or impairment losses	**(75)**	**(350)**	**(2)**	**(31)**	**(458)**
Intangibles at written down value	**702**	**162**	**20**	**35**	**919**
Movements in intangibles					
Balance at the beginning of the period	**730**	**159**	**20**	**37**	**946**
Additions (reductions) through acquisitions (disposal) of controlled entities and other businesses[2]	**(9)**	**–**	**–**	**–**	**(9)**
Additions through separate acquisition	**–**	**–**	**–**	**3**	**3**
Additions through internal development	**–**	**64**	**–**	**–**	**64**
Amortisation expense for the period[4]	**–**	**(51)**	**–**	**(10)**	**(61)**
Impairment losses (recognised) or reversed in profit	**(19)**	**–**	**–**	**–**	**(19)**
Foreign currency exchange differences	**–**	**–**	**(1)**	**–**	**(1)**
Other movements	**–**	**(10)**	**1**	**5**	**(4)**
Balance at the end of the period	**702**	**162**	**20**	**35**	**919**
2009					
Intangibles					
Gross carrying amount	786	500	22	63	1,371
Less: accumulated amortisation and/or impairment losses	(56)	(341)	(2)	(26)	(425)
Intangibles at written down value	730	159	20	37	946
Movements in intangibles					
Balance at the beginning of the period	759	111	20	49	939
Additions (reductions) through acquisitions (disposal) of controlled entities and other businesses[2]	(29)	–	–	–	(29)
Additions through internal development	–	118	–	–	118
Disposals	–	–	–	(4)	(4)
Amortisation expense for the period[4]	–	(47)	–	(9)	(56)
Impairment losses (recognised) or reversed in profit	–	(4)	–	1	(3)
Other movements	–	(19)	–	–	(19)
Balance at the end of the period	730	159	20	37	946

Footnote:
1 Total goodwill comprises amounts attributable to shareholders of $517m (2009: $517m) and attributable to policyholders of $185m (2009: $213m)
2 The disposal of goodwill during 2010 relates to the sale of an operating business of controlled entities of the life statutory funds. Disposal of goodwill during 2009 relates to the deconsolidation of New Zealand retirement property business.
3 Capitalised costs are required to be amortised over their estimated useful lives as well as being assessed for indicators of impairment at each reporting date.
4 Amortisation expense for the period is included in Operating expenses in the Income statement.

12. Intangibles continued

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

Goodwill attributable to shareholders
$517m (2009: $517m) of the Goodwill arose from a Life Act Part 9 transfer of life insurance business into the statutory funds of AMP Life. The initial amount recognised represented the value of in force business, the value of new business and the benefits of cost synergies obtained as a result of the integration of the business into AMP Life.

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

Under the transition rules for Australian adoption of International Financial Reporting Standards, the amortised cost value of $517 million at 1 January 2004 was deemed to be the value carried forward and tested annually for impairment. For the purposes of impairment testing, the amount is allocated to the cash generating units as follows:
– Australian CWM – goodwill attributable: $387m
– Australian CWP – goodwill attributable: $65m
– Australian Mature – goodwill attributable: $65m.

There were no other intangible assets with indefinite useful lives allocated to these cash generating units.

The method used for goodwill impairment testing is "fair value less costs to sell". The recoverable amount is determined considering a combination of estimates of future cash flows, relevant product profit margins and the embedded value. Embedded value is a calculation which represents the economic value of the shareholder capital in the business and the future profits expected to emerge from the business currently in-force expressed in today's dollars. These indicators are generally taken as features of a life insurance business which taken together would be equivalent to fair value.

Assumptions applied in estimating the embedded value are consistent with the best estimate assumptions used in calculating the policy liabilities of AMP Life except that embedded value includes a risk discount rate. Note 1(u) and Note 19 provide extensive details with respect to the assumptions, management's approach to determining the values assigned to each key assumption and their consistency with past experience and external sources of information. Note 1(u) discloses that premium and claim amounts are estimated over the expected life of the in-force policies which varies depending on the nature of the product. Note 19 provides details of discontinuance rates used for projections and the fact that future maintenance and investment expenses are based on unit costs derived from budgeted amounts for the following year and increased in future years for expected rates of inflation. The embedded value calculation uses a risk discount rate of the annualised 10 year bond yield of 5.6 per cent in Australia (2009: 5.7 per cent) and 5.7 per cent in New Zealand (2009: 6.2 per cent) with a 3.0 per cent margin (2009: 3.0 per cent).

In each cash-generating unit, the surplus discounted present value of future profits (being embedded value less shareholder capital), is significantly higher than the goodwill held. The impact of the other components of fair value, namely future cash flows, relevant product profit margins net of costs to sell, would have resulted in a further net increase in the surplus.

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

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

The individual goodwill components are not significant in comparison with the total carrying amount of goodwill attributable to policyholders and therefore impairment testing was carried out on the aggregate carrying amount. Impairment testing resulted in an impairment of $19m recognised during the year ended 31 December 2010 (31 December 2009: $nil) as a result of a decline in projected future cash flows in underlying operating subsidiaries controlled by the life statutory funds. At reporting date, there is no reasonably possible change in key assumptions that could cause the carrying amount to exceed the recoverable amount.

Impairment testing of these goodwill balances is based on each asset's value in use, calculated as the present value of forecast future cash flows from those assets using discount rates of between 13 per cent and 16.8 per cent (2009: 13 per cent and 17 per cent).

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

Forecasts for the following 12 months have in each case been extrapolated based on long-term revenue growth rates of between 0 per cent and 5 per cent pa (2009: 2–5 per cent pa). The projected revenues are based on the businesses in their current condition. The assumptions do not include the effects of any future restructuring to which the entity is not yet committed or as a result of future cash outflows by the entity that will improve or enhance the entity's performance.

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

13. Payables

	Consolidated		Parent	
	2010 $m	2009 $m	2010 $m	2009 $m
Investment purchases payable	**66**	78	**–**	–
Life insurance and investment contracts in process of settlement	**181**	172	**–**	–
Accrued expenses	**91**	110	**–**	–
Interest payable	**41**	68	**–**	–
Trade creditors	**80**	94	**–**	–
Other payables				
– subsidiaries – tax related amounts	**–**	–	**–**	164
– other entities	**574**	459	**1**	1
Total payables[1,2]	**1,033**	981	**1**	165

Footnote:

1 Total payables include payables 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 $26m (2009: $42m) of Total payables of the AMP group is expected to be settled more than 12 months from the reporting date and nil (2009: nil) of Total payables of the parent is expected to be settled more than 12 months from reporting date.

14. Provisions

	Consolidated		Parent	
	2010 $m	2009 $m	2010 $m	2009 $m
(a) Provisions				
Employee entitlements	**172**	190	**4**	5
Other	**81**	90	**–**	–
Total provisions	**253**	280	**4**	5

	Employee entitlements[1] $m	Other[2] $m	Total $m
(b) Movements in provisions – consolidated			
Balance at the beginning of the period	**190**	**90**	**280**
Additions (reductions) through acquisitions (disposal) of controlled entities	**–**	**(11)**	**(11)**
Additional provisions made during the period	**127**	**84**	**211**
Unused amounts reversed during the period	**(4)**	**(11)**	**(15)**
Provisions used during the period	**(140)**	**(70)**	**(210)**
Foreign exchange movements	**(1)**	**(1)**	**(2)**
Balance at the end of the period	**172**	**81**	**253**

	Employee entitlements[1] $m	Other[2] $m	Total $m
(c) Movements in provisions – parent			
Balance at the beginning of the period	**5**	**–**	**5**
Additional provisions made during the period	**3**	**–**	**3**
Provisions used during the period	**(4)**	**–**	**(4)**
Balance at the end of the period	**4**	**–**	**4**

Footnote:

1 Provisions for employee entitlements are in respect of amounts accumulated as a result of employees rendering services up to the reporting date. These entitlements include salaries, wages, bonuses, annual leave and long service leave, but exclude share-based payments. $6m (2009: $6m) is expected to be settled more than 12 months from the reporting date.

2 Other provisions are in respect of probable outgoings on data quality and integrity projects, settlements, and various other operational provisions. $5m (2009: $1m) is expected to be settled more than 12 months from the reporting date.

15. Borrowings

	Consolidated		Parent	
	2010 $m	2009 $m	2010 $m	2009 $m
Bank overdrafts	**–**	6	**–**	–
Bank loans	**962**	1,694	**–**	–
Bonds and notes	**6,687**	7,602	**–**	–
Deposits[1]	**3,082**	2,525	**–**	–
Other borrowings	**60**	170		
Total borrowings[2]	**10,791**	11,997	**–**	–

Footnote:

1 Deposits mainly comprise at call retail cash on deposit and retail term deposits at variable interest rates within the AMP Bank.

2 Total borrowings comprise amounts to fund:

i) Corporate and other shareholder activities of AMP group of $764m (2009: $1,115m). Of this balance $353m (2009: $815m) is expected to be settled more than 12 months from the reporting date.

ii) AMP Bank and securitisation trusts borrowings $8,369m (2009: $8,417m). Of this balance $3,852m (2009: $3,044m) is expected to be settled more than 12 months from the reporting date. Current borrowings of $4,517m (2009: $5,373m) include $2,933m (2009: $2,370m) of Deposits that are contractually at call customer savings accounts.

iii) Statutory fund borrowings and borrowings within controlled entities of AMP Life are $1,658m (2009: $2,465m). Of this balance $1,045m (2009: $1,738m) is expected to be settled more than 12 months from the reporting date.

16. Subordinated debt

	Consolidated		Parent	
	2010 $m	2009 $m	2010 $m	2009 $m
6.875% GBP Subordinated Guaranteed Bonds (maturity 2022)	**56**	65	**–**	–
A$ AMP Notes (first call date 2014, maturity 2019)[1]	**202**	197	**–**	–
NZ$ AMP Notes (first call date 2014, maturity 2019)[1]	**87**	91	**–**	–
Total subordinated debt[2]	**345**	353	**–**	–

Footnote:

1 $202m A$ AMP Notes and $94m NZ$ AMP Notes were issued in 2009. The carrying value at each reporting date includes accrued interest less capitalised borrowing costs (after amortisation) and, in the case of the NZ$ AMP Notes, is converted to Australian dollars at reporting date.

2 Subordinated debt amounts are to fund corporate activities of AMP group. All of this balance (2009: all) is expected to be settled more than 12 months from the reporting date.

17. Dividends

	Consolidated		Parent	
	2010 $m	2009 $m	2010 $m	2009 $m
Final dividends paid				
2009 final dividend paid in 2010: 16 cents per ordinary share franked to 50% (2008 final dividend paid in 2009: 16 cents per ordinary share franked to 85%)	**328**	319	**328**	319
Interim dividends paid				
2010: 15 cents per ordinary share franked to 60% (2009: 14 cents per ordinary share franked to 50%)	**311**	282	**311**	282
Total dividends paid[1,2]	**639**	601	**639**	601
Final dividends proposed but not recognised[2]				
2010: 15 cents per ordinary share franked to 60%	**314**	n/a	**314**	n/a

	Consolidated		Parent	
	2010 $m	2009 $m	2010 $m	2009 $m
Dividend franking account[3,4]				
Franking credits available to shareholders of AMP Limited (at 30%)	**123**	86	**123**	86

Footnote:
1 Total dividends paid includes dividends paid on 'treasury shares'. See Statement of changes in equity for further information regarding the impact of 'treasury shares' on dividends paid and retained earnings.
2 All dividends are franked at a tax rate of 30 per cent.
3 The franking credits available to shareholders are based on the balance of the dividend franking account at the reporting date adjusted for:
   a) franking credits that will arise from the payment of the current tax liability
   b) franking debits that will arise from the payment of dividends recognised as a liability at the year end
   c) franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the year end
   d) franking credits that the entity may be prevented from distributing in subsequent years.
4 The company's ability to utilise the franking account credits depends on 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 $81m.

18. Contributed equity

	Consolidated		Parent	
	2010 $m	2009 $m	2010 $m	2009 $m
Movements in issued capital				
Balance at the beginning of the period	**4,957**	4,649	**4,957**	4,649
45,779,038 (2009: 55,753,874) shares issued under dividend reinvestment plan[1]	**252**	308	**252**	308
Balance at the end of the period	**5,209**	4,957	**5,209**	4,957
Total issued capital				
2,094,424,200 (2009: 2,048,645,162) ordinary shares fully paid	**5,209**	4,957	**5,209**	4,957
Movements in 'treasury shares'[2]				
Balance at the beginning of the period	**(143)**	(168)	**–**	–
(Increase) Decrease due to sales less purchases during the period	**(15)**	25	**–**	–
Balance at the end of the period	**(158)**	(143)	**–**	–
Total contributed equity				
2,068,048,750 (2009: 2,025,868,826) ordinary shares fully paid[2]	**5,051**	4,814	**5,209**	4,957

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

Footnote:
1 Under the terms of the Dividend Reinvestment Plan (DRP), shareholders may elect to have all or part of their dividend entitlements satisfied by the issue of new shares rather than being paid cash. Shares were issued under the DRP for the 2009 final dividend (paid in April 2010) at $5.98 per share, 2010 interim dividend (paid in October 2010) at $5.01 per share.
2 Of the ordinary shares on issue, AMP Life Limited (a wholly owned controlled entity) holds 26,375,450 (2009: 22,776,336) 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.

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(u) for a description of MoS and the methods for calculating life insurance contract liabilities.

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

Business type	Method	Profit carriers (for business valued using projection method)
Conventional	Projection	Bonuses
Investment Account	Modified Accumulation	n/a
Risk	Projection/Accumulation	Expected premiums
Participating Allocated Annuities	Accumulation/Modified Accumulation	n/a
Life Annuities	Projection	Annuity payments

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

(i) Risk free discount rates

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

			31 December 2010		31 December 2009	
Business Type		Basis	Australia	New Zealand	Australia	New Zealand
Retail risk		10 year government bond rate	**5.6%**	**6.0%**	5.7%	6.2%
Group risk	Outstanding claims	2 year government bond rate	**5.2%**	**4.0%**	4.6%	4.3%
Life annuities	Non-CPI	Zero coupon inter-bank swap curve	**4.9%–6.3%**	**3.1%–6.0%**	4.1%–6.5%	2.7%–6.6%
	CPI	Commonwealth Indexed Bond curve +20 bps	**2.8%–3.0%**	**2.8%**	1.9%–3.1%	3.0%

(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	Fixed Interest	Cash
Australia					
31 December 2010	**3.0%**	**2.5%**	**2.0%**	**0.50%**	**(0.50%)**
31 December 2009	3.0%	2.5%	2.0%	0.25%	(0.50%)
New Zealand					
31 December 2010	**3.0%**	**2.5%**	**2.0%**	**0.50%**	**(0.50%)**
31 December 2009	3.0%	2.5%	2.0%	0.25%	(0.50%)

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

19. Life insurance contracts continued

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

	Equities	Property	Fixed Interest	Cash
Australia				
31 December 2010	**30%**	**11%**	**39%**	**20%**
31 December 2009	30%	11%	40%	19%
New Zealand				
31 December 2010	**40%**	**17%**	**37%**	**6%**
31 December 2009	40%	17%	37%	6%

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

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

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

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

Typical supportable bonus rates on major product lines are as follows (31 December 2009 in parentheses).

	Bonus on sum insured	Bonus on existing bonuses
Reversionary bonus		
Australia	**0.7%–1.1%** (0.9%–1.3%)	**1.1%–1.3%** (1.3%–1.7%)
New Zealand	**0.8%–1.1%** (0.7%–1.0%)	**0.8%–1.1%** (0.7%–1.0%)

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

Crediting rates (investment account)

Australia	**2.8%–8.0%** (3.3%–8.9%)
New Zealand	**3.5%–4.0%** (3.3%–4.2%)

19. Life insurance contracts continued

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

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

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

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

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

	Australia	New Zealand
31 December 2010	**2.9% CPI, 3.0% Expenses**	**3.3% CPI, 3.0% Expenses**
31 December 2009	2.8% CPI, 3.0% Expenses	3.4% CPI, 3.0% Expenses

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

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

Future rates of discontinuance used at 31 December 2010 are unchanged from those assumed at 31 December 2009 except for:
- Australia – reduction in lapse rates for Conventional Superannuation
- New Zealand – higher withdrawal rates on lump sum risk and a small reduction in lapse rates for whole of life conventional business.

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

	31 December 2010		31 December 2009	
Business Type	Australia	New Zealand	Australia	New Zealand
Conventional	**2.1%–3.0%**	**1.3%–2.5%**	2.1%–4.0%	1.3%–2.6%
Investment account	**n/a**	**n/a**	n/a	n/a
Retail risk	**10.5%–11.0%**	**10.5%–12.0%**	10.5%–11.0%	9.5%–12.0%
FLS risk business (ultimate rate)	**7.5%–9.0%**	**n/a**	7.5%–9.0%	n/a

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

19. Life insurance contracts continued

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

Rates of mortality assumed at 31 December 2010 are unchanged from those assumed at 31 December 2009 in Australia and New Zealand, except for a 3 per cent reduction for Australian and New Zealand conventional business. Rates of annuitant mortality are unchanged.

Typical mortality assumptions, in aggregate, are as follows:

	Conventional – % of IA95-97		Term – % of IA95-97		FLS Risk – % of IA95-97	
	Male	Female	Male	Female	Male	Female
Risk products						
Australia	75%	75%	63%	63%	63%	63%
New Zealand	73%	73%	63%	63%	63%	63%

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

For disability income business, the claim assumptions are currently based on CIDA85, which is derived from North American experience. It is adjusted for AMP Life's experience, with the adjustment dependent on age, sex, waiting period, occupation, smoking status and claim duration. Incidence and termination rates are unchanged from those at 31 December 2009.

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 2010 are unchanged from those used at 31 December 2009.

The Actuarial tables used were as follows:

IA95-97 — A mortality table developed by the Institute of Actuaries of Australia based on Australian insured lives experience from 1995–1997.

IM80* / IF80* — IM80 and IF80 are mortality tables developed by the Institute of Actuaries and the Faculty of Actuaries based on United Kingdom annuitant lives experience from 1979–1982. The tables refer to male and female lives respectively and incorporate factors that allow for mortality improvements since the date of the investigation.

IM80* and IF80* are these published tables amended for some specific AMP experience.

CIDA85 — A disability table developed by the Society of Actuaries based on North American disability income experience from 1973–1979.

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

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

The impact on future profit margins of changes in actuarial assumptions from 31 December 2009 to 31 December 2010 in respect of life insurance contracts (excluding new business contracts which are measured using assumptions at reporting date) is as shown in the table below.

Assumption change	Change in future profit margins $m	Change in life insurance contract liabilities $m	Change in shareholders' profit & equity $m
Non-market related changes to discount rates	14	–	–
Mortality and morbidity	9	–	–
Discontinuance rates	(26)	–	–
Maintenance expenses	(13)	–	–
Other assumptions	27	–	–

19. Life insurance contracts continued

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.

Changes in maintenance expenses and other assumptions have caused a $1m loss reversal on New Zealand annuities. When split between maintenance expenses and other assumptions in the table above, change for each is less than $1m.

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

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

		Change in life insurance contract liabilities		Change in shareholder profit after income tax, and equity	
Variable	Change in variable	Gross of reinsurance $m	Net of reinsurance $m	Gross of reinsurance $m	Net of reinsurance $m
Mortality	10% increase in mortality rates	(1)	(1)	1	1
Annuitant mortality	50% increase in the rate of mortality improvement	1	1	(1)	(1)
Morbidity – lump sum disablement	20% increase in lump sum disablement rates	–	–	–	–
Morbidity – disability income	20% increase in incidence rates and decrease in recovery rates	11	7	(8)	(5)
Discontinuance rates	10% increase in discontinuance rates	–	–	–	–
Maintenance expenses	10% increase in maintenance expenses	–	–	–	–

	Consolidated		Parent	
	2010 $m	2009 $m	2010 $m	2009 $m
(c) Analysis of life insurance contract premium and related revenue				
Total life insurance contract premiums received and receivable	**1,802**	1,871	**–**	–
Less: component recognised as a change in life insurance contract liabilities	**(751)**	(854)	**–**	–
Life insurance contract premium revenue[1]	**1,051**	1,017	**–**	–
Reinsurance recoveries	**49**	32	**–**	–
Total life insurance contract premium and related revenue	**1,100**	1,049	**–**	–
(d) Analysis of life insurance contract claims and related expenses				
Total life insurance contract claims paid and payable	**(2,344)**	(2,227)	**–**	–
Less: component recognised as a change in life insurance contract liabilities	**1,103**	1,024	**–**	–
Life insurance contract claims expense	**(1,241)**	(1,203)	**–**	–
Outwards reinsurance expense	**(48)**	(48)	**–**	–
Total life insurance contract claims and related expenses	**(1,289)**	(1,251)	**–**	–
(e) Analysis of life insurance contract operating expenses				
Life insurance contract acquisition expenses				
– Commission	**(56)**	(45)	**–**	–
– Other	**(88)**	(87)	**–**	–
Life insurance contract maintenance expenses				
– Commission	**(91)**	(85)	**–**	–
– Other	**(284)**	(268)	**–**	–
Investment management expenses	**(39)**	(39)	**–**	–

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

19. Life insurance contracts continued

	Consolidated 2010 $m	Consolidated 2009 $m	Parent 2010 $m	Parent 2009 $m
(f) Life insurance contract liabilities				
Life insurance contract liabilities determined using projection method				
Best estimate liability				
– Value of future life insurance contract benefits	**10,765**	10,812	**–**	–
– Value of future expenses	**2,697**	2,588	**–**	–
– Value of future premiums	**(9,595)**	(9,123)	**–**	–
Value of future profits				
– Life insurance contract holder bonuses	**2,021**	2,150	**–**	–
– Shareholders' profit margins	**2,439**	2,373	**–**	–
Total life insurance contract liabilities determined using the projection method[1]	**8,327**	8,800	**–**	–
Life insurance contract liabilities determined using accumulation method				
Best estimate liability				
– Value of future life insurance contract benefits	**7,664**	7,932	**–**	–
– Value of future acquisition expenses	**(9)**	(10)	**–**	–
Total life insurance contract liabilities determined using accumulation method	**7,655**	7,922	**–**	–
Value of declared bonus	**338**	270	**–**	–
Unvested life insurance contract holder benefits[1]	**1,377**	1,344	**–**	–
Total life insurance contract liabilities before reinsurance	**17,697**	18,336	**–**	–
Add: Reinsurers' share of life insurance contract liabilities	**65**	44	**–**	–
Total life insurance contract liabilities	**17,762**	18,380	**–**	–

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

19. Life insurance contracts continued

	Consolidated		Parent	
	2010 $m	2009 $m	2010 $m	2009 $m
(g) Reconciliation of changes in life insurance contract liabilities				
Total life insurance contract liabilities at the beginning of the period	**18,380**	19,250	**–**	–
Change in life insurance contract liabilities recognised in the Income statement	**(202)**	(641)	**–**	–
Premiums recognised as an increase in life insurance contract liabilities	**751**	854	**–**	–
Claims recognised as a decrease in life insurance contract liabilities	**(1,103)**	(1,024)	**–**	–
Change in reinsurers share of life insurance contract liabilities	**21**	(10)	**–**	–
Foreign exchange adjustment	**(85)**	(49)	**–**	–
Total life insurance contract liabilities at the end of the period	**17,762**	18,380	**–**	–

(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.

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

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

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

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

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

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

19. Life insurance contracts continued

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

Type of contract	Detail of contract workings	Nature of compensation for claims	Key variables affecting future cash flows
Non-participating life insurance contracts with fixed and guaranteed terms (term life and disability and yearly renewable)	These policies provide guaranteed benefits, which are paid on death or ill health, that are fixed and not at the discretion of AMP Life. Premium rates for yearly renewable business are not guaranteed and may be changed at AMP Life's discretion for the portfolio as a whole.	Benefits, defined by the insurance contract, are not directly affected by the performance of underlying assets or the performance of any associated investment contracts as a whole.	Mortality, morbidity, lapses, expenses and market earning rates on assets backing the liabilities.
Life annuity contracts	In exchange for an initial single premium, these policies provide a guaranteed regular income for the life of the insured.	The amount of the guaranteed regular income is set at inception of the policy including any indexation.	Longevity, expenses and market earning rates on assets backing the liabilities.
Conventional life insurance contracts with discretionary participating benefits (endowment and whole of life)	These policies combine life insurance and savings. The policyholder pays a regular premium and receives the specified sum assured plus any accruing bonuses on death or maturity. The sum insured is specified at inception and guaranteed. Reversionary bonuses are added annually, which once added (vested) are guaranteed. A further terminal bonus may be added on 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.

(i) Liquidity risk and future net cash outflows

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

	Up to 1 year $m	1 to 5 years $m	Over 5 years $m	Total $m
2010	**903**	**2,416**	**5,420**	**8,739**
2009	1,129	3,120	5,741	9,990

20. Other life insurance and investment contract disclosures

	Consolidated 2010 $m	2009 $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	**410**	399
– Profits (losses) arising from difference between actual and assumed experience	**18**	14
– Capitalised (losses) reversals	**1**	–
Profit related to life insurance and investment contract liabilities	**429**	413
Attributable to:		
– Life insurance contracts	**254**	321
– Investment contracts	**175**	92
Investment earnings on assets in excess of life insurance and investment contract liabilities	**90**	62

(b) Life statutory funds

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

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

Investments held in the life statutory funds can only be used in accordance with the relevant regulatory restrictions imposed under the Life Act and associated rules and regulations. The main restrictions are that the assets in a life statutory fund can only be used to meet the liabilities and expenses of that life statutory fund, to acquire investments to further the business of the life statutory fund or as distributions provided solvency, capital adequacy and other regulatory requirements are met. See further details about solvency and capital adequacy in Note 20(d).

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

	2010			2009		
	Non-investment Linked $m	Investment Linked $m	Total Life Statutory Funds $m	Non-investment Linked $m	Investment Linked $m	Total Life Statutory Funds $m
Assets of life statutory funds						
Net assets of life statutory funds attributable to policyholders and shareholders	**21,927**	**46,434**	**68,361**	22,310	45,151	67,461
Attributable to policyholders						
Life insurance contract liabilities	**17,762**	**–**	**17,762**	18,380	–	18,380
Investment contract liabilities	**2,562**	**46,017**	**48,579**	2,424	44,815	47,239
	20,324	**46,017**	**66,341**	20,804	44,815	65,619
Attributable to shareholders	**1,603**	**417**	**2,020**	1,506	336	1,842

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

20. Other life insurance and investment contract disclosures continued

Impact of the life statutory funds amounts on the AMP group consolidated financial statements
To the extent that investments by the life statutory funds are held through wholly or partly owned controlled entities of the life statutory funds, the balances of those controlled entities are consolidated by AMP Life and therefore become part of the consolidated balances of this AMP group Financial Report. The consolidated balances include 100 per cent of the underlying investments in financial assets, investment property, and other net operating assets of the controlled entities of the life statutory funds. Most of the controlled entities are unit trusts and the share of the consolidated profit and net assets of those trusts attributable to unitholders other than the AMP Life statutory funds is recognised in the consolidated Income statement as Movement in external unitholders' liabilities and in the consolidated Statement of financial position as External unitholders' liabilities.

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

	Life statutory funds consolidated	
	2010 $m	2009 $m
Income statement		
Insurance premium and related revenue	**1,100**	1,049
Fee revenue	**862**	805
Other revenue	**257**	238
Investment gains and (losses)	**4,053**	7,740
Insurance claims and related expenses	**(1,289)**	(1,251)
Operating expenses including finance costs	**(1,970)**	(1,828)
Movement in external unitholders' liabilities	**(317)**	(364)
Change in life insurance contract liabilities	**202**	641
Change in investment contract liabilities	**(2,259)**	(5,951)
Income tax (expense)/credit	**(144)**	(600)
Profit[1]	**495**	479
Statement of financial position		
Assets		
Cash and cash equivalents	**5,233**	3,540
Investments in financial assets measured at fair value through profit or loss	**64,399**	65,645
Investment property	**7,423**	7,863
Other assets	**1,622**	2,038
Total assets of policyholders, shareholders and non-controlling interests	**78,677**	79,086
Liabilities		
Life insurance contract liabilities	**17,762**	18,380
Investment contract liabilities	**48,579**	47,239
Other liabilities	**3,829**	4,962
External unitholders' liabilities	**6,386**	6,556
Total liabilities of policyholders, shareholders and non-controlling interests	**76,556**	77,137
Net assets[1]	**2,121**	1,949

Footnote:
1 Consolidated profit and consolidated net assets of the life statutory funds and the entities controlled by the life statutory funds include the impact of accounting mismatches adjusted in respect of investments in controlled entities of life statutory funds – see Note 1(d), and the share of profit and net assets of controlled companies attributable to non-controlling interests.

20. Other life insurance and investment contract disclosures continued

(c) Capital guarantees

	Consolidated 2010 $m	2009 $m
Life insurance contracts with a discretionary participating feature		
– Amount of the liabilities that relate to guarantees	**13,758**	14,082
Investment linked contracts		
– Amount of the liabilities subject to investment performance guarantees	**1,101**	1,158
Other life insurance contracts with a guaranteed termination value		
– Current termination value	**131**	138

(d) Solvency and capital adequacy

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

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

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

The Appointed Actuary of AMP Life has confirmed that the available assets of each life statutory fund have exceeded the solvency reserve required at all times during the reporting date. Across all the life statutory funds, the excess assets, expressed as a percentage of the solvency reserve, at 31 December 2010 were 71 per cent (31 December 2009: 76 per cent).

Capital adequacy requirement
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 2010 was 36 per cent (31 December 2009: 36 per cent).

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

(f) Amounts expected to be recovered or settled 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 $55,577m (2009: $55,856 million) of policy liabilities may be settled more than 12 months from the reporting date.

21. Risk management and financial instruments information

Financial Risk Management

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

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

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

Executive committees oversee the management and monitoring of financial risks and capital management. These committees include Group Asset and Liability Committee (Group ALCO) for AMP group, Life ALCO for AMP Life, Bank ALCO for AMP Bank and the Financial Risk and Capital Committee (FRCC) for AMP Capital Investors. The Debt Committee, a sub-committee of Group ALCO, also reviews and monitors debt financing risk across the AMP group. These executive committees report to the respective audit committees and boards.

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

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

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

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

Information about the AMP group's capital management activities, including the relationship with regulatory requirements on the regulated entities, within the AMP group is provided in Note 22.

(a) Risks and mitigation

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

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

The risk appetite of the AMP group includes an allocation of risk to the seed pool. The seed pool is designed to assist business growth through the acquisition of assets to seed new funds or investment opportunities. The AMP group seeks to generate future revenues from the subsequent on-sale of these assets to clients through new or existing funds.

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

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

21. Risk management and financial instruments information continued

(b) Market risk sensitivity analysis

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

The sensitivity is required to show the impact of a reasonably possible change in market rate (it is not intended to illustrate a remote, worst case or stress test scenario) over the period to the subsequent reporting date. The categories of risks faced and methods used for deriving sensitivity information did not change from previous periods.

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

(i) Interest rate risk

Interest rate risk is the risk of an impact on AMP group's profit after tax and equity from movements in market interest rates, including changes in the absolute levels of interest rates, the shape of the yield curve, the margin between different yield curves and the volatility of interest rates. Interest rate risk arises from interest bearing financial assets and financial liabilities in various activities of the AMP group. Management of those risks is decentralised according to the activity. Details are as follows:

– *AMP group's long-term borrowings and subordinated debt* – Interest rate risk arises in relation to long-term borrowings and subordinated debt raised through a combination of Australian dollar, New Zealand dollar, pound sterling and euro denominated fixed-rate and floating-rate facilities. The foreign denominated debt is converted to floating-rate Australian dollars through cross-currency swaps. Interest rate risk is managed by entering floating-to-fixed interest-rate swaps, which have the effect of converting borrowings from floating rates to fixed rates. Under the interest-rate swaps, the AMP group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

  AMP group policy is to maintain between 40–60 per cent of borrowings and subordinated debt at fixed rates. At the reporting date, 56 per cent (2009: 57 per cent) of the AMP group's borrowings and subordinated debt were effectively at fixed rates.

– *AMP Life* – As discussed in Note 1(b), AMP Life conducts wealth management and life insurance business through separate life statutory funds. Investment assets of the life statutory funds including interest-bearing financial assets are held to back investment contract liabilities, life insurance contract liabilities, retained profits and capital.

  Interest rate risk of AMP Life which impacts shareholders arises in respect of financial assets and liabilities held in the shareholder fund and in the life statutory funds. A risk arises to the extent that there is an economic mismatch between the timing of payments to life policyholders and the duration of the assets held in the life statutory funds to back the policyholder liabilities. Where a liability in respect of investment contracts is directly linked to the value of the assets (where applicable, net of related liabilities) held to back that liability (investment-linked business), there is no residual interest rate exposure which would impact shareholders.

  Management of various risks associated with investments undertaken by life statutory funds and the life shareholder fund, such as interest rate risk is, subject to the relevant regulatory requirements governed by the Life Act. AMP Life is required to satisfy solvency requirements, including holding statutory reserves to cater for interest rate risk to the extent that assets are not matched against liabilities.

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

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

Interest rate risk sensitivity analysis

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

	2010		2009	
	Impact on profit after tax	Impact on equity	Impact on profit after tax	Impact on equity
Change in variables	Increase (decrease) $m	Increase (decrease) $m	Increase (decrease) $m	Increase (decrease) $m
+100 basis points	**(10)**	**4**	(23)	(4)
–100 basis points	**11**	**(3)**	23	4

21. Risk management and financial instruments information continued

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

Other than where the impact would be immaterial, all corporate debt is converted to Australian dollars through cross-currency swaps, individual investment assets in shareholder capital (excluding the international equities portfolio attributable to shareholders within the life Statutory Fund No.1 fund) and in the seed pool are hedged, and expected foreign currency receipts and payments are hedged once the value and timing of the expected cash flow is known. AMP group does not hedge the capital invested in overseas operations (other than foreign seed pool investments), thereby accepting the foreign currency translation risk on invested capital.

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

	2010		2009	
Change in variables	Impact on profit after tax Increase (decrease) $m	Impact on equity Increase (decrease) $m	Impact on profit after tax Increase (decrease) $m	Impact on equity Increase (decrease) $m
10% depreciation of AUD	**8**	**8**	9	9
10% appreciation of AUD	**(8)**	**(8)**	(9)	(9)

(iii) Equity price risk
Equity price risk is the risk of an impact on AMP group's profit after tax and equity from movements in equity prices. The AMP group measures equity securities at fair value through profit or loss.

Equity price risk sensitivity analysis
The analysis demonstrates the impact of a 10 per cent movement in Australian and International equities held at the reporting date. This sensitivity analysis has been performed to assess the direct risk of holding equity instruments. Any potential indirect impact on fees from AMP group's investment linked business is not included. A sensitivity level of 10 per cent is determined considering the widely spread portfolios held by the AMP group and the range of movements in equity markets for the periods.

	2010		2009	
	Impact on profit after tax Increase (decrease) $m	Impact on equity Increase (decrease) $m	Impact on profit after tax Increase (decrease) $m	Impact on equity Increase (decrease) $m
10% increase in Australian equities	**9**	**9**	15	15
10% increase in International equities	**8**	**8**	9	9
10% decrease in Australian equities	**(9)**	**(9)**	(15)	(15)
10% decrease in International equities	**(8)**	**(8)**	(9)	(9)

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

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

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

21. Risk management and financial instruments information continued

At 31 December 2010, a number of breaches occurred in relation to external bank loans owing by entities controlled by the life statutory funds. The carrying amount of these loans was $267m (2009: $135m), for which formal waivers from financiers have been obtained for loans of $144m. The financiers of these loans do not have legal recourse beyond the operating subsidiary borrower and there is no direct effect on any other AMP group debt.

The following table summarises the maturity profiles of AMP group's undiscounted financial liabilities and off-balance sheet items at the reporting date. The maturity profiles are based on contractual undiscounted repayment obligations. Repayments that are subject to notice are treated as if notice were to be given immediately.

Maturity profiles of undiscounted financial liabilities and off balance sheet items[1]

	Up to 1 year or no term $m	1 to 5 years $m	Over 5 years $m	Other[2] $m	Total $m
2010					
Non-derivative financial liabilities					
Payables	**(1,007)**	**(26)**	**–**	**–**	**(1,033)**
Borrowings	**(5,978)**	**(6,503)**	**–**	**–**	**(12,481)**
Subordinated debt	**(36)**	**(385)**	**(94)**	**–**	**(515)**
Investment contract liabilities	**(749)**	**(946)**	**(1,463)**	**(46,017)**	**(49,175)**
External unit-holders' liabilities	**–**	**–**	**–**	**(5,892)**	**(5,892)**
Derivative financial liabilities					
Cross currency swaps					
– Outflows	**(63)**	**(1,076)**	**(123)**	**–**	**(1,262)**
– Inflows	**23**	**843**	**62**	**–**	**928**
Interest rate swaps	**(19)**	**(7)**	**16**	**–**	**(10)**
Off balance sheet items					
Loan commitments	**(1,425)**	**–**	**–**	**–**	**(1,425)**
Total undiscounted financial liabilities and off balance sheet items[3]	**(9,254)**	**(8,100)**	**(1,602)**	**(51,909)**	**(70,865)**
2009					
Non-derivative financial liabilities					
Payables	(939)	(37)	(5)	–	(981)
Borrowings	(6,072)	(6,411)	(1,706)	–	(14,189)
Subordinated debt	(31)	(404)	(98)	–	(533)
Investment contract liabilities	(579)	(1,166)	(1,467)	(44,815)	(48,027)
External unit-holders' liabilities	–	–	–	(6,121)	(6,121)
Derivative financial liabilities					
Cross currency swaps					
– Outflows	(308)	(1,442)	(121)	–	(1,871)
– Inflows	205	1,290	74	–	1,569
Interest rate swaps	(46)	(36)	22	–	(60)
Off balance sheet items					
Loan commitments	(1,169)	–	–	–	(1,169)
Total undiscounted financial liabilities and off balance sheet items[3]	(8,939)	(8,206)	(3,301)	(50,936)	(71,382)

Footnote:
1 The table provides maturity analysis of AMP group financial liabilities including financial liabilities of controlled entities of the life statutory funds and non-linked investment contracts including term annuities.
2 Investment contract liabilities of $46,017m (2009: $44,815m) are liabilities to policyholders for investment linked business linked to the performance and value of assets that back those liabilities. If all those policyholders claimed their funds, there may be some delays in settling the liability as assets are liquidated, but the shareholder has no direct exposure to any liquidity risk. External unitholders' liabilities all relate to controlled entities of the life statutory funds and would only be paid when the corresponding assets are realised.
3 Estimated net cash outflow profile of life insurance contract liabilities is disclosed in Note 19(i).

21. Risk management and financial instruments information continued

(d) Credit risk

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

The FRM Policy sets out the assessment and determination of what constitutes credit risk. The policy has set exposure limits for each counterparty and credit rating. Compliance with this policy is monitored and exposures and breaches are reported to senior management through the FRM Report.

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

– *AMP Life* – Credit risk on the invested fixed income portfolios in the AMP Life statutory funds is managed by the AMP Capital Investors Risk and Compliance Committee (AMPCI R&C) and reported to the fund managers, within specified credit criteria in the mandate approved by the AMP Life Board. The shareholder portion of credit risk in AMP Life is reported to AMP group ALCO by AMP Treasury.
– *AMP Capital Investors* – Credit risk on fixed income portfolios managed by AMP Capital Investors (AMPCI) (consistent with interest rate and foreign currency risk) is managed by the AMPCI R&C Committee and reported to the fixed income desk. This credit risk arises as part of a broader portfolio of investments under investment mandates with AMP Capital and, when relating directly to shareholder funds, is included in the aggregation by AMP Treasury and reported to AMP group ALCO.
– *AMP Bank* – Credit risk arising in AMP Bank as part of lending activities and management of liquidity is managed as prescribed by AMP Bank's Risk Management Systems Description (RMSD) and reported to AMP Bank Policy ALCO monthly. Exposures relating directly to shareholder funds are included in the aggregation by AMP Treasury and reported to AMP group ALCO.

(i) Management of credit risk concentration

Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same counterparty or where a number of counterparties are engaged in similar business activities that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Concentration of credit risk is managed through both aggregate credit rating limits and individual counterparty limits, which are determined predominantly on the basis of the counterparty's credit rating.

At reporting date, there is no specific concentration of credit risk with a single counterparty arising from the use of financial instruments, other than the normal clearing-house exposures associated with dealings through recognised exchanges.

The counterparties to non-exchange traded contracts are limited to companies with investment grade credit (BBB– or greater). The credit risks associated with these counterparties are assessed under the same management policies as applied to direct investments in the AMP group's portfolio.

Compliance is monitored and exposures and breaches are reported to senior management through the FRM Report.

(ii) Exposure to credit risk

AMP group's maximum exposure to credit risk on recognised financial assets, without taking account of any collateral or other credit enhancements as at the reporting date was $32,591m (2009: $43,133m). This amount includes (i) secured loans held by banking operations, (ii) financial assets of investment linked business in AMP Life where the liability to policyholders is linked to the performance and value of the assets that back those liabilities and consequently there is no exposure to shareholders, and (iii) other items arising in the course of operations which are managed by the respective business units. AMP Bank also has loan commitments at reporting date of $1,425m (2009: $1,169m).

The exposures on the interest bearing securities and cash equivalents which impact the AMP group's capital position are managed by AMP group Treasury within limits set by the AMP group's FRM Policy. The following table provides information regarding the credit risk exposures for those items according to the credit rating of the counterparties.

	2010 $m	2009 $m
AAA	**4,582**	4,028
AA– to AA+	**5,384**	5,090
A– to A+	**2,558**	1,662
BBB– to BBB+	**1,732**	1,122
BB+ and below	**220**	240
Total financial assets with credit risk exposure managed by AMP Treasury	**14,476**	12,142

21. Risk management and financial instruments information continued

(iii) Credit risk of the loan portfolio in AMP Bank

AMP Bank is predominantly a lender for residential properties – both owner occupied and for investment. In every case the Bank completes a credit assessment, which includes cost of living allowance and requires valuation of the proposed security property by a qualified independent valuer. About 49 per cent of AMP Bank's residential loan portfolio is securitised and all loans in securitisation vehicles are mortgage insured thereby further mitigating the risk. AMP Bank's Credit Committee and Board oversee trends in lending exposures and compliance with concentration limits as a further basis of limiting lending risk. AMP Bank secures its loan portfolio with mortgages over relevant properties and as a result manages credit risk on its loan portfolio by loan to value ratio (LVR). The LVR is calculated by dividing the total loan amount by the lower of AMP Bank's approved valuation amount or the purchase price. Loans with LVR greater than 80 per cent are fully mortgage insured. The potential credit exposure to the loan mortgage insurers has been assessed to be minimal due to stable historical relationship with AMP Bank and minimal level of historic claims rejections and reductions. The minimum level credit rating for the loans and lender mortgage insurers is AA– or above under Standards and Poor's rating. The average LVR of AMP Bank's loan portfolio for existing and new business is set out in the following table:

LVR	Existing business 2010	New business 2010	Existing business 2009	New business 2009
0–50	**28%**	**10%**	28%	8%
51–60	**13%**	**7%**	12%	6%
61–70	**15%**	**11%**	15%	11%
71–80	**33%**	**56%**	33%	55%
81–90	**9%**	**13%**	8%	13%
91–95	**2%**	**3%**	3%	4%
> 95	**–**	**–**	1%	3%

(iv) Past due but not impaired financial assets of the AMP group

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

	Past due but not impaired				
	Less than 31 days $m	31 to 60 days $m	61 to 90 days $m	More than 91 days $m	Total $m
2010					
Receivables					
– Reinsurance and other recoveries receivables	**1**	**–**	**–**	**–**	**1**
– Trade debtors	**6**	**1**	**1**	**6**	**14**
– Other receivables	**1**	**–**	**1**	**2**	**4**
Debt securities					
– Loans and advances	**338**	**20**	**14**	**30**	**402**
Total[1]	**346**	**21**	**16**	**38**	**421**
2009					
Receivables					
– Reinsurance and other recoveries receivable	2	1	–	–	3
– Trade debtors	15	5	–	1	21
– Other receivables	4	7	–	2	13
Debt securities					
– Loans and advances	275	18	7	22	322
Total[1]	296	31	7	25	359

Footnote:

1 For investment-linked business in AMP Life, the liability to policyholders is linked to the performance and value of the assets that back those liabilities. The shareholder has no direct exposure to any credit risk in those assets. Therefore, the tables in this section do not show the past due financial assets backing investment-linked business in AMP Life.

21. Risk management and financial instruments information continued

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

	2010 $m	2009 $m
Cumulative adjustment	**19**	15
Change during the period	**4**	(32)

The adjustment has been determined as the difference between the fair value recognised and an amount calculated on the same basis using a risk-free interest rate in place of the fair value discount rate.

(vi) Impaired financial assets and impairment assessment
AMP Bank has impaired loans of $4m (2009: $4m) at the reporting date. AMP Bank provides specific provision and collective impairment loan loss provisions against these impaired loans.

The AMP Bank Credit Committee reviews the portfolio for provisioning at least quarterly. The review considers:
- current provisioning amount
- portfolio growth and performance – for both on and off balance sheet exposures
- current arrears position and specific loan provisions
- current and forecast state of economy, interest rate movements etc.

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

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

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

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

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

(ix) Renegotiated loans
Where possible, AMP Bank seeks to restructure loans rather than take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. AMP Bank renegotiated the terms of $4m (2009: $2m) of loans during the year, that otherwise would be past due or impaired.

(x) Collateral
AMP Bank uses residential property as collateral against its loans to customers. AMP Bank may take control of the collateral in the event the customer defaults. AMP Bank may decide to sell the properties in the ordinary course of business to recover any outstanding loan balances that the customer owes. AMP Bank may have lenders mortgage insurance which covers for any shortfall upon sale of these properties against the carrying value of the loans.

(e) Derivative financial instruments
Derivative financial instruments are measured at fair value in the Statement of financial position as assets and liabilities. Asset and liability values on individual transactions are only netted if the transactions are with the same counterparty and the cash flows will be settled on a net basis. Changes in values of derivative financial instruments are recognised in the Income statement unless they qualify as effective cash flow hedges or net investment hedges for accounting purposes, as set out in Note 1(r).

(i) Derivative transactions undertaken by life insurance controlled entities as part of life insurance operations
The AMP group uses derivative financial instruments including financial futures, forward foreign exchange contracts, exchange traded and other options and forward rate agreements to hedge the impact of market movements on the value of assets in the investment portfolios, and to effect a change in the asset mix of investment portfolios.

In respect of the risks associated with the use of derivative financial instruments, price risk is controlled by exposure limits, which are subject to monitoring and review. Foreign exchange hedges are monitored on a regular basis to ensure they are effective in the reduction of price risk.

21. Risk management and financial instruments information continued

(ii) Derivative transactions undertaken by non life insurance controlled entities
AMP Treasury and AMP Bank use derivative financial instruments to hedge financial risk from movements in interest rates and foreign exchange rates. Swaps, forwards, futures and options in the interest rate and foreign exchange markets may be used. A description of each of these derivatives is given below.

– *Swaps* – a swap transaction obliges the two parties to the contract to exchange a series of cash flows at specified payment or settlement dates. Swap transactions undertaken by the AMP group include interest-rate swaps, which involve the contractual exchange of fixed and floating interest rate payments in a single currency based on a notional amount and a reference rate (for example BBSW), and cross-currency swaps which involve the exchange of interest payments based on two different currency principal balances and reference interest rates, and generally also entail exchange of principal amounts at the start and/or end of the contract.
– *Forward and futures contracts* – these are agreements between two parties establishing a contractual interest rate on a notional principal over a specified period, commencing at a future date. Forward contracts are tailor-made agreements that are transacted between counter parties in the over-the-counter market (OTC), whereas futures are standardised contracts transacted on regulated exchanges.
– *Options* – an option contract gives the option buyer the right, but not the obligation, to buy or sell a specified amount of a given commodity or financial instrument at a specified price during a certain period or on a specific date. The seller of the option contract is obliged to perform if the holder exercises the right contained therein. Options may be traded OTC or on a regulated exchange.

(iii) Risk relating to derivative financial instruments
The market risk of derivatives is managed and controlled as an integral part of the financial risk of the AMP group. The credit risk of derivatives is also managed in the context of the group's overall credit risk policies.

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

Derivative transactions may qualify either as fair value hedges or cash flow hedges or hedges of net investments in foreign operations. The group's accounting policies for derivatives designated and accounted for as hedging instruments are explained in Note 1(r), where terms used in the following section are also explained.

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

(i) Derivative instruments accounted for as fair value hedges
Fair value hedges are used to protect against changes in the fair value of financial assets and financial liabilities due to movements in exchange rates and interest rates.

During 2010, the AMP group recognised a net loss of $97m (2009: $169m net loss) on hedging instruments. The net gain on hedged items attributable to the hedged risks amounted to $102m (2009:$173m gain).

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

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

	0–1 year $m	1–2 years $m	2–3 years $m	3–4 years $m	4–5 years $m
2010					
Cash inflows	**105**	**50**	**32**	**7**	**–**
Cash outflows	**(115)**	**(54)**	**(30)**	**(6)**	**–**
Net cash inflow/(outflow)	**(10)**	**(4)**	**2**	**1**	**–**
2009					
Cash inflows	96	57	28	15	7
Cash outflows	(126)	(65)	(30)	(12)	(5)
Net cash inflow/(outflow)	(30)	(8)	(2)	3	2

Nil (2009 Nil) was recognised in the Income statement due to hedge ineffectiveness from cash flow hedges.

(iii) Hedges of net investments in foreign operations
AMP group hedges its exposure to changes in exchange rates on the value of its foreign currency denominated seed pool investments. Gains or losses on effective seed pool hedges are transferred to equity to offset any gains or losses on translation of the net investment in foreign operations.

AMP group recognised a profit of nil (2009: $1m) due to the ineffective portion of hedges relating to investments in seed pool foreign operations.

21. Risk management and financial instruments information continued

(g) Fair values

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

	Carrying amount 2010 $m	Aggregate fair value 2010 $m	Carrying amount 2009 $m	Aggregate fair value 2009 $m
Financial assets				
Debt securities – Held to maturity	**733**	**734**	835	843
Loans and advances	**10,202**	**10,206**	9,815	9,851
Total financial assets	**10,935**	**10,940**	10,650	10,694
Financial liabilities				
Bank loans	**962**	**962**	1,694	1,694
Bonds and notes	**6,687**	**6,824**	7,602	7,702
Deposits	**3,082**	**3,082**	2,525	2,525
Subordinated Floating Rate Note	**345**	**378**	353	380
Other borrowings	**60**	**60**	170	173
Total financial liabilities	**11,136**	**11,306**	12,344	12,474

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

(i) Debt securities

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

The loans may be 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.

(ii) Borrowings

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

(iii) Subordinated debt

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

21. Risk management and financial instruments information continued

(h) Fair value measures

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

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

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

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

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

	Level 1 $m	Level 2 $m	Level 3 $m	Total fair value $m
2010				
Assets				
Equity securities and listed managed investment schemes	**31,255**	**216**	**659**	**32,130**
Debt securities	**–**	**20,403**	**228**	**20,631**
Investments in unlisted managed investment schemes	**–**	**9,580**	**341**	**9,921**
Derivative financial assets	**232**	**1,641**	**–**	**1,873**
Other financial assets	**72**	**170**	**–**	**242**
Total financial assets	**31,559**	**32,010**	**1,228**	**64,797**
Liabilities				
Derivative financial liabilities	**50**	**668**	**–**	**718**
Investment contract liabilities	**–**	**1,995**	**46,584**	**48,579**
Total financial liabilities	**50**	**2,663**	**46,584**	**49,297**
2009				
Assets				
Equity securities and listed managed investment schemes	31,002	635	691	32,328
Debt securities	–	20,283	346	20,629
Investments in unlisted managed investment schemes	–	9,998	342	10,340
Derivative financial assets	460	1,633	10	2,103
Other financial assets	–	173	–	173
Total financial assets	31,462	32,722	1,389	65,573
Liabilities				
Derivative financial liabilities	337	783	–	1,120
Investment contract liabilities	–	1,733	45,506	47,239
Total financial liabilities	337	2,516	45,506	48,359

21. Risk management and financial instruments information continued

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

	Balance at the beginning of the period $m	FX gains or losses $m	Total gains/losses $m	Purchases/ deposits $m	Sales/ withdrawals $m	Net transfers in/(out) $m	Balance at the end of the period $m	Total gains and losses on assets and liabilities held at reporting date $m
2010								
Assets								
Equity securities and listed managed investment schemes	**691**	**–**	**(16)**	**29**	**(25)**	**(20)**	**659**	**(16)**
Debt securities	**346**	**–**	**46**	**26**	**(178)**	**(12)**	**228**	**46**
Investments in unlisted managed investment schemes	**342**	**–**	**(71)**	**69**	**(19)**	**20**	**341**	**(71)**
Derivative financial assets	**10**	**–**	**–**	**–**	**–**	**(10)**	**–**	**–**
Total financial assets	**1,389**	**–**	**(41)**	**124**	**(222)**	**(22)**	**1,228**	**(41)**
Liabilities								
Investment contract liabilities	**45,506**	**(6)**	**1,342**	**7,585**	**(7,843)**	**–**	**46,584**	**1,320**
Total financial liabilities	**45,506**	**(6)**	**1,342**	**7,585**	**(7,843)**	**–**	**46,584**	**1,320**
2009								
Assets								
Equity securities and listed managed investment schemes	776	–	(95)	40	(36)	6	691	(94)
Debt securities	263	–	2	120	(54)	15	346	2
Investments in unlisted managed investment schemes	283	–	(19)	99	(28)	7	342	(18)
Derivative financial assets	10	–	(1)	1	–	–	10	(1)
Total financial assets	1,332	–	(113)	260	(118)	28	1,389	(111)
Liabilities								
Investment contract liabilities	39,771	–	5,116	6,580	(5,961)	–	45,506	5,076
Total financial liabilities	39,771	–	5,116	6,580	(5,961)	–	45,506	5,076

21. Risk management and financial instruments information continued

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

	Carrying amount $m	Effect of reasonably possible alternative assumptions[1] (+) $m	(–) $m
2010			
Assets			
Equity securities and listed managed investment schemes	**659**	**20**	**(20)**
Debt securities	**228**	**–**	**–**
Investments in unlisted managed investment schemes	**341**	**–**	**–**
Derivative financial assets	**–**	**–**	**–**
	1,228	**20**	**(20)**
Liabilities			
Investment contract liabilities	**48,579**	**(10)**	**10**
	48,579	**(10)**	**10**
2009			
Assets			
Equity securities and listed managed investment schemes	691	31	(31)
Debt securities	346	–	–
Investments in unlisted managed investment schemes	342	4	(4)
Derivative financial assets	10	–	–
	1,389	35	(35)
Liabilities			
Investment contract liabilities	45,506	(15)	15
	45,506	(15)	15

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

22. Capital management

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

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

The AMP group makes adjustments to the statutory shareholder equity for accounting mismatch items and cash flow hedge reserves. Under Accounting Standards, some assets held on behalf of policyholders (and related tax balances) are included in the accounts at different values to the value used in the calculation of policy liabilities in respect of the same asset. These mismatch items include:
– treasury shares (AMP Limited shares held by the statutory funds on behalf of policyholders)
– life company statutory funds' investments in controlled entities
– other – owner-occupied properties and AMP Life statutory funds' superannuation products invested in AMP Bank assets.

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

	2010 $m	2009 $m
AMP statutory equity attributable to shareholders	**2,938**	2,571
Accounting mismatch items and cash flow hedge reserves	**108**	135
AMP shareholder equity	**3,046**	2,706
Subordinated debt[1]	**279**	279
Senior debt[1]	**607**	910
Total AMP capital resources	**3,932**	3,895

Footnote:
1 Amounts shown for subordinated debt and senior debt are the amounts to be repaid on maturity. Amounts recognised in the Statement of financial position in respect of these debts are measured at amortised cost using the effective interest rate method.

The AMP group assesses the adequacy of its capital requirements against regulatory capital requirements. The AMP group's capital management strategy forms part of the AMP group's broader strategic planning process.

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

A number of the operating entities within the AMP group of companies are regulated. The AMP group of companies includes an authorised deposit-taking institution, a life insurance company and approved superannuation trustee all regulated by APRA. A number of companies also hold Australian Financial Services Licences.

The minimum regulatory capital requirements (MRR) is the amount of capital required by each of AMP's regulated businesses to meet their capital requirements as set by the appropriate regulator. The main requirements are as follows:
– AMP Life Limited – solvency, capital adequacy and management capital requirements as specified under the Life Act and APRA Life Insurance Prudential Standards
– AMP Bank Limited – capital requirements as specified under APRA Banking Prudential Standards
– AMP Capital Investors Limited – capital and liquidity requirements under its Australian Financial Services Licence

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

AMP holds a level of capital above its MRR. At reporting date the regulatory capital resources above MRR were $1,482m (2009: $1,242m), or 2.4 times MRR (2009: 2.2 times). The MRR coverage ratio will vary throughout the year due to investment market movements, dividend payments and the retention of profits.

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

The AMP Life Statutory Funds target surplus is set by reference to a probability of breaching regulatory capital requirements. This is a two tiered test where the target surplus is set as the greater of the amount required for a:
– 1 per cent (2009: 0.5 per cent) probability of breaching solvency over one year
– 10 per cent (2009: 10 per cent) probability of breaching capital adequacy over one year.

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

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

Group Office's target surplus is set to cover investment risks, defined benefit fund mismatch risks and operational risks.

23. Notes to statement of cash flows

	Consolidated 2010 $m	Consolidated 2009 $m	Parent 2010 $m	Parent 2009 $m
(a) Reconciliation of the net profit after income tax to cash flows from operating activities				
Net profit after income tax	**755**	723	**391**	304
Depreciation of operating assets	**41**	57	**–**	–
Amortisation and impairment of intangibles	**80**	59	**–**	–
Investment gains and losses and movements in external unitholders liabilities	**1,072**	(3,594)	**–**	–
Dividend and distribution income reinvested	**(239)**	(253)	**–**	–
Share-based payments	**23**	17	**–**	–
Decrease (increase) in receivables, intangibles and other assets	**(153)**	32	**(89)**	(9)
(Decrease) increase in net policy liabilities	**722**	4,859	**–**	–
(Decrease) increase in income tax balances	**250**	631	**247**	58
(Decrease) increase in other payables and provisions	**(87)**	(624)	**(161)**	104
Cash flows from (used in) operating activities	**2,464**	1,907	**388**	457
(b) Reconciliation of cash				
Comprises:				
Cash on hand	**1,557**	1,040	**2**	1
Cash on deposit	**1,601**	1,369	**–**	–
Bank overdrafts (included in Borrowings)	**–**	(6)	**–**	–
Short-term bills and notes (included in Debt securities)	**2,666**	2,709	**–**	–
Balance at the end of the period	**5,824**	5,112	**2**	1
(c) Financing arrangements				
(i) Overdraft facilities				
Bank overdraft facility available	**381**	321	**–**	–
(ii) Credit standby facilities				
Revolving and standby credit facilities				
Available	**–**	100	**–**	–
Used	**–**	–	**–**	–
Unused	**–**	100	**–**	–
(iii) Loan facilities				
In addition to facilities arranged through bond and note issues (refer Notes 15 and 16), financing facilities are provided through bank loans under normal commercial terms and conditions.				
Available	**2,407**	3,034	**–**	–
Used	**(1,035)**	(1,772)	**–**	–
Unused	**1,372**	1,263	**–**	–
(iv) Bond and note funding programs				
Available	**13,470**	14,547	**–**	–
Used	**(7,612)**	(8,128)	**–**	–
Unused	**5,858**	6,419	**–**	–

23. Notes to statement of cash flows continued

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.

During 2010, AMP group's interest in the AMP Shopping Centre Fund, a controlled entity of the life statutory funds, was diluted due to an issue of units to the external unitholders by the AMP Shopping Centre Fund, resulting in AMP group ceasing to control this entity. AMP Shopping Centre Fund has significant assets and liabilities other than investment assets and cash. AMP continued to hold a non-controlling interest in the AMP Shopping Centre Fund.

The impact of ceasing to control the AMP Shopping Centre Fund was a reduction of the following assets and liabilities in the consolidated Statement of financial position:

Item	Impact in 2010 $m
Cash and cash equivalents	**(18)**
Receivables	**(21)**
Inventories and other assets	**(1)**
Investments in financial assets measured at fair value through profit or loss	**(299)**
Investment property	**(824)**
Payables and provisions	**(30)**
Derivative financial liabilities	**(16)**
Borrowings	**(375)**
External unitholders' liabilities	**(742)**

There was no consideration received by AMP group on loss of control.
There were no other significant acquisitions or disposals of controlled operating businesses during 2010.

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 2010 and 2009, they have been determined not to be dilutive for those periods. Performance rights have been determined to be dilutive in 2010 and 2009. Although performance rights have been determined to be dilutive in accordance with AASB 133 *Earnings Per Share*, if these instruments vest and are exercised, it is AMP's policy to buy AMP shares 'on market' so there will be no dilutive effect on the value of AMP shares.

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

Of the ordinary shares on issue, AMP Life (a wholly owned controlled entity) holds 26,375,450 (2009: 22,776,336) shares in AMP Limited on behalf of policyholders. ASIC has granted relief from restrictions in the *Corporations Act 2001* to allow AMP Life Limited to hold and trade shares in AMP Limited as part of the policyholder funds' investment activities. In determining the weighted average number of ordinary shares used in the calculation of earnings per share after accounting mismatches, a reduction is made for the average number of shares held by AMP Life in AMP Limited during the period.

	Consolidated	
	2010 million shares	2009 million shares
(b) Weighted average number of ordinary shares used		
(i) before accounting mismatches		
Weighted average number of ordinary shares used in calculation of basic earnings per share	**2,070**	2,016
Add: potential ordinary shares considered dilutive	**12**	9
Weighted average number of ordinary shares used in calculation of diluted earnings per share	**2,082**	2,025
(ii) after accounting mismatches		
Weighted average number of ordinary shares used in calculation of basic earnings per share	**2,046**	1,992
Add: potential ordinary shares considered dilutive	**12**	9
Weighted average number of ordinary shares used in calculation of diluted earnings per share	**2,058**	2,001

	$m	$m
(c) Level of earnings used		
Basic before accounting mismatches	**753**	740
Diluted before accounting mismatches	**753**	740
Basic after accounting mismatches	**775**	739
Diluted after accounting mismatches	**775**	739

	cents	cents
(d) Earnings per share		
Basic before accounting mismatches	**36.4**	36.7
Diluted before accounting mismatches	**36.2**	36.5
Basic after accounting mismatches	**37.9**	37.1
Diluted after accounting mismatches	**37.7**	36.9

25. Superannuation funds

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

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

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

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

However, for the purposes of recommending contributions to the defined benefit funds, fund actuaries consider the positions of the funds as measured under AAS25 '*Financial reporting by superannuation plans*' (Australia) and Professional standard number 2 '*Actuarial reporting for superannuation schemes*' (New Zealand) both of which determine the funds' liabilities according to different measurement rules than those in AASB 119, largely due to the use of different discount rates in valuing benefits. Refer to Note 25 (g) for impacts on funding the AMP defined benefits funds.

	Consolidated	
	2010 $m	2009 $m
(a) Defined benefit plan income (expense)		
Current service cost	**(1)**	(1)
Interest cost	**(18)**	(14)
Expected return on plan assets[1,2]	**20**	15
Total defined benefit plan income (expense)	**1**	–
(b) Movements in defined benefit obligation		
Balance at the beginning of the period	**(345)**	(393)
Current service cost	**(1)**	(1)
Interest cost	**(18)**	(14)
Actuarial gains and losses[3]	**(4)**	44
Foreign currency exchange rate changes	**8**	–
Benefits paid	**19**	19
Balance at the end of the period	**(341)**	(345)
(c) Movement in fair value of plan assets		
Balance at the beginning of the period	**289**	273
Expected return on plan assets	**20**	15
Actuarial gains and losses[3]	**(11)**	17
Foreign currency exchange rate changes	**(8)**	–
Employer contributions	**3**	3
Benefits paid	**(19)**	(19)
Balance at the end of the period	**274**	289

Footnote:
1 The expected return on plan assets is determined at the beginning of the period, and is based on financial modelling of expected real returns for each of the major asset classes, combined with the price inflation assumption to arrive at a nominal value for expected returns on plan assets.
2 The actual return on fund assets for the period was a gain of $9m (2009: $32m).
3 As explained in Note 1(ee), actuarial gains and losses are recognised directly in Other comprehensive income.

25. Superannuation funds continued

	Consolidated 2010 $m	2009 $m
(d) Defined benefit (liability) asset		
Present value of wholly funded defined benefit obligations	**(341)**	(345)
Less: Fair value of plan assets	**274**	289
Defined benefit (liability) asset recognised on the Statement of financial position	**(67)**	(56)
Movement in defined benefit (liability) asset		
(Deficit) surplus at the beginning of the period	**(56)**	(120)
Plus: Total income (expenses) recognised in income	**1**	–
Plus: Employer contributions	**3**	3
Plus: Actuarial gains (losses) recognised in Other comprehensive income[1]	**(15)**	61
Defined benefit (liability) asset recognised at the end of the period	**(67)**	(56)

Footnote:
1 The cumulative amount of the net actuarial gains recognised in the Statement of comprehensive income is a loss of $15m (2009: $30m gain).

	Consolidated 2010 $m	2009 $m	2008 $m	2007 $m
(e) Historical analysis of defined benefit (deficit) surplus				
Australian defined benefit (liability) asset				
Present value of wholly funded defined benefit obligations	**(317)**	(312)	(362)	(342)
Less: Fair value of plan assets	**260**	267	251	352
Net defined benefit (liability) asset recognised in the Statement of financial position	**(57)**	(45)	(111)	10
Actuarial gains and (losses) arising on plan liabilities	**(4)**	47	(24)	(35)
Actuarial gains and (losses) arising on plan assets	**(10)**	17	(107)	11
New Zealand defined benefit (liability) asset				
Present value of wholly funded defined benefit obligations	**(24)**	(33)	(31)	(45)
Less: Fair value of plan assets	**14**	22	22	44
Net defined benefit (liability) asset recognised in the Statement of financial position	**(10)**	(11)	(9)	(1)
Actuarial gains and (losses) arising on plan liabilities	**–**	(3)	1	1
Actuarial gains and (losses) arising on plan assets	**(1)**	–	(7)	(2)

25. Superannuation funds continued

(f) Principal actuarial assumptions

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

	Australia		New Zealand	
	2010	2009	2010	2009
Discount rate	**5.5%**	5.7%	**4.2%**	4.2%
Expected return on assets (before tax)	**7.8%**	8.0%	**6.3%**	6.3%
Expected rate of pension increases	**2.5%**	2.5%	**2.2%**	2.3%
Expected rate of salary increases	**4.0%**	4.0%	**n/a**	n/a
Proportion of benefits expected to be taken as pensions	**60.0%**	60.0%	**n/a**	n/a
Inflation rate	**n/a**	n/a	**2.5%**	2.5%

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

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

The economic assumptions used to determine the current contribution recommendations are the same as the actuarial assumptions in Note 25 (f), except for the discount rate which is assumed to be 8.5 per cent (before tax) for the purposes of determining accrued benefits.

At the dates of the most recent actuarial review of the position of the fund determined under AAS25 and used as the basis for determining fund contributions, the Australian fund had a surplus of $28m (2009: $15m).

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

At the dates of the most recent actuarial review of the position of the fund for determined under Professional Standard Number 2 and used for determining fund contributions, the New Zealand fund had a deficit of $5m (2009: $6m deficit). AMP has adopted the recommendation of the appointed actuary to make additional contributions of $2m per year until the financial position of the Plan is sufficiently improved.

(h) Allocation of assets

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

	Australia[1]		New Zealand[1]	
	2010	2009	2010	2009
Equity	**61%**	57%	**63%**	66%
Property	**10%**	18%	**12%**	13%
Fixed interest	**22%**	12%	**20%**	18%
Cash	**5%**	3%	**5%**	3%
Alternative growth assets	**2%**	10%	**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 group.

26. Share-based payments

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

AMP has a number of employee share-based payment plans. Share-based payments place employees in the position of the shareholder, and in doing so, reward employees for the generation of value to shareholders. Information on plans which AMP currently offers is provided below.

Additionally, details have been provided regarding the Employee and Executive Option Plans. These plans are no longer offered to employees, but are included below as awards made in 2000 have not yet expired. The option plans were discontinued to simplify the range of long-term incentive plans offered to employees.

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

	Consolidated	
	2010 $'000	2009 $'000
Plans currently offered		
Performance rights[1]	**14,266**	10,025
Restricted shares[1]	**8,589**	4,950
Employee share acquisition plan – matching shares	**103**	1,864
Total share based payments expense	**22,958**	16,839

Footnote:

1 During 2010, both the 2009 and 2010 long-term incentive awards were granted. No performance rights were granted in the comparative period (2009) due to the pending changes to taxation rules in that year.

(b) Performance rights

Plan description

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

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

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

The performance hurdle

The number of performance rights that vest is determined by a vesting schedule based on the performance of AMP relative to a comparator group of listed Australian companies over a three-year performance period.

The performance measure is AMP's Total Shareholder Return (TSR) relative to the top 50 industrials companies in the S&P/ASX 100 Index (based on market capitalisation rank) as at the start of the performance period. In order for any awards to vest, AMP's TSR must be at or above the median of the comparator group; for this level of performance 50 per cent of the awards vest. The proportion of awards vesting increases on a straight-line basis until performance at the 75th percentile of the comparator group, at which point the awards vest in full. The performance hurdle was chosen because it requires participants to outperform major ASX listed companies before the awards generate any value.

At the end of the performance period, an independent external consultant provides the PRC with AMP's TSR ranking against the comparator group. The People and Remuneration Committee (PRC) then determines the number of performance rights that vest, if any, by applying this data to the vesting schedule. If the performance hurdle is not achieved the performance rights lapse immediately without opportunity to re-test performance at a later stage.

Exercising performance rights

If the awards vest, they are automatically exercised on behalf of the participant (i.e. converted to shares) at a nominal cost to the participant of $1 for all performance rights exercised at the one time. Upon exercise participants become entitled to shareholder benefits, including dividends and voting rights. In the event that performance rights are not automatically exercised on the participant's behalf, the participant has two years from the end of the performance period to exercise vested awards. When performance rights are exercised, the AMP shares needed to satisfy the awards are bought on market through an independent third party, so that there is no dilutionary effect on the value of existing AMP shares.

Treatment of performance rights on ceasing employment

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

26. Share-based payments continued

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

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

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

During 2010, both the 2009 and 2010 long-term incentive awards were granted. No performance rights were granted in the comparative period (2009) due to the pending changes to taxation rules in that year. The following table shows the factors which were considered in determining the independent fair value of the performance rights granted during 2010:

Grant date	Share price	Contractual life	Dividend yield	Volatility	Risk-free rate	Performance hurdle discount	Fair value
08/09/2010	$5.04	2.9 years	5.2%	39%	4.5%	50%	$2.50
12/03/2010	$6.13	2.4 years	5.3%	39%	4.9%	42%	$3.53
20/03/2009	$4.37	4.9 years	6.2%	36%	2.9%	54%	$2.03

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

Grant date	Exercise period	Exercise price	Balance at 1 Jan 2010	Exercised during the year[1]	Granted during the year	Lapsed during the year	Balance at 31 Dec 2010[2]
01/09/2005	31/07/2008–31/07/2010	Nil	68,694	56,442	–	12,252	–
05/09/2007	01/08/2010–31/07/2012	Nil	2,442,507	–	–	2,442,507	–
21/09/2007	01/08/2010–31/07/2012	Nil	68,448	–	–	68,448	–
06/06/2008	01/01/2011–31/12/2012	Nil	102,914	–	–	–	102,914
19/09/2008	01/08/2011–31/07/2013	Nil	4,342,537	–	–	212,578	4,129,959
20/03/2009	01/08/2011–31/07/2013	Nil	18,116	–	–	–	18,116
12/03/2010	01/08/2012–31/07/2014	Nil	–	–	4,983,363	31,483	4,951,880
08/09/2010	01/08/2013–31/08/2015	Nil	–	–	4,148,304	–	4,148,304
Total			**7,043,216**	**56,442**	**9,131,667**	**2,767,268**	**13,351,173**

Footnote:
1 The weighted average share price at the time of exercise of these performance rights was $5.89.
2 The weighted average remaining contractual life of performance rights outstanding at the end of the period is 2.2 years.

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

(c) 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. During this time, the holder is eligible for dividends, but is unable to sell, transfer or hedge their award.

The purpose of the restricted shares is to recognise and retain high performing employees who contribute significantly to AMP's overall business success.

As this program is designed as a means of recognising and retaining employees, no performance hurdles apply, other than continued service for the duration of the three-year holding lock. If the individual resigns from AMP (or employment is terminated for misconduct or inadequate performance) during the holding period, the shares are forfeited.

In cases such as retirement and redundancy, the individual retains their restricted shares; however the holding lock remains in place until the end of the three-year vesting period. Restricted shares are bought on market and granted at no cost to employees.

26. Share-based payments continued

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.

During 2010, both the 2009 and 2010 long-term incentive awards were granted. No restricted shares were granted in the comparative period (2009) due to the pending changes to taxation rules in that year. The following table shows the number of restricted shares (including any share bonus rights in lieu of restricted shares) that were granted during 2010 and the fair value of restricted shares as at the grant date.

Grant date	Number granted	Weighted average fair value
8/09/2010	1,379,931	4.97
28/05/2010	160,264	5.65
28/05/2010	35,211	5.13
12/03/2010	1,876,018	6.04
20/03/2009	9,524	4.37

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

(d) Employee Share Acquisition Plan

Plan description

From time to time, AMP has provided employees and executives with the opportunity to become shareholders in AMP through the Employee Share Acquisition Plan (ESAP), typically by way of salary sacrificing their fixed remuneration or STI to acquire shares. Depending on the terms of the particular award, participants may be entitled to receive matching shares for shares acquired under the ESAP (e.g. the 2009 awards provided one free share for every 10 shares acquired via salary sacrifice). Additionally, AMP can provide employees with free shares under the ESAP. Where the awards are acquired at no cost to the participant, service-based conditions must be met for the participant to receive their full entitlement. There are no performance hurdles applying to the plan as it is primarily designed to encourage employee share ownership.

The plan was suspended mid-way through 2009 in Australia due to the changes to the taxation treatment of employee share plan awards. The plan continues to operate in New Zealand.

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

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

Plan valuation

All awards made during 2010 and the 2009 comparative year were offers to salary sacrifice to acquire shares with matching shares awarded on a 1-for-10 basis after a three-year vesting period. Each matching share has been valued by external consultants as the face value of an AMP ordinary share at grant date less the present value of the expected dividends (to which the participant is not entitled until the end of the vesting period). The number of matching shares expected to be granted is estimated based on the average number of shares held in the ESAP by each employee at the beginning of each year. In determining the share-based payments expense for the period, the number of matching shares expected to be granted has been adjusted to reflect the number of employees expected to remain with AMP until the end of the three-year vesting period.

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

Grant date	Estimated number of matching shares to be granted	Weighted average fair value
2010 – various	**762**	**$4.90**
2009 – various	57,029	$3.99

26. Share-based payments continued

(e) Employee and Executive Option Plan

Plan description

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

The table below shows options that vested up to 2007 in the plan and remain unexercised.

Grant date	Exercise period	Exercise price[1]	Balance at 1 Jan 2010	Exercised during the year	Granted during the year	Lapsed during the year	Balance at 31 Dec 2010[2]
Executive Option Plan							
19/02/2000	19/02/2003–18/02/2010	$9.91	30,000	–	–	30,000	**–**
Employee Option Plan							
01/01/2000	01/01/2003–31/12/2009	$11.90	204,432	–	–	204,432	**–**
30/06/2000	30/06/2003–29/06/2010	$11.57	967,560	–	–	967,560	**–**
28/10/2000	28/10/2003–27/10/2010	$12.29	11,406	–	–	11,406	**–**
09/12/2000	09/12/2003–08/12/2010	$13.65	10,000	–	–	10,000	**–**
21/07/2001	21/07/2004–20/07/2011	$14.75	486,880	–	–	55,425	**431,455**
15/12/2001	15/12/2004–14/12/2011	$12.89	1,294	–	–	–	**1,294**
Total			**1,711,572**	**–**	**–**	**1,278,823**	**432,749**

Footnote:
1 The exercise prices shown in this column became effective on 17 May 2007. To compensate for the impact of the 2007 capital return of 40 cents per share the exercise prices of outstanding options were reduced by 40 cents per share in accordance with ASX listing rules.
2 The weighted average remaining contractual life of options outstanding at the end of the period is 1.3 years.

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

Since the end of the financial year and up to 17 February 2011, 14,000 employee options have lapsed and no options have been exercised. The total number of options on issue at 17 February 2011 is 418,749.

2006 and 2007 capital return

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

27. Group controlled entity holdings

Details of significant investments in controlled entities are as follows:

				% Holdings	
Name of entity	Country of incorporation	Share type	Footnote	2010	2009
140 St Georges Terrace Pty Limited	Australia	Ord		**100**	100
255 George Street Investment A Pty Ltd	Australia	Ord		**100**	100
255 George Street Investment B Pty Ltd	Australia	Ord		**100**	100
35 Ocean Keys Pty Limited	Australia	Ord		**100**	100
Abbey Capital Real Estate Pty Limited	Australia	Ord		**100**	100
ACPP Industrial Pty Ltd	Australia	Ord		**100**	100
ACPP Office Pty Ltd	Australia	Ord		**100**	100
ACPP Retail Pty Ltd	Australia	Ord		**100**	100
Aged Care Investment Services No. 1 Pty Limited (formerly PHF No. 1 Management Pty Limited)	Australia	Ord		**100**	100
Aged Care Investment Services No. 2 Pty Limited (formerly PHF No. 1 Pty 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 Australian Financial Services Holdings Limited	Australia	Ord		**100**	100
AMP Bank Limited	Australia	Ord		**100**	100
AMP Capital Advisors India Private Limited	India	Ord		**100**	100
AMP Capital AB Holdings Pty Limited	Australia	Ord		**100**	100
AMP Capital Bayfair Pty Limited	Australia	Ord		**100**	100
AMP Capital Finance Limited	Australia	Ord		**100**	100
AMP Capital Finance Mauritius Limited	Australia	Ord	2	**–**	63
AMP Capital Global Property Securities Pty Limited	Australia	Ord		**100**	100
AMP Capital Holdings Limited	Australia	Ord		**100**	100
AMP Capital (International Finance No. 1) SA	Luxembourg	Ord, MRPS		**100**	100
AMP Capital (International Finance No. 2) SA	Luxembourg	Ord, MRPS		**100**	100
AMP Capital Investments Limited	NZ	Ord A & B, Pref	2	**–**	100
AMP Capital Investments No. 2 Limited	NZ	Ord A & B, Pref		**100**	100
AMP Capital Investments No. 8 Limited	NZ	Ord A & B, Pref		**100**	100
AMP Capital Investments No 11 Limited	NZ	Ord A & B		**100**	100
AMP Capital Investments No. 14 Limited	NZ	Ord A & B		**100**	100
AMP Capital Investors Advisory (Beijing) Limited	Republic of China	Ord		**100**	100
AMP Capital Investors (Hong Kong) Limited	Hong Kong	Ord	1	**100**	–
AMP Capital Investors (Luxembourg) S.à r.l. [formerly AMP Capital Redding Investors Luxembourg Limited]	Luxembourg	Ord		**100**	100
AMP Capital Investors (Luxembourg No. 3) S.à r.l.	Luxembourg	Ord		**100**	100
AMP Capital Investors (Luxembourg No. 4) S.à r.l.	Luxembourg	Ord		**100**	100
AMP Capital Investors (Luxembourg No. 5) S.à r.l.	Luxembourg	Ord	1	**100**	–
AMP Capital Investors (Luxembourg No. 6) S.à r.l.	Luxembourg	Ord	1	**100**	–
AMP Capital Investors (New Zealand) Limited	NZ	Ord		**100**	100
AMP Capital Investors (Property Funds Management Jersey) Limited	Jersey	Ord		**100**	100
AMP Capital Investors (Singapore) Pte Ltd	Singapore	Ord		**100**	100
AMP Capital Investors (Singapore) REIT Management Limited	Singapore	Ord		**100**	100
AMP Capital Investors (UK) Limited	UK	Ord		**100**	100
AMP Capital Investors (US) Limited	USA	Ord	1	**100**	–
AMP Capital Investors International Holdings Limited	Australia	Ord		**100**	100
AMP Capital Investors Property Japan KK	Japan	Ord	1	**100**	–
AMP Capital Investors Japan KK	Japan	Ord		**100**	100
AMP Capital Investors KK [formerly Gemini Advisors Securities Investment Company KK]	Japan	Ord		**100**	100
AMP Capital Investors Limited	Australia	Ord		**100**	100
AMP Capital Investors Real Estate Pty Limited (formerly AMP Real Estate Pty Ltd)	Australia	Ord		**100**	100
AMP Capital Lifestyle Limited	Australia	Ord		**100**	100
AMP Capital Office and Industrial Pty Limited	Australia	Ord		**100**	100
AMP Capital Office and Industrial (Singapore) Pte Limited	Singapore	Ord		**100**	100
AMP Capital Offshore Investments Limited	NZ	Ord	2	**–**	100
AMP Capital Palms Pty Limited	Australia	Ord		**100**	100
AMP Capital Property Nominees Ltd	Australia	Ord		**100**	100
AMP Capital Shopping Centres Pty Limited	Australia	Ord		**100**	100
AMP CMBS No. 1 Pty Limited	Australia	Ord		**100**	100
AMP CMBS No. 2 Pty Limited	Australia	Ord		**100**	100

27. Group controlled entity holdings continued

Name of entity	Country of incorporation	Share type	Footnote	% Holdings 2010	% Holdings 2009
AMP Crossroads Pty Limited	Australia	Ord		**100**	100
AMP Custodial Investments No. 1 Limited	NZ	Ord A & B, Pref	2	**–**	100
AMP Custodian Services (NZ) Limited	NZ	Ord		**100**	100
AMP Davidson Road Pty Limited	Australia	Ord		**100**	100
AMP Finance Limited	Australia	Ord		**100**	100
AMP Finance Services Limited	Australia	Ord		**100**	100
AMP Financial Investment Group Holdings Limited	Australia	Ord		**100**	100
AMP Financial Planning Pty Limited	Australia	Ord		**100**	100
AMP Financial Services Holdings Limited	Australia	Ord		**100**	100
AMP GBS Limited	Australia	Fixed		**100**	100
AMP GDPF Pty Limited	Australia	Ord		**100**	100
AMP GI Distribution Pty Limited	Australia	Ord		**100**	100
AMP Global Property Investments Pty Ltd	Australia	Ord		**100**	100
AMP Group Finance Services Limited	Australia	Ord		**100**	100
AMP Group Holdings Limited	Australia	Ord		**100**	100
AMP Group Services Limited	Australia	Ord		**100**	100
AMP Holdings Limited	Australia	Ord A, Ord B, Red Pref B Class		**100**	100
AMP Insurance Investment Holdings Pty Limited	Australia	Ord		**100**	100
AMP Investment Management (NZ) Limited	NZ	Ord		**100**	100
AMP Investment Services No. 2 Pty Limited	Australia	Ord		**100**	100
AMP Investment Services Pty Limited	Australia	Ord		**100**	100
AMP Investments Chile Limitada	Chile	Ord		**100**	100
AMP Lending Services Limited	Australia	Ord		**100**	100
AMP Life Limited	Australia	Ord		**100**	100
AMP Life (NZ) Investment Holdings Limited	NZ	Ord		**100**	100
AMP Life (NZ) Investment Limited	NZ	Ord		**100**	100
AMP Macquarie Holding Pty Limited	Australia	Ord		**100**	100
AMP Macquarie Pty Limited	Australia	Ord		**100**	100
AMP NZ Carpark Limited	NZ	Ord		**100**	100
AMP Pacific Fair Pty Limited	Australia	Ord		**100**	100
AMP Personal Investment Services Limited	Australia	Ord		**100**	100
AMP Planner Register Company Pty Limited	Australia	Ord		**100**	100
AMP Private Capital Funds Holdings Limited	NZ	Ord, Pref		**100**	100
AMP Private Capital New Zealand Limited	NZ	Ord		**100**	100
AMP Private Capital No. 2 Pty Limited	Australia	Ord		**100**	100
AMP Private Capital Pty Limited	Australia	Ord		**100**	100
AMP Private Investments Pty Limited	Australia	Ord		**100**	100
AMP Private Wealth Management Pty Limited	Australia	Ord		**100**	100
AMP Property Investments (Qld) Pty Ltd	Australia	Ord		**100**	100
AMP Remuneration Reward Plans Nominees Pty Limited	Australia	Ord		**100**	100
AMP Riverside Plaza Pty Limited	Australia	Ord		**100**	100
AMP Royal Randwick Pty Limited	Australia	Ord		**100**	100
AMP Services (NZ) Limited	NZ	Ord		**100**	100
AMP Services Holdings Limited	Australia	Ord		**100**	100
AMP Services Limited	Australia	Ord		**100**	100
AMP SMSF Holding Co Limited	Australia	Ord	1	**100**	–
AMP Superannuation (NZ) Limited	NZ	Ord		**100**	100
AMP Superannuation Limited	Australia	Ord		**100**	100
AMP Warringah Mall Pty Ltd	Australia	Ord		**100**	100
AMP/ERGO Mortgage and Savings Limited	NZ	Ord		**100**	100
Arrive Wealth Management Limited	Australia	Ord		**100**	100
Arrow Systems Pty Limited	Australia	Ord		**100**	100
Arthur Ellis & Co. Limited	NZ	Ord		**100**	100
Arthur Ellis Limited	NZ	Ord	2	**–**	100
Auburn Mega Mall Pty Limited	Australia	Ord		**100**	100
Australian Mutual Provident Society Pty Limited	Australia	Ord		**100**	100
Australian Securities Administration Limited	Australia	Ord		**100**	100
AWOF New Zealand Office Pty Limited	Australia	Ord		**100**	100
CBD Financial Planning Pty Limited	Australia	Ord	1	**100**	–
Collins Place No. 2 Pty Ltd	Australia	Ord		**100**	100
Collins Place Pty Limited	Australia	Ord		**100**	100
Donaghys Australia Pty Limited	NZ	Ord		**50**	50
Donaghys Industries Limited	NZ	Ord		**50**	50
Donaghys International Limited	NZ	Ord		**50**	50

27. Group controlled entity holdings continued

Name of entity	Country of incorporation	Share type	Footnote	% Holdings 2010	2009
Donaghys Limited	NZ	Ord, Pref		**50**	50
Donaghys Pty Limited	NZ	Ord		**50**	50
ERGO Personal Financial Services Limited	NZ	Ord	2	**–**	100
Focus Property Services Pty Limited	Australia	Ord	3	**98**	98
Glendenning Pty Limited	Australia	Ord		**100**	100
Hillross Alliances Limited	Australia	Ord		**100**	100
Hillross Financial Services Limited	Australia	Ord		**100**	100
Hillross Innisfail Pty Limited	Australia	Ord	1	**100**	–
Hillross Wealth Management Centre Canberra Pty Limited	Australia	Ord		**50**	50
Hillross Wealth Management Centre Melbourne Pty Limited	Australia	Ord		**100**	100
Honeysuckle 231 Pty Limited	Australia	Ord	3	**60**	60
Hospital Car Parking Limited	NZ	Ord		**100**	100
Hospital Car Parking Holdings Limited	NZ	Ord		**100**	100
INSSA Pty Limited	Australia	Ord		**100**	100
Inversiones Mineras Los Andes Limitada	Chile	Ord		**100**	100
Jeminex Ltd	Australia	Ord		**51**	51
Kent Street Pty Limited	Australia	Ord		**100**	100
Kiwi Kat Limited	NZ	Ord	1	**70**	–
Knox City Shopping Centre Investments (No. 2) Pty Limited	Australia	Ord		**100**	100
Kramar Holdings Pty Limited	Australia	Ord	3	**78**	78
Marrickville Metro Shopping Centre Pty Limited	Australia	Ord		**100**	100
Mowla Pty. Ltd.	Australia	Ord		**100**	100
Omega (Australia) Pty Limited	Australia	Ord		**100**	100
PHFT Finance Pty Limited	Australia	Ord		**100**	100
PremierOne Mortgage Advice Pty Limited	Australia	Ord		**100**	100
Principal Healthcare Finance No. 2 Pty Limited	Australia	Ord		**100**	100
Principal Healthcare Finance Pty Limited	Australia	Ord		**100**	100
Principal Healthcare Holdings Pty Limited	Australia	Ord		**100**	100
Priority One Agency Services Pty Ltd	Australia	Ord		**100**	100
Priority One Financial Services Limited	Australia	Ord		**100**	100
Quay Mining (No. 2) Limited	Bermuda	Ord, Red Pref		**100**	100
Quay Mining Pty Limited	Australia	Ord		**100**	100
Roost 2007 Limited	NZ	Ord		**100**	100
Scrabster Bay Pty Limited	Australia	Ord		**100**	100
Shanghai AMP Property Co Ltd	Republic of China	Ord	2,3	**–**	81
SPP No. 1 (Alexandra Canal) Pty Limited	Australia	Ord		**86**	86
SPP No. 1 (Cowes) Pty Limited	Australia	Ord		**86**	86
SPP No. 1 (H) Pty Limited	Australia	Ord		**86**	86
SPP No. 1 (Mona Vale) Pty Limited	Australia	Ord		**86**	86
SPP No. 1 (Mornington) Pty Limited	Australia	Ord		**86**	86
SPP No. 1 (Newcastle) Pty Limited	Australia	Ord		**86**	86
SPP No. 1 (North Melbourne) Pty Limited	Australia	Ord		**86**	86
SPP No. 1 (Pakenham) Pty Limited	Australia	Ord		**86**	86
SPP No. 1 (Point Cook) Pty Limited	Australia	Ord		**86**	86
SPP No. 1 (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
SPP No. 3A Investments Pty Limited	Australia	Ord		**100**	100
Sugarland Shopping Centre Pty Limited	Australia	Ord		**100**	100
Sunshine West Development Pty Limited	Australia	Ord		**75**	75
Sunshine West Income Pty Limited	Australia	Ord		**100**	100
The India Infrastructure Fund LLC	Mauritius	Red Pref		**100**	100
TOA Pty Ltd	Australia	Ord		**100**	100
United Equipment Holdings Pty Limited	Australia	Ord	3	**53**	60
Waterfront Place (No. 2) Pty. Ltd.	Australia	Ord		**100**	100
Waterfront Place (No. 3) Pty. Ltd.	Australia	Ord		**100**	100

Footnote:
1 Controlling interest acquired in 2010.
2 Controlling interest disposed in 2010.
3 Not audited by Ernst & Young.

27. Group controlled entity holdings continued

Details of significant investments in controlled trusts are as follows:

Trusts and other entities Name of entity	Country of registration	Footnote	% Holdings 2010	2009
140 St Georges Terrace Trust	Australia		**100**	100
35 Ocean Keys Trust	Australia	2	**–**	75
ACPP Holding Trust	Australia		**100**	100
ACPP Industrial Trust	Australia		**100**	100
ACPP Office Trust	Australia		**100**	100
ACPP Retail Trust	Australia		**100**	100
Active Quant Share Fund	Australia		**73**	71
AHGI Martineau Fund	Australia		**100**	100
AHGI Martineau Galleries Fund	Australia		**100**	100
AMP Capital Asia ex-Japan Fund	Australia		**92**	90
AMP Capital Asian Equity Growth Fund	Australia		**94**	81
AMP Capital Business Space REIT	Singapore		**100**	100
AMP Capital Commodities Fund	Australia	2	**–**	100
AMP Capital Core Plus Strategies Fund	Australia		**–**	78
AMP Capital Corporate Bond Fund	Australia		**93**	81
AMP Capital Credit Strategies	Australia		**90**	94
AMP Capital Global Infrastructure Securities Fund (Hedged)	Australia	1	**100**	–
AMP Capital Global Tactical Asset Allocation Fund	Australia		**98**	97
AMP Capital Investors Australian Equity Long Short Fund	Australia		**100**	100
AMP Capital Investors China Strategic Growth Fund	Australia		**100**	100
AMP Capital Investors Infrastructure Fund 1	Australia		**100**	100
AMP Capital Sustainable External Alpha Fund	Australia		**100**	100
AMP Capital Lifestyle Trust	Australia		**100**	100
AMP Capital Macro Strategies Fund	Australia		**78**	84
AMP Capital Mature Life Fund A	Australia		**100**	100
AMP Capital Mature Life Fund B	Australia		**100**	100
AMP Capital New Balanced Conservative Fund	Australia	2	**–**	100
AMP Capital Palms Trust	Australia	2	**–**	75
AMP Liverpool Trust X	Australia	2	**–**	75
AMP Macquarie Holdings Trust	Australia		**90**	90
AMP Macquarie Trust	Australia		**90**	90
AMP Pacific Fair Trust	Australia		**90**	90
AMP Private Capital Trust No.4	Australia		**100**	100
AMP Private Capital Trust No.9	Australia		**100**	100
AMP Shopping Centre Fund	Australia	2	**–**	75
AMP UK Shopping Centre Fund	Australia		**100**	100
AMP US Property Trust	Australia	2	**–**	100
AMP Wholesale Office Fund	Australia	3	**46**	65
AMP Capital Pacific Fair and Macquarie Shopping Centre Fund (previously AMP Wholesale Shopping Centre Trust No 2)	Australia		**90**	90
Aggressive Enhanced Index Fund	Australia	1	**100**	–
Asian Giants Infrastructure Fund	China		**–**	63
Australian Pacific Airports Fund	Australia		**66**	66
AWOF New Zealand Office Trust	NZ	3	**46**	65
Bayfair Trust (NZ)	NZ	2	**–**	75
Balanced Enhanced Index Fund	Australia		**99**	98
Bourke Place Trust	Australia		**57**	57
Casey Central Trust	Australia	2	**–**	75
Cautious Enhanced Index Fund	Australia	1	**100**	–
Conservative Enhanced Index Fund	Australia		**96**	86
Crossroads Trust	Australia		**100**	100
Davidson Road Trust	Australia		**100**	100
EFM Infrastructure Fund 1	Australia		**97**	97
EFM Australian Share Fund 1	Australia		**97**	97
EFM Australian Share Fund 2	Australia		**99**	99
EFM Australian Share Fund 3	Australia		**98**	98
EFM Australian Share Fund 4	Australia		**95**	96
EFM Australian Share Fund 5	Australia	2	**–**	96
EFM Australian Share Fund 6	Australia		**99**	99
EFM Australian Share Fund 7	Australia		**98**	98
EFM Diversified Fund 6	Australia	2	**–**	91
EFM Fixed Interest Fund 2	Australia		**97**	97

27. Group controlled entity holdings continued

Trusts and other entities Name of entity	Country of registration	Footnote	% Holdings 2010	 2009
EFM Fixed Interest Fund 3	Australia		**97**	98
EFM Fixed Interest Fund 4	Australia		**94**	94
EFM International Share Fund 1	Australia	2	**–**	98
EFM International Share Fund 3	Australia		**97**	97
EFM International Share Fund 4	Australia	2	**–**	99
EFM International Share Fund 5	Australia		**97**	96
EFM International Share Fund 6	Australia	2	**–**	99
EFM International Share Fund 7	Australia		**92**	96
EFM Listed Property Fund 1	Australia		**96**	96
Enhanced Index International Share Fund	Australia		**82**	86
Enhanced Index Share Fund	Australia		**84**	86
FD Australian Share Fund 1	Australia		**97**	97
FD Australian Share Fund 2	Australia	2	**–**	94
FD Australian Share Fund 3	Australia		**93**	93
FD Global Property Securities Fund 1	Australia		**94**	94
FD Infrastructure Trust	Australia		**100**	100
FD International Bond Fund 3	Australia		**96**	89
FD International Share Fund 1	Australia		**95**	92
FD International Share Fund 2	Australia	2	**–**	84
FD International Share Fund 3	Australia		**99**	99
FD International Share Fund 4	Australia		**96**	97
Floating Rate Income Fund	Australia		**98**	84
Future Directions Asia ex-Japan Fund	Australia		**82**	73
Future Directions Australian Bond Fund	Australia		**98**	94
Future Directions Australian Share Fund	Australia		**94**	90
Future Directions Australian Small Companies Fund	Australia		**94**	87
Future Directions Balanced Fund	Australia		**98**	97
Future Directions Conservative Fund	Australia		**94**	93
Future Directions Core International Share Fund 2	Australia		**72**	65
Future Directions Credit Opportunities Fund	Australia		**100**	100
Future Directions Enhanced Index Australian Share Fund	Australia		**100**	100
Future Directions Enhanced Index Global Property Securities Fund	Australia		**100**	100
Future Directions Enhanced Index International Bond Fund	Australia		**82**	91
Future Directions Enhanced Index International Share Fund	Australia		**96**	72
Future Directions Geared Australian Share Fund	Australia		**91**	91
Future Directions Growth Fund	Australia		**95**	93
Future Directions Hedged Core International Share Fund	Australia		**76**	59
Future Directions High Growth Fund	Australia		**94**	93
Future Directions Inflation Linked Bond Fund	Australia		**100**	100
Future Directions Infrastructure Fund	Australia		**100**	96
Future Directions International Bond Fund	Australia		**96**	94
Future Directions International Share Fund	Australia		**92**	70
Future Directions Moderate Conservative Fund	Australia		**93**	93
Future Directions Opportunistic Fund	Australia		**100**	96
Future Directions Private Equity Fund 1a	Australia		**100**	100
Future Directions Private Equity Fund 1b	Australia	1	**100**	–
Future Directions Private Equity Fund 2a	Australia	1	**100**	–
Future Directions Private Equity Fund 2b	Australia	1	**100**	–
Future Directions Private Equity Fund 3a	Australia	1	**100**	–
Future Directions Private Equity Fund 3b	Australia	1	**100**	–
Future Directions Property (Feeder) Fund	Australia		**98**	95
Future Directions Total Return Fund	Australia		**99**	95
Goldman Sachs Specialised Investments – S&P GSCI Light Energy E92 Profile	Australia	1	**100**	–
Glendenning Trust	Australia		**100**	100
Global Credit Strategies Fund	Australia		**87**	97
Global Listed Infrastructure Fund Pool	Australia	1	**100**	–
Global Growth Opportunities Fund	Australia		**96**	94
International Bond Fund	Australia		**93**	94
Kent Street Investment Trust	Australia		**100**	100
Kent Street Unit Trust	Australia		**100**	100
Listed Property Trusts Fund	Australia	2	**–**	63
Loftus Street Trust	Australia	3	**46**	65
New Balanced Fund	Australia		**100**	100
Macquarie Balanced Growth Fund	Australia		**68**	68

27. Group controlled entity holdings continued

Trusts and other entities Name of entity	Country of registration	Footnote	% Holdings 2010	 2009
Managed Treasury Fund	Australia		**77**	77
Moderately Aggressive Enhanced Index Fund	Australia	1	**100**	–
Moderately Conservative Index Fund	Australia	1	**100**	–
Monash House Trust	Australia		**100**	100
Ocean Keys Holding Trust	Australia	2	**–**	75
Ocean Keys Trust	Australia	2	**–**	75
Principal Healthcare Holding Trust	Australia		**100**	100
Private Equity Fund IIIA	Australia		**94**	94
Private Equity Fund IIIB	Australia		**94**	94
Progress 2004 – 2 Trust	Australia		**100**	100
Progress 2005 – 1 Trust	Australia		**100**	100
Progress 2005 – 2 Trust	Australia		**100**	100
Progress 2006 – 1 Trust	Australia		**100**	100
Progress 2007 – 1 G	Australia		**100**	100
Progress 2008 – 1 R	Australia		**100**	100
Progress 2009 – 1 Trust	Australia		**100**	100
Progress 2010 – 1 Trust	Australia		**100**	–
Progress Warehouse Trust No 1	Australia		**100**	100
Progress Warehouse Trust No 2	Australia		**100**	100
Responsible Investment Leaders Conservative Fund	Australia		**92**	91
Responsible Investment Leaders Growth Fund	Australia		**96**	96
Responsible Investment Leaders High Growth Fund	Australia		**100**	100
Riverside Plaza Trust	Australia		**100**	100
Royal Randwick Trust	Australia	2	**–**	75
Select Property Portfolio No. 1	Australia		**86**	86
Student Housing Accommodation Growth Trust 2	Australia	1	**100**	–
Sydney Cove Trust	Australia		**100**	100
The Pinnacle Fund	Australia		**99**	99
Warringah Mall Trust	Australia		**67**	92
Wholesale Australian Bond Fund	Australia		**92**	92

Footnote:
1 Controlling interest acquired in 2010.
2 Controlling interest disposed in 2010.
3 Not more than 50 per cent holding, but consolidated because AMP retains control over the operating functions.

28. Associates

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

	Principal activities	2010 $m	2009 $m	Ownership 2010 %	Ownership 2009 %	Country of incorporation
AIMS AMP Capital Industrial REIT[3,4]	Industrial property trust	**61**	51	**16**	16	Singapore
AIMS AMP Capital Industrial REIT Management Ltd	Property management	**4**	4	**50**	50	Singapore
MacarthurCook Investment Managers (Asia) Limited	Investment management	**4**	4	**50**	50	Singapore
AMPCI Macquarie Infrastructure Fund Management No 1 (Stapled), and AMPCI Macquarie Infrastructure Fund Management No 2 (Stapled)	Investment management	**3**	3	**50**	50	Australia
AMP Capital Brookfields Limited	Investment management	**8**	5	**50**	50	Australia
Super CEO Pty Limited[1]	Investment management	**8**	–	**49**	–	Australia
Summerset Group Holdings Limited[2]	Retirement property company	**–**	48	**–**	50	New Zealand
Other		**1**	1			
Total investments in associates accounted for using the equity method		**89**	116			

Footnote:
1 Became an associate entity during 2010.
2 Ceased being an associate during 2010.
3 The value of AMP's investment in AIMS AMP Capital Industrial REIT based on published quoted prices as at 31 December 2010 is $53m (31 December 2009: $40m).
4 The combination of the 16 per cent investment in MI-REIT and the joint control of the manager companies is considered to represent significant influence by AMP.
5 The reporting date for all significant associated entities is 31 December.

Aggregated financial information extracted from the financial statements of associates accounted for using the equity method

	Dec 2010 $m	Dec 2009 $m
Assets	**595**	1,137
Liabilities	**187**	477
Revenues	**49**	68
Expenses – including tax	**34**	56
Profit/(loss)	**15**	12
Share of contingent liabilities incurred in relation to associates accounted for using the equity method	**nil**	nil

28. Associates continued

(b) Investments in associates held by the life statutory funds measured at fair value through profit or loss[1]

Companies[2] Name of company	Principal activity[3]	Ownership interest 31 Dec 2010 %	Ownership interest 31 Dec 2009 %	Carrying amount 31 Dec 2010 $m	Carrying amount 31 Dec 2009 $m
Diversified Commercial Backed Mortgage Securities Pty Ltd	Investment in mortgage securities	**43%**	43%	**97**	115
Gove Aluminium Finance	Aluminium smelting	**30%**	30%	**125**	173
Others (each less than $20m)		Various		**12**	61
Total investments held by the life statutory funds in associated companies				**234**	349

Unit trusts[2] Name of trust	Principal activity[3]	Footnote	Ownership interest 31 Dec 2010 %	Ownership interest 31 Dec 2009 %	Carrying amount 31 Dec 2010 $m	Carrying amount 31 Dec 2009 $m
AIF Strategic Equity	Investment trusts		**32%**	23%	**126**	88
AIF Equity Units	Investment trusts		**46%**	36%	**101**	91
AMP Capital China Growth Fund	Investment trusts		**37%**	34%	**101**	115
AMP Equity Trust	Investment trusts		**41%**	36%	**230**	253
AMP Property Portfolio	Investment trusts		**38%**	38%	**261**	281
AMP Shopping Centre Fund	Investment trusts	4	**46%**	–	**725**	–
AMP Small Companies Trust (Class C)	Investment trusts		**46%**	37%	**118**	98
AMP World Index Fund	Investment trusts		**46%**	31%	**67**	88
Darling Park Property Trust	Investment trusts		**50%**	50%	**223**	208
Global Property Securities Fund	Investment trusts		**23%**	37%	**381**	499
Infrastructure Equity Fund	Investment trusts		**28%**	29%	**113**	114
Marrickville Metro Trust	Investment trusts		**50%**	50%	**78**	74
Property Income Fund (previously Property Income Fund Class A)	Investment trusts		**38%**	27%	**215**	199
Responsible Investments Leader Balanced Fund	Investment trusts		**28%**	30%	**236**	234
Southland Trust	Investment trusts	5	**–**	50%	**–**	524
Strategic Infrastructure Trust Europe 1	Investment trusts		**27%**	37%	**59**	71
Strategic Infrastructure Trust Europe 2	Investment trusts		**27%**	37%	**58**	71
Sustainable Futures Australia Share Fund	Investment trusts		**45%**	47%	**589**	665
Tea Tree Plaza Trust	Investment trusts	5	**–**	50%	**–**	246
Value Plus Australia Share Fund	Investment trusts		**23%**	25%	**61**	87
Others (each less than $50m)	Investment trusts		Various		**284**	282
Total investments held by the life statutory funds in associated trusts					**4,026**	4,288

Footnote:
1 Investments in associated entities that back investment contract and life insurance contract liabilities are treated as financial assets and are measured at fair value. Refer to Note 1(h).
2 The reporting date for all significant associated entities is 31 December.
3 In the course of normal operating investment activities, the life statutory fund holds investments in various operating businesses. Investments in associated entities reflect investments where the life statutory fund holds between a 20 per cent and 50 per cent equity interest.
4 Trust became an associated entity during 2010.
5 Trust ceased being an associated entity during 2010.

29. Forward investments, leasing and other commitments

	Consolidated 2010 $m	Consolidated 2009 $m	Parent 2010 $m	Parent 2009 $m
Forward investments – callable at any time				
Uncalled capital on shares in relation to:[1]				
– associated entities	**46**	6	**–**	–
– other entities	**17**	73	**–**	–
Uncalled capital on units in relation to:[1]				
– associated unit trusts	**17**	20	**–**	–
– other unit trusts	**3**	32	**–**	–
Total forward investments	**83**	131	**–**	–
Operating lease commitments (non cancellable)				
Due within one year	**45**	44	**–**	–
Due within one year to five years	**117**	141	**–**	–
Due later than five years	**21**	30	**–**	–
Total operating lease commitments	**183**	215	**–**	–
Other commitments[2]				
Due within one year	**2**	10	**–**	–
Due within one year to five years	**1**	–	**–**	–
Due later than five years	**–**	–	**–**	–
Total other commitments	**3**	10	**–**	–

Footnote:
1 Uncalled capital represents a commitment to make further capital contributions for shares, units in trusts and certain private capital investments held within the life statutory funds.
2 Amounts disclosed exclude loan commitments of AMP Bank which are set out in Note 21(c).

On 29 November 2010, AMP Limited entered into contractual arrangements with AXA Asia Pacific Holdings Limited (AXA APH) and its ultimate parent, AXA SA, to acquire the Australian and New Zealand businesses of AXA APH, subject to certain conditions including the minority shareholders voting in favour of the proposal and receipt of necessary court and regulatory approvals. If each of the conditions are satisfied or waived, AMP Limited is committed to issue approximately 695 million new shares and pay up to $455 million in cash to acquire the Australian and New Zealand businesses of AXA APH.

30. Contingent liabilities

The AMP group and the parent entity from time to time may incur obligations arising from litigation or various types of contracts entered into in the normal course of business including guarantees issued by the parent for performance obligations to controlled entities in the AMP group.

The parent entity has entered into deeds to provide capital maintenance and liquidity support to AMP Bank Limited. At the reporting date the likelihood of any outflow in settlement of these obligations is considered to be remote.

Where it is determined that the disclosure of information in relation to a contingent liability can be expected to prejudice seriously the position of the AMP group (or its insurers) in a dispute, accounting standards allow AMP group not to disclose such information and it is AMP group's policy that such information is not to be disclosed in this note.

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

31. Related-party disclosures

(a) Key management personnel (KMP) details

AASB 124 '*Related party' Disclosures* defines key management personnel as including all non-executive directors (NEDs), the Chief Executive Officer (CEO) and other persons having authority and responsibility for planning, directing and controlling the activities of the entity (group executives). The following non-executive directors, CEO and group executives of AMP Limited held office during the year:

Chairman	Peter Mason	
Managing Director and Chief Executive Officer	Craig Dunn	
Non-executive Directors	Catherine Brenner (appointed 16 June 2010)	
	Brian Clark	
	Paul Fegan	
	Richard Grellman	
	John Palmer	
	Nora Scheinkestel	
	Peter Shergold	
Executives	Lee Barnett	Chief Information Officer
	Jonathan Deane	Director, Group Strategy
	Stephen Dunne	Managing Director, AMP Capital Investors
	Paul Leaming	Chief Financial Officer
	Craig Meller	Managing Director, AMP Financial Services
	Matthew Percival	General Manager, Public Affairs
	Brian Salter	General Counsel and Company Secretary
	Fiona Wardlaw	General Manager, Human Resources

(b) Performance rights and options holdings of key management personnel

The following table summarises the holdings of performance rights and options granted to the executive key management personnel.

Name	Holding at 1 Jan 10 or appointment	Granted	Exercised	Lapsed	Holding at 31 Dec 10 or resignation	Vested and exercisable at 31 Dec 10
Performance rights						
Lee Barnett	303,828	486,900	–	110,252	**680,476**	–
Jonathan Deane	161,951	333,734	–	29,269	**466,416**	–
Craig Dunn	927,805	1,475,453	–	238,298	**2,164,960**	–
Stephen Dunne	397,645	649,902	–	139,265	**908,282**	–
Paul Leaming	414,516	653,416	–	154,739	**913,193**	–
Craig Meller	399,999	649,902	–	141,619	**908,282**	–
Matthew Percival	231,305	360,432	–	88,008	**503,729**	–
Brian Salter	195,531	491,819	–	–	**687,350**	–
Fiona Wardlaw	162,012	407,507	–	–	**569,519**	–
Options						
Jonathan Deane	10,000	–	–	10,000	**–**	–
Craig Dunn	30,000	–	–	30,000	**–**	–

31. Related-party disclosures continued

(c) Shareholdings of key management personnel

The following table summarises the movements in holdings of shares in AMP Limited held by the key management personnel and their personally related entities.

Name	Holding at 1 Jan 10 or appointment	Granted as remuneration during the period	Received on exercise of performance rights or options	Purchased through AMP NEDs Share Plan	Other changes[1]	Holding at 31 Dec 10 or retirement or resignation
Catherine Brenner	–	–	–	2,634	25,000	**27,634**
Brian Clark	23,612	–	–	7,323	1,547	**32,482**
Paul Fegan	7,182	–	–	7,323	–	**14,505**
Richard Grellman	48,143	–	–	7,323	2,959	**58,425**
Peter Mason	367,835	–	–	25,172	21,804	**414,811**
John Palmer	39,819	–	–	7,323	2,479	**49,621**
Nora Scheinkestel	84,123	–	–	7,323	5,026	**96,472**
Peter Shergold	13,728	–	–	7,323	980	**22,031**
Lee Barnett	52,878	–	–	–	–	**52,878**
Jonathan Deane	93,514	–	–	–	–	**93,514**
Craig Dunn	558,497	–	–	–	–	**558,497**
Stephen Dunne	209,396	–	–	–	–	**209,396**
Paul Leaming	208,257	–	–	–	–	**208,257**
Craig Meller	96,207	–	–	–	–	**96,207**
Matthew Percival	45,000	–	–	–	–	**45,000**
Brian Salter	10,610	–	–	–	610	**11,220**
Fiona Wardlaw	26,259	–	–	–	–	**26,259**

Footnote:
1 Other changes include the purchases and sales of shares on market by key management personnel and their related parties and participation in the Dividend reinvestment plan.

Remuneration of key management personnel

The following table provides a total of the remuneration received by the key management personnel. For further details regarding remuneration of key management personnel see the Remuneration Report which forms part of the Directors' Report. The Remuneration Report also includes individuals who are required to be disclosed under *Corporations Act 2001* requirements, however do not meet the definition of key management personnel and as such are not included in the following table.

	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]						
2010	**2,622**	**200**	**–**	**–**	**–**	**2,822**
2009	2,209	177	–	–	–	2,386
2009 – as disclosed in 2009[2]	2,365	192	–	–	–	2,557
Key management personnel excluding non-executive directors						
2010	**15,011**	**142**	**7,587**	**8**	**–**	**22,748**
2009	15,195	126	5,338	28	–	20,687
2009 – as disclosed in 2009[2]	15,195	126	5,338	28	–	20,687
All key management personnel						
2010[3]	**17,633**	**342**	**7,587**	**8**	**–**	**25,570**
2009[3]	17,404	303	5,338	28	–	23,073
2009 – as disclosed in 2009[2]	17,560	318	5,338	28	–	23,244

Footnote:
1 Non-executive directors are not entitled to short-term incentive payments. Short-term benefits only include fees and allowances.
2 This represents the amount paid to those individuals considered key management personnel and disclosed as such in the 2009 Financial Report.
3 These amounts represent the total remuneration paid to the key management personnel listed in Note 31(a) for 2010 and 2009.

31. Related-party disclosures continued

(d) Transactions with key management personnel

During the year, key management personnel and their personally related entities have entered into transactions with the parent entity or its subsidiaries. All such transactions have occurred within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those that it is reasonable to expect AMP would have adopted if dealing at arm's length with an unrelated individual. These transactions include:

– normal personal banking with AMP Bank Limited including the provision of credit cards
– the purchase of AMP insurance and investment products
– financial investment services.

Information about such transactions does not have the potential to affect adversely decisions about the allocation of scarce resources made by users of this Financial Report, or the discharge of accountability by the specified executives or specified directors.

The following tables provide details of loans made to key management personnel and their related parties by AMP or any of its subsidiaries.

	Balance at 1 Jan 10 $'000	Written off $'000	Net advances (repayments) $'000	Balance at 31 Dec 10 $'000	Interest charged $'000	Interest not charged $'000	Number in group
Key management personnel and their related parties[1]	6,258	–	(337)	**5,921**	410	–	6

Individuals and their related parties with loans above $100,000 during reporting period

	Balance at 1 Jan 10 $'000	Written off $'000	Net advances (repayments) $'000	Balance at 31 Dec 10 $'000	Interest charged $'000	Interest not charged $'000	Highest indebtedness in period $'000
Craig Dunn	999	–	31	**1,030**	66	–	1,030
Stephen Dunne	1,000	–	5	**1,005**	67	–	1,005
Lee Barnett	508	–	53	**561**	37	–	577
Jonathan Deane	750	–	–	**750**	49	–	750
Paul Leaming	371	–	(246)	**125**	19	–	371
Craig Meller	2,630	–	(180)	**2,450**	172	–	2,679

Footnote:
1 All loans to key management personnel and their related parties are provided by AMP Bank and are on similar terms and conditions generally available to other employees within the group. No guarantees are given or received in relation to these loans.

32. Auditors' remuneration

	Consolidated 2010 $'000	Consolidated 2009 $'000	Parent 2010 $'000	Parent 2009 $'000
Amounts received or due and receivable by Auditors of AMP Limited for:				
Audit services				
Audit or review of financial statements	**8,956**	9,246	**140**	140
Other audit services				
– Includes regulatory and non-regulatory[1]	**1,709**	1,860	**–**	–
Total audit service fees	**10,665**	11,106	**140**	140
Non-audit services				
Assurance related services				
– Other assurances services[2]	**546**	578	**–**	–
Other non-audit services				
– Transaction support	**312**	14	**–**	–
– Tax and compliance advice	**55**	34	**–**	–
– Other services	**432**	604	**–**	–
Total non-audit services	**1,345**	1,230	**–**	–
Total amounts received or due and receivable by Auditors of AMP Limited[3,4]	**12,010**	12,336	**140**	140

Footnote:

1 Other audit work includes fees for reviews of the full year and half year Investor Reports, compliance audits and other audit procedures performed for vehicles controlled by the life statutory funds and those managed by AMP Capital Investors.

2 Other assurance services include fees for fund prospectus reviews, AMP Bank securitisation opinions and other procedures performed for investment vehicles owned by the life statutory funds.

3 Includes fees paid to Ernst & Young affiliates overseas.

4 Periodically, the AMP group gains control of entities whose incumbent auditor is an audit firm other than Ernst & Young. In addition to the audit fees paid to Ernst & Young for auditing the AMP group, immaterial audit fees are also paid to these non-Ernst & Young audit firms in relation to the audit of those periodically controlled entities. The non-Ernst & Young audit firms are also independently contracted to provide other services to other controlled entities of the AMP group, unrelated to their audit work.

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 reporting date 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:

– on 17 January 2011, AXA APH released an explanatory memorandum setting out information for AXA APH shareholders about a proposed merger of AXA APH's Australian and New Zealand businesses with AMP. The proposed transaction is a joint proposal with AXA SA under which AXA SA would acquire 100 per cent of AXA APH's Asian business.

  AXA APH's independent directors have unanimously recommended the proposal to minority shareholders in the absence of a superior proposal. AXA APH shareholders will have the opportunity to vote on the proposal on 2 March 2011. Assuming shareholders vote in favour of the proposal, and subject to court approval, it is expected that the implementation date for the merger will be 30 March 2011. In addition to receiving shareholder and court approvals, the merger also remains subject to various regulatory approvals, including from the Federal Treasurer.

– on 17 February 2011, AMP announced a final dividend on ordinary shares of 15 cents per share.

Directors' declaration

for the year ended 31 December 2010

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) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable
(b) the financial statements and notes are in accordance with the *Corporations Act 2001*, including Section 296 (compliance with accounting standards) and Section 297 (true and fair view)
(c) the financial statements and notes also comply with International Financial Reporting Standards as discussed in Note 1(a)
(d) the directors have been given the declarations required by Section 295A of the *Corporations Act 2001*.

Peter Mason
Chairman

Sydney, 17 February 2011

Craig Dunn
Managing Director and Chief Executive Officer

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Independent auditor's report to the members of AMP Limited

Report on the financial report
We have audited the accompanying financial report of AMP Limited, which comprises the statements of financial position as at 31 December 2010, the income statements, statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report
The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility
Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence
In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion
In our opinion:

a. the financial report of AMP Limited is in accordance with the *Corporations Act 2001*, including:
   i giving a true and fair view of the company's and consolidated entity's financial positions as at 31 December 2010 and of their performance for the year ended on that date; and
   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the remuneration report
We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion
In our opinion, the Remuneration Report of AMP Limited for the year ended 31 December 2010, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Andrew Price
Partner, Sydney
17 February 2011

Shareholder information

Distribution of shareholdings as at 25 February 2011

Range	Number of holders	Ordinary shares held	% of issued capital
1–1,000	567,160	230,938,987	11.02
1,001–5,000	183,678	374,473,024	17.88
5,001–10,000	17,789	126,425,628	6.04
10,001–200,000	8,677	194,057,073	9.27
200,001 and over	157	1,168,529,488	55.79
Total	777,461	2,094,424,200	100.00

The total number of shareholders holding less than a marketable parcel of 92 shares is 41,036.

Twenty largest shareholdings as at 25 February 2011

Rank	Name	Ordinary shares held	% of issued capital
1.	HSBC Custody Nominees (Australia) Limited	284,359,843	13.58
2.	National Nominees Limited	179,269,724	8.56
3.	J P Morgan Nominees Australia Limited	167,831,343	8.01
4.	Citicorp Nominees Pty Limited	93,587,544	4.47
5.	J P Morgan Nominees Australia Limited <Cash Income A/C>	80,452,541	3.84
6.	Warbont Nominees Pty Ltd <Settlement Entrepot A/C>	55,074,320	2.63
7.	Cogent Nominees Pty Limited	40,409,745	1.93
8.	Credit Suisse Securities (Europe) Ltd <Collateral A/C>	32,380,000	1.55
9.	Ecapital Nominees Pty Limited <Settlement A/C>	21,030,773	1.00
10.	HSBC Custody Nominees (Australia) Limited – A/C 3	17,056,736	0.81
11.	Neweconomy Com Au Nominees Pty Limited <SBL Account>	16,074,591	0.77
12.	Woodross Nominees Pty Ltd	13,524,160	0.65
13.	AMP Life Limited	12,992,231	0.62
14.	RBC Global Services Australia Nominees Pty Limited	11,704,142	0.56
15.	Australian Foundation Investment Company Limited	11,090,795	0.53
16.	PSS Board	10,697,996	0.51
17.	UBS Private Clients Australia Nominees Pty Ltd	7,754,686	0.37
18.	Queensland Investment Corporation	7,365,788	0.35
19.	Argo Investments Limited	7,130,954	0.34
20.	HSBC Custody Nominees (Australia) Limited – A/C 2	4,655,973	0.22
Total		1,074,443,885	51.30

Substantial shareholders
The Company has received no substantial shareholding notices.

Total number of holders of ordinary shares and their voting rights
As at 25 February 2011, the share capital of AMP Limited consisted of 2,094,424,200 ordinary shares held by 777,461 shareholders. The voting rights attached to the shares are that each registered holder of shares present in person (or by proxy, attorney or representative) at a meeting of shareholders has one vote on a vote taken by a show of hands, and one vote for each fully paid share held on a vote taken at a poll.

Total number of options over unissued shares and option holders
As at 25 February 2011, AMP Limited had on issue 418,749 options over unissued ordinary shares in AMP Limited held by 92 option holders.

Stock exchange listings
AMP Limited is listed on the Australian Securities Exchange and on the New Zealand Stock Exchange.

Restricted securities
There are no restricted securities on issue.

Buy-back
There is no current on-market buy-back.

Glossary

Closed products
Products within AMP's Mature business that are not open to new customers.

Contingent liabilities
A situation existing at reporting date, where past events have led to a possible obligation the outcome of which depends on uncertain future events, but the outcome is not sufficiently probable or reliably measurable to warrant recognising the liability at this reporting date.

Controllable costs
Costs that AMP incurs in running its business. Controllable costs include operational and project costs and exclude variable costs, provision for bad and doubtful debts and interest on corporate debt.

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

Earnings per share (EPS)
Each EPS calculation represents the relevant profit amount divided by the weighted average number of shares on issue during the year.

Embedded value (EV)
A calculation relating to the AMP Financial Services business, other than Bank, of the economic value of the shareholder capital in the business and the future profits expected to emerge from the business currently in-force (expressed in today's dollars).

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

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

Long-term incentive (LTI)
A long-term incentive is an award primarily provided in the form of performance rights or restricted shares, to align an executive's interest with the interests of shareholders. Long-term incentives at AMP are subject to a performance hurdle and/or a service requirement.

Mismatches
Under accounting standards, 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 underlying profit, cash flow or value.

Operating earnings
Total operating earnings are the shareholder profits that relate to the performance of AMP's operating units (AMP Financial Services, AMP Capital Investors and Group office). Operating earnings exclude investment earnings on shareholder capital and certain one-off items.

Option
A right to acquire an AMP share at a pre-determined price during an exercise period, subject to meeting performance hurdles. AMP has not offered options under its Employee or Executive Option Plans since 2002.

Performance right
This is a form of executive remuneration designed to reward long-term performance. Selected executives are granted performance rights. Each performance right is a right to acquire one AMP share after a three-year performance period, as long as a specific performance hurdle is met.

Restricted share
This is a form of executive remuneration designed to reward long-term performance. Selected executives are granted restricted shares. A restricted share is an ordinary AMP share that has a holding lock in place until a three-year vesting period ends.

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

Underlying investment income
Underlying investment income is based on long-term expected rates of return. Actual investment income can be higher or lower than the long-term rate from year to year.

Underlying profit
Underlying profit (which smoothes some of the effect of investment market volatility) is calculated by aggregating operating earnings, interest expense on corporate debt, recognition of tax losses and underlying investment income.

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

Value of new business (VNB)
A measure relating to the AMP Financial Services business, other than Bank, of the future profits (expressed in today's dollars) expected to emerge from new business written over the period, net of the cost of providing supporting capital.

Vesting
Remuneration term defining the point at which the required performance hurdles have been met and a financial benefit may be realised by the recipient.

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AMP Limited is incorporated and domiciled in Australia.
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