

AMP Life Limited

ABN 84 079 300 379

**Directors' report and Financial report
for the year ended
31 December 2015**

AMP LIFE LIMITED
ABN 84 079 300 379
DIRECTORS' REPORT AND FINANCIAL REPORT
31 DECEMBER 2015

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Registered Office:
33 Alfred Street
Sydney NSW 2000 Australia

AMP Life Limited, a company limited by shares, is incorporated and domiciled in Australia.

Directors' Report

for the year ended 31 December 2015

The directors of AMP Life Limited ('AMP Life' or 'the company') present their report on the company for the financial year ended 31 December 2015.

AMP Life Limited is a company limited by shares and is incorporated and domiciled in Australia. AMP Financial Services Holdings Limited is the company's parent entity and AMP Limited is the ultimate parent entity.

The Registered Office of the company is at 33 Alfred Street, Sydney, NSW 2000.

Directors

The directors of the company during the year and up to the date of this report are shown below. Directors were in office for this entire period except where stated otherwise.

Catherine Brenner	Chairman, Non-Executive Director
Craig Meller	Executive Director
Pauline Blight-Johnston	Executive Director
Anthony Coleman	Non-Executive Director
Diana Eiert	Non-Executive Director
Andrew Harmos	Non-Executive Director
Peter Shergold	Non-Executive Director
Trevor Matthews	Non-Executive Director

Principal activities

AMP Life provides a range of products and services to customers in Australia and New Zealand. These products and services are primarily distributed through self-employed financial planners and advisers aligned with the AMP group. These products and services include superannuation, investments, retirement savings, income protection and life insurance. There have been no significant changes in the nature of these activities during the year.

Review of operations and results

The operating result for the year ended 31 December 2015 was a profit after tax of \$575m (2014: \$664m).

Dividends and distributions

Details of the dividends and distributions paid and dividends recommended or declared for payment but not paid are disclosed in Note 14 of the Financial Report.

Significant changes in the state of affairs

There have been no significant changes in the state of affairs during this financial year.

Events occurring after reporting date

On 17 February 2015, AMP Life declared a \$317m final dividend of \$12.96 per share which is subject to APRA approval.

At the date of this report, the directors are not aware of any other matter or circumstance that has arisen since the reporting date that has significantly affected or may significantly affect the company's operations in future years, the results of those operations in future years or the company's state of affairs in future years, which is not already reflected in this report.

Likely developments

Information about likely developments in the operations of the company and the expected results of those operations in future years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the company.

Environmental regulation

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

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

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

Duty of the directors under the *Life Insurance Act 1995*

The directors have complied with their duty, as prescribed by the *Life Insurance Act 1995*, to take reasonable care, and use due diligence, to see that in the investment, administration and management of the assets of the AMP Life statutory funds, the company gives priority to the interests of the policyholders over the interests of the shareholder.

Directors' Report

for the year ended 31 December 2015

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), for 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 of AMP Limited. During or since the end of the financial year, no such indemnities have been provided.

During the financial year, AMP Limited agreed to insure all the officers of the company 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.

AMP Group Holdings Limited ("AMPGH") has entered into a deed of indemnity and access with each director and secretary of the company. Each deed of indemnity and access provides that:

- these officers will have access to the books of the company for their period of office and for ten (and in certain cases, seven) years after they cease to hold office (subject to certain conditions); and
- AMPGH agrees to indemnify the officer, to the extent permitted by law, against any liability incurred by the officer in his or her capacity as a director or secretary of the company and of other AMP group companies.

Auditor's independence

The directors have obtained an independence declaration from the company's auditor, Ernst & Young, a copy of which is attached to this report and forms part of the Directors' Report for the year ended 31 December 2015.

Rounding

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

Signed in accordance with a resolution of the directors.



Catherine Brenner
Director



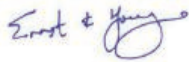
Pauline Blight-Johnston
Director

Sydney, 17 February 2016

Auditor's Independence Declaration to the Directors of AMP Life Limited

As lead auditor for the audit of AMP Life Limited for the financial year ended 31 December 2015, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.



Ernst & Young



Kieren Cummings
Partner
17 February 2016

Statement of comprehensive income

for the year ended 31 December 2015

	Note	2015 \$m	2014 \$m
Income and expenses of the shareholder and policyholders¹			
Life insurance premium and related revenue	16 (a)	1,317	1,317
Fee revenue	3(a)	1,120	1,107
Other revenue		13	1
Investment gains and (losses)	3(b)	5,241	8,369
Share of profit of associates accounted for using the equity method		6	-
Life insurance claims and related expenses	16 (b)	(1,286)	(1,308)
Operating expenses	4	(1,369)	(1,406)
Finance costs		(23)	(34)
Change in policyholder liabilities			
- Life insurance contracts	16(e)	(216)	(997)
- Investment contracts		(4,057)	(5,694)
Profit for the year before income tax		746	1,355
Income tax expense ¹	5(a)	(171)	(691)
Profit for the year		575	664
Other comprehensive income - items that may be reclassified subsequently to profit or loss			
Cash flow hedges			
- gains in fair value of cash flow hedges		1	20
Exchange differences on translation of foreign operations			
- exchange gains (losses)		(1)	22
Other comprehensive income for the year		-	42
Total comprehensive income for the year		575	706

¹ Income and expenses include amounts attributable to the shareholder's interests and policyholders' interests in the life statutory funds. Amounts included in respect of the life statutory funds have a substantial impact on most of the statement of comprehensive income lines, especially investment gains and losses and tax. In general, policyholders' interests in the transactions for the period are attributed to them in the line Change in policyholder liabilities.

Statement of financial position

as at 31 December 2015

	Note	2015 \$m	2014 \$m
Assets			
Cash and cash equivalents		2,721	3,143
Receivables	6	810	747
Intercompany tax receivable		7	10
Current tax asset		34	-
Prepayments		2	2
Investment property	8	147	77
Investments in financial assets	7	85,133	82,635
Investments in associates accounted for using the equity method	23(a)	282	-
Property, plant and equipment	9	45	33
Deferred tax assets	5(c)	173	254
Intangibles	10	517	517
Total assets of policyholders and the shareholder		89,871	87,418
Liabilities			
Payables	11	1,188	994
Intercompany tax payable		186	238
Current tax liability		41	-
Provisions		9	1
Other financial liabilities	7(c)	203	647
Borrowings	12	541	549
Subordinated debt	13	215	215
Deferred tax liabilities	5(d)	1,619	1,809
Life insurance contract liabilities	16(d)	17,979	18,282
Investment contract liabilities		64,594	61,442
Total liabilities of policyholders and the shareholder		86,575	84,177
Net assets of the shareholder of AMP Life Limited		3,296	3,241
Equity ¹			
Contributed equity	15	939	911
Reserves		79	79
Retained earnings		2,278	2,251
Total equity of the shareholder of AMP Life Limited		3,296	3,241

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

Statement of changes in equity

for the year ended 31 December 2015

	Note	Contributed equity \$m	Cash flow hedge reserve \$m	Foreign currency translation reserve \$m	Retained earnings \$m	Total equity \$m
2015						
Balance at the beginning of the year		911	20	59	2,251	3,241
Profit (loss)		-	-	-	575	575
Other comprehensive income		-	1	(1)	-	-
Total comprehensive income		-	1	(1)	575	575
Return of ordinary share capital	15	(190)	-	-	-	(190)
Issue of share capital	15	13	-	-	-	13
Capital notes issued	15	205	-	-	-	205
Dividends paid - ordinary shares	14	-	-	-	(545)	(545)
Distributions paid - capital notes	14	-	-	-	(3)	(3)
Balance at the end of the year		939	21	58	2,278	3,296
2014						
Balance at the beginning of the year		911	-	37	1,911	2,859
Profit (loss)		-	-	-	664	664
Other comprehensive income		-	20	22	-	42
Total comprehensive income		-	20	22	664	706
Dividends paid - ordinary shares		-	-	-	(324)	(324)
Balance at the end of the year		911	20	59	2,251	3,241

Statement of cash flows

for the year ended 31 December 2015

	Note	2015 \$m	2014 \$m
Cash flows from operating activities			
Cash receipts in the course of operations		16,250	16,530
Interest and other items of a similar nature received		468	543
Dividends and distributions received		564	1,248
Cash payments in the course of operations		(17,641)	(21,991)
Finance costs		(22)	(34)
Income tax refund (paid)		(322)	162
Cash flows used in operating activities	21(a)	(703)	(3,542)
Cash flows from investing activities			
Net proceeds from sale of/(payments to acquire):			
- investment property		-	1,474
- investments in financial assets		1,694	2,415
- associates accounted for using the equity method		(268)	-
Cash flows from investing activities		1,426	3,889
Cash flows from financing activities			
Proceeds from issue of share capital		218	-
Payment for the return of share capital	15	(190)	-
Payments for borrowings		(8)	(9)
Dividends and distributions paid	14	(548)	(324)
Cash flows used in financing activities		(528)	(333)
Net increase in cash and cash equivalents		195	14
Cash and cash equivalents at beginning of the year		3,579	3,563
Effect of exchange rate changes on cash and cash equivalents		1	2
Cash and cash equivalents at the end of the year	21(b)	3,775	3,579

Notes to financial statements

for the year ended 31 December 2015

1. Basis of preparation and summary of significant accounting policies

AMP Life Limited ('AMP Life' or 'the company'), a company limited by shares, is incorporated and domiciled in Australia. This Financial Report includes financial statements for AMP Life as a single entity only.

(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*. AMP Life is a for-profit entity for the purposes of preparing financial statements. The Financial Report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The financial statements for the year ended 31 December 2015 were authorised for issue on 17 February 2016 in accordance with a resolution of the directors.

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

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

Consolidated information has not been prepared to show the financial position and operations of AMP Life and its controlled entities at, or during the year ended 31 December 2015 in accordance with exemptions available under Australian Accounting Standards. Consolidated information has been prepared and is available for the ultimate parent, AMP Limited, and its controlled entities.

AMP Life is a registered life insurance company.

Where permitted under Australian Accounting Standards, the assets and liabilities associated with life insurance and investment contracts are generally measured on a fair value basis and other assets and liabilities are generally measured on a historical cost basis.

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

Changes in accounting policy

A number of new accounting standards and amendments have been adopted effective 1 January 2015, but have not had any material effect on the financial position or performance of the company.

The company has elected to early adopt the following new accounting standards from 1 January 2015:

- AASB 2015-5 *Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception*.
- AASB 2014-9 *Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements*.

As a consequence of early adoption, AMP Life is able to apply equity accounting to its investment in China Life Pension Company.

There is no other material impact to the financial position or performance of the company as a result of the early adoption of these amendments.

Australian Accounting Standards issued but not yet effective

A number of new accounting standards and amendments have been issued but are not yet effective. The company has not elected to early adopt any of these new standards or amendments in this financial report. These new standards and amendments, when applied in future periods, are not expected to have a material impact on the financial position or performance of the company, other than as set out below.

- AASB 9 *Financial Instruments*. This standard makes significant changes to the classification of financial instruments and to hedge accounting requirements and disclosures, and introduces a new expected loss model when recognising expected credit losses on financial assets. This standard is mandatory for adoption by the company for the year ending 31 December 2018. The financial impact to the company of adopting AASB 9 *Financial Instruments* has not yet been quantified.
- AASB 15 *Revenue from Contracts with Customers*. This standard makes significant changes to revenue recognition and adds some additional disclosures. The application of this standard has been deferred until 2018. Hence, this standard is now mandatory for adoption by the company for the year ending 31 December 2018. The financial impact to the company of adopting AASB 15 *Revenue from Contracts with Customers* has not yet been quantified.

Notes to financial statements

for the year ended 31 December 2015

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

(b) 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 company are investment contracts and life insurance contracts.

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 known as discretionary participating contracts that are similar to investment contracts, but the timing of the vesting of the profit attributable to the policyholders is at the discretion of AMP Life.

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

Assets measurement basis

Investment contract liabilities are measured at fair value as described in note 1(r) and life insurance contract liabilities are measured as described in note 1(q). 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 Statement of comprehensive income, to the extent permitted under Australian Accounting Standards. The accounting policies for individual asset classes are described later in note 1.

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

(c) Cash and cash equivalents

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

(d) Receivables

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

Notes to financial statements

for the year ended 31 December 2015

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

(e) Investments in financial assets

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

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

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

- The fair value of 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 by 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 schemes at the reporting date.
- There is no reduction for realisation costs in determining fair value.
- The fair value of derivative financial assets is determined in accordance with the policy set out in Note 1(o).

Investments in controlled entities

Investments by AMP Life in controlled entities are measured at cost less any accumulated impairment losses.

(f) Investments in associates

Associated entities are defined as those entities over which the AMP group has significant influence but no capacity to control.

Investments in associates, other than those backing investment contract liabilities and life insurance contract liabilities, are initially measured at cost plus any excess of the fair value of AMP Life's share of identifiable assets and liabilities above cost at acquisition date. This is subsequently adjusted for AMP Life's share of post-acquisition profit or loss and movements in reserves net of any impairment. The AMP Life's share of profit or loss of associates is included in the consolidated Statement of comprehensive income. Any dividend or distribution received from associates is accounted for as a reduction in carrying value of the associate.

Investments in associates held to back investment contract liabilities and life insurance contract liabilities are exempt from the requirement to apply equity accounting and have been designated on initial recognition as financial assets measured at fair value through profit or loss.

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

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

Changes in value of investment property are taken directly to the Statement of comprehensive income and may comprise changes in the fair value from revaluation of investment property, and fair value adjustments in relation to:

- the straight-lining of fixed rental income;
- tenant incentives including rent free periods, landlord and tenant owned fit out contributions; and
- capitalised leasing fees.

The process adopted to determine fair values for investment properties is set out in Note 8.

(h) Property, plant and equipment

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 Life and the cost of the item can be reliably measured.

(i) Intangible assets

Goodwill

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

Notes to financial statements

for the year ended 31 December 2015

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

(j) Impairment of assets

Assets measured at fair value, where changes in fair value are reflected in the Statement of comprehensive income, are not subject to impairment testing.

As a result, financial assets measured at fair value through profit or loss, and investment properties, are not subject to impairment testing.

Other assets subject to impairment testing include: investments in associates accounted for using the equity method, property, plant and equipment, intangible assets including goodwill and investments in controlled entities at cost.

Impairment is recognised in the Statement of comprehensive income, measured as the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use.

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

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

(k) Taxes

Tax consolidation

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

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

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

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

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

Assets and liabilities that arise as a result of balances transferred to/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 Life. 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 expense

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

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

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

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

Income tax for investment contracts and life insurance contracts business

The income tax expense recognised in the Statement of comprehensive income arising in AMP Life reflects tax imposed on the shareholder as well as policyholders.

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

Arrangements made with some superannuation funds result in AMP Life making payments to the relevant tax authorities 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.

Notes to financial statements

for the year ended 31 December 2015

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

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

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

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

Receivables and payables are 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.

(l) Payables

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

(m) Provisions

Provisions are recognised when:

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

Where AMP Life 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 Statement of comprehensive income net of any reimbursement.

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

(n) Borrowings and subordinated debt

All borrowings and subordinated debt are financial liabilities and are initially recognised at fair value and net of directly attributable transaction costs.

Subordinated debt is subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Statement of comprehensive income over the period of the contract using the effective interest rate method.

(o) Derivative financial assets and derivative financial liabilities

AMP Life is exposed to changes in interest and foreign exchange rates as well as movements in the fair value of investment guarantees it has issued in respect of its products. To mitigate the risks arising from these exposures, AMP Life uses derivative financial instruments such as cross-currency and interest-rate swaps, forward rate agreements, futures, options and foreign currency contracts. Derivative financial instruments are also used to gain exposure to various markets for asset and liability management purposes.

Derivatives are initially recognised at fair value exclusive of any transaction costs on the date on which a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. All derivatives are recognised as assets when their fair value is positive and as liabilities when their fair value is negative.

The method of recognising the movement in fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. For derivatives not designated as hedging instruments, changes in fair value are recognised in the Statement of comprehensive income in the period in which they arise. For derivatives designated as a hedge of highly probable forecast transactions (cash flow hedge), the accounting is described below.

Notes to financial statements

for the year ended 31 December 2015

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

AMP Life 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. AMP Life also documents its assessment of whether the derivatives used in hedging transactions have been, and will continue to be, highly effective in offsetting cash flows of hedged items. This assessment is carried out both at hedge inception and on an ongoing basis.

Accounting for hedges

Cash flow hedges

- the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised (including related tax impacts) through Other comprehensive income in the Cash flow hedge reserve in equity. The balance of the Cash flow hedge reserve in relation to each particular hedge is transferred to profit or loss 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 profit and loss;
- hedge accounting is discontinued when a hedging relationship 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 profit or loss; and
- 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 profit and loss.

Fair value estimation

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

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

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

Financial assets and financial liabilities are recognised at the date AMP Life 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.

(q) Life insurance contract liabilities

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

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

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 using best-estimate assumptions about the future. The liability is calculated as the net present value of these projected cash flows. When the benefits under a life insurance contract are linked to the assets backing it, the discount rate applied is based on the expected future earnings rate of those assets. Where the benefits are not linked to the performance of the backing assets, a risk-free discount rate is used. The risk-free discount rate is based on the zero coupon government bond rate and a liquidity margin, which depends on the nature, structure and term 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 the shareholder and participating policyholders by applying the MoS principles in accordance with the *Life Insurance Act 1995* (Cth) (Life Act)

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

Profit allocated to participating policyholders is recognised in the Statement of comprehensive income 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 the shareholder.

Notes to financial statements

for the year ended 31 December 2015

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

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

- (i) Investment income (net of tax and investment expenses) on retained earnings in respect of discretionary participating business is allocated between policyholders and the shareholder in proportion to the balances of policyholders' and the shareholder's retained earnings. This proportion is 80% policyholders and 20% shareholder.
- (ii) Other MoS profits arising from discretionary participating business are allocated 80% to policyholders and 20% to the shareholder, with the following exceptions:
 - the profit arising from New Zealand corporate superannuation business is apportioned such that the shareholder is allocated 15% of the profit allocated to policyholders,
 - the profit arising in respect of preservation superannuation account business is allocated 92.5% to policyholders and 7.5% to the shareholder, and
 - additional tax on taxable income to the shareholder in respect of Australian superannuation business is allocated to the shareholder only.
- (iii) All profits arising from non-participating business, including net investment returns on shareholder capital and retained earnings in the statutory funds (excluding retained earnings dealt with in (i) above) are allocated to the shareholder.

Allocation of expenses within the 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 statutory funds are classified as operating expenses. See Note 1(y).

(r) Investment contract liabilities

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

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

(s) Contributed equity

Ordinary shares and capital notes are recognised as the fair value of consideration received by the company. Incremental costs directly attributable to the issue of certain new shares are recognised in equity as a deduction, net of tax, from the proceeds.

(t) Foreign currency transactions

Functional and presentation currency

The financial report is presented in Australian dollars (the presentation currency). Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The functional currency of the company 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 Statement of comprehensive income.

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 foreign operation

Where the functional currency of a foreign operation is not the presentation currency, the transactions and balances of that operation 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; and
- all resulting exchange differences are recognised as a separate component of equity in the foreign currency translation reserve.

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

Notes to financial statements

for the year ended 31 December 2015

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

(u) Insurance premium and related revenue

Life insurance contracts

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

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

Investment contracts

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

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

(v) 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(r).

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

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.

(w) Investment gains or losses

Dividend and interest income are recognised in the Statement of comprehensive income on an accruals basis when AMP Life obtains control of the right to receive the revenue.

Net realised and unrealised gains and losses include realised gains and losses being the change in value between the previously reported value and the amount received on derecognition of the asset or liability and unrealised gains and losses (being changes in the fair value of financial assets and investment property recognised in the period).

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

(x) 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 a liability to a 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(r).

(y) Operating expenses

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

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(v).

(z) Finance costs

Finance costs include:

- (i) borrowing costs:
 - interest on bank overdrafts, borrowings and subordinated debt; and
 - amortisation of discounts or premiums related to borrowings;
- (ii) exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs are recognised as expenses when incurred.

Notes to financial statements

for the year ended 31 December 2015

2. Significant accounting judgements, estimates and assumptions

The making of judgements, estimates and assumptions is a necessary part of the financial reporting process and these judgements, estimates and assumptions can have a significant effect on the reported amounts in the financial statements. Estimates and assumptions are determined based on information available to management at the time of preparing the Financial Report and actual results may differ from these estimates and assumptions. Had different estimates and assumptions been adopted, this may have had a significant impact on the financial statements. Significant accounting judgements, estimates and assumptions are re-evaluated at each reporting period in the light of historical experience and changes to reasonable expectations of future events. Significant accounting judgements, estimates and assumptions include but are not limited to the following:

(a) Fair value of investments in financial assets

AMP Life measures investments in financial assets at fair value. Where available, quoted market prices for same or similar instruments are used to determine fair value. Where there is no market price available for an instrument, a valuation technique is used. Management applies judgement in selecting valuation techniques and setting valuation assumptions and inputs. Further detail on the determination of fair value of financial instruments is set out in Note 19.

(b) Fair values of investment properties

AMP Life measures investment properties at fair value. The valuation of investment properties requires judgement to be applied in selecting appropriate valuation techniques and setting valuation assumptions. AMP Life engages independent registered valuers to value each of its investment properties on a rolling annual basis. Further detail on the determination of fair values of investment properties is set out in Note 8.

(c) Goodwill

Goodwill is required to be allocated to cash generating units and tested for impairment on an annual basis. Management applies judgement in determining cash generating units and allocating the goodwill arising from business combinations to these cash generating units. Impairment is assessed annually by determining the recoverable amount of each cash generating unit that has a goodwill balance. Management applies judgement in selecting valuation techniques and setting valuation assumptions to determine the recoverable amount. Note 10 sets out further information on the impairment testing of goodwill.

(d) Tax

AMP Life is subject to taxes in Australia and other jurisdictions where it has operations. The application of tax law to the specific circumstances and transactions of AMP Life requires the exercise of judgement by management. The tax treatments adopted by management in preparing the financial statements may be impacted by changes in legislation and interpretations or be subject to challenge by tax authorities.

Judgement is also applied by management in determining the extent to which the recovery of carried forward tax losses is probable for the purpose of meeting the criteria for recognition as deferred tax assets.

(e) Provisions

A provision is recognised for items where AMP Life has a present obligation arising from a past event, it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The provision is measured as the best estimate of the expenditure required to settle the present obligation. Management applies judgement in assessing whether a particular item satisfies the above criteria and in determining the best estimate.

(f) Life insurance contract liabilities

The measurement of insurance contract liabilities is determined using the Margin on Services (MoS) methodology. The determination of the liability amounts involves judgement in selecting the valuation methods and profit carriers for each type of business and setting valuation assumptions. The determination is subjective and relatively small changes in assumptions may have a significant impact on the reported profit. The board of AMP Life is responsible for these judgements and assumptions, after taking advice from the appointed actuary. Further detail on the determination of life insurance contract liabilities is set out in Note 16.

(g) Investment contract liabilities

Investment contract liabilities are measured at fair value. For the majority of contracts, the fair value is determined based on published unit prices and the fair value of backing assets, and does not generally require the exercise of judgement. For fixed income products, fair value is determined using valuation models. Judgement is applied in selecting the valuation model and setting the valuation assumptions. Further details on investment contract liabilities are set out in Note 17.

Notes to financial statements

for the year ended 31 December 2015

3. Revenue and investment income

	2015	2014
	\$m	\$m
(a) Fee revenue		
Investment contract fees	1,065	1,045
Investment management fees		
- related entities	9	16
Service fees		
- related entities	46	46
Total fee revenue	1,120	1,107
(b) Investment gains and (losses)		
Interest		
- related entities	74	98
- other entities	399	445
Dividends and distributions		
- related entities	2,944	3,063
- associated entities	206	236
- other entities	694	605
Rental income	4	104
Net realised and unrealised gains and (losses)	908	3,816
Other investment income	12	2
Total investment gains and (losses)	5,241	8,369

Notes to financial statements

for the year ended 31 December 2015

4. Operating expenses

	2015	2014
	\$m	\$m
Commission and advisory fee-for-service expense	(375)	(379)
Investment management expenses		
- related entities	(225)	(234)
- other entities	(10)	(7)
Fees and commission expenses	(610)	(620)
Direct property expenses	(2)	(35)
Service fee expense		
- related entities	(679)	(700)
Depreciation of property, plant and equipment	(8)	(6)
Other expenses	(70)	(45)
Other operating expenses	(759)	(786)
Total operating expenses	(1,369)	(1,406)

Notes to financial statements

for the year ended 31 December 2015

5. Income tax

	2015	2014
	\$m	\$m
(a) Analysis of income tax (expense) credit		
Current tax (expense) credit	(335)	(211)
(Increase) decrease in deferred tax liabilities	196	(224)
Increase (decrease) in deferred tax assets	(50)	(258)
Over (under) provided in previous years including amounts attributable to policyholders	18	2
Income tax expense	(171)	(691)

(b) Relationship between income tax expense and accounting profit

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

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

	2015	2014
	\$m	\$m
Profit before income tax	746	1,355
Policyholder tax (expense) credit recognised as part of the change in policyholder liabilities in determining profit before income tax	55	(418)
Profit before income tax excluding tax charged to policyholders	801	937
Prima facie tax at the rate of 30%	(240)	(281)
Tax effect of differences between amounts of income and expenses recognised for accounting and the amounts deductibles/taxables in calculating taxable income:		
Shareholder impact of life insurance tax treatment	(10)	(26)
Non-deductible expenses	(4)	(1)
Non-taxable income	11	26
(Under)/over provided in previous years after excluding amounts attributable to policyholders	-	4
Other items	16	5
Differences in overseas tax rate	1	-
Income tax expense attributable to shareholders	(226)	(273)
Income tax expense attributable to policyholders	55	(418)
Income tax expense per Statement of comprehensive income	(171)	(691)

Notes to financial statements

for the year ended 31 December 2015

5. Income tax (continued)

	2015	2014
	\$m	\$m
(c) Analysis of deferred tax assets		
Expenses deductible and income recognisable in future years	139	116
Unrealised investment losses	22	22
Losses available for offset against future taxable income	-	102
Other	12	14
Total deferred tax assets	173	254
(d) Analysis of deferred tax liabilities		
Unrealised investment gains	1,410	1,624
Unrealised movements on borrowings and derivatives	20	21
Other	189	164
Total deferred tax liabilities	1,619	1,809

Notes to financial statements

for the year ended 31 December 2015

6. Receivables

	2015	2014
	\$m	\$m
Investment income receivable	108	70
Investment sales and margin accounts receivable	292	275
Life insurance contract premiums receivable	265	270
Reinsurance and other recoveries receivable	15	10
Reinsurers' share of life insurance contract liabilities	77	80
Other receivables		
- related entities	39	30
- other entities	14	12
Total receivables¹	810	747

¹ \$37m (2014: \$40m) of total receivables is expected to be recovered more than 12 months from reporting date.

Notes to financial statements

for the year ended 31 December 2015

7. Investments in financial assets and other financial liabilities

	2015 \$m	2014 \$m
(a) Investments in financial assets measured at fair value through profit or loss		
Equity securities and listed managed investment schemes ¹	9,492	10,702
Debt securities ²	9,582	9,364
Investments in unlisted equity securities and managed investment schemes ³	65,716	62,151
Derivative financial assets	272	325
Other financial assets	9	9
Total investments in financial assets measured at fair value through profit or loss	85,071	82,551
(b) Investments in controlled entities at cost		
At cost	62	84
Total investments in controlled entities at cost	62	84
Total investments in financial assets	85,133	82,635
(c) Other financial liabilities		
Derivative financial liabilities	176	204
Collateral deposits held ⁴	27	443
Total other financial liabilities	203	647

1 Includes investments in controlled entities of \$ 143m (2014: \$ 135m).

2 Included within debt securities are assets held to back the liability for collateral deposits held in respect of debt security repurchase arrangements entered into by the life statutory funds.

3 Includes investments in controlled entities of \$ 59,945m (2014: \$ 55,673m).

4 Collateral deposits held represents the obligation to repay collateral held in respect of debt security repurchase arrangements entered into by the life statutory funds.

Notes to financial statements

for the year ended 31 December 2015

8. Investment property

	2015 \$m	2014 \$m
Investment property¹		
Directly held	147	77
Total investment property	147	77
Movements in investment property		
Balance at the beginning of the year	77	1,479
- Subsequent expenditure recognised in carrying amount	1	43
Disposals ²	-	(1,517)
Net gains from fair value adjustments	69	72
Balance at the end of the year	147	77

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

2 In October 2014, substantially all of the investment property in AMP Life was sold into the AMP Capital Diversified Property Fund. AMP Life continues to invest in property assets through controlled property funds.

Valuation of investment property

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

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

Refer to Note 19 Fair Value Information for details regarding fair value measurement.

	2015	2014
Primary assumptions used in valuing investment property		
Capitalisation rates ¹	N/A ³	6.75%
Market determined, risk adjusted discount rate ²	N/A ³	8.25%

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

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

3 At 31 December 2015 there is only one remaining investment property which is subject to an arms-length binding sale agreement. The valuation has been determined by reference to agreed sale price.

Notes to financial statements

for the year ended 31 December 2015

9. Property, plant and equipment

31 December 2015	Leasehold Improvements \$m	Plant & Equipment \$m	Total \$m
Property, plant and equipment			
Gross carrying amount	51	81	132
Less: accumulated depreciation and impairment losses	(35)	(52)	(87)
Property, plant and equipment at written down value	16	29	45

Movements in property, plant and equipment

Balance at the beginning of the year	10	23	33
Additions through direct acquisitions	9	11	20
Depreciation expense for the year	(3)	(5)	(8)
Balance at the end of the year	16	29	45

31 December 2014	Leasehold Improvements \$m	Plant & Equipment \$m	Total \$m
Property, plant and equipment			
Gross carrying amount	67	86	153
Less: accumulated depreciation and impairment losses	(57)	(63)	(120)
Property, plant and equipment at written down value	10	23	33

Movements in property, plant and equipment

Balance at the beginning of the year	11	15	26
Additions - through direct acquisitions	2	11	13
Depreciation expense for the year	(3)	(3)	(6)
Balance at the end of the year	10	23	33

Notes to financial statements

for the year ended 31 December 2015

10. Intangibles

	2015	2014
	\$m	\$m
Intangibles		
Gross carrying amount	517	517
Less: accumulated amortisation and / or impairment losses	-	-
Intangibles at written down value	517	517

Impairment testing of goodwill

Goodwill of \$517m (2014: \$517m) 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 future 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 Life. Those business units are Australian Wealth Management (WM), Australian Wealth Protection (WP) 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:

1. Australian WM – goodwill attributable: \$387m;
2. Australian WP – goodwill attributable: \$65m; and
3. Australian Mature – goodwill attributable: \$65m.

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

The recoverable amount for each cash generating unit has been determined using a basis of the fair value less costs of disposal. For each cash generating unit, the recoverable amount has been determined considering a combination of the estimated embedded value plus the value of one year's new business times a multiplier. These are generally regarded as features of a life insurance business that, when taken together, would be an estimate of fair value. Embedded value is a calculation 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.

In determining the fair value of future business, multiples of 10 to 15 were applied to the actuarially determined value of one year's new business. The key assumptions applied in estimating the embedded value and value of one year's new business are: mortality, morbidity, discontinuance rates, maintenance unit costs, future rates of supportable bonus for participating business, franking credits, risk discount rates, investment returns and inflation rates. Premium and claim amounts are estimated over the expected life of the in-force policies which varies depending on the nature of the product. Future maintenance and investment expenses are estimated based on unit costs derived from budgeted amounts for the following year and increased in future years for expected rates of inflation. Assumptions applied in this valuation are consistent with the best estimate assumptions used in calculating the policy liabilities except that the value of in-force and new business calculation includes a risk discount rate. Note 1(q) and Note 16 provide extensive details with respect to the assumptions, management's approach to determining the values assigned to each key assumption and their consistency with past experience and external sources of information. All relevant business is projected for the embedded value and the description of the assumptions in Note 16 applies even where that business is not valued by projection methods for profit reporting. The value of in-force and new business calculation uses an annualised 10-year government bond yield plus a discount margin of 4.0% (2014: 4%): Australia 6.9% (2014: 6.8%), New Zealand 7.6% (2014: 7.7%).

The conclusion from the goodwill impairment 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.

Notes to financial statements

for the year ended 31 December 2015

11. Payables

	2015	2014
	\$m	\$m
Payables		
Investment purchases and margin accounts payable	106	96
Life insurance and investment contracts in process of settlement	290	259
Other payables		
- related entities	414	315
- other entities	378	324
Total payables¹	1,188	994

¹ \$89m (2014: \$58m) of payables are expected to be settled more than 12 months from reporting date.

Notes to financial statements

for the year ended 31 December 2015

12. Borrowings

	2015	2014
	\$m	\$m
Borrowings		
Deposits from other entities	95	103
Other borrowings from related parties	446	446
Total borrowings¹	541	549

¹ \$nil (2014: \$nil) of borrowings are expected to be settled more than 12 months from reporting date.

13. Subordinated debt

	2015	2014
	\$m	\$m
Subordinated Notes (first call date 18 December 2018, maturity 18 December 2023) ¹	215	215
Total subordinated debt²	215	215

¹ Subordinated Notes may convert into AMP Life shares if a Non Viability Trigger Event occurs. The interest payable on the subordinated debt is BBSW3M +2.65%.

² \$215m of this balance is expected to be settled more than 12 months from the reporting date.

Notes to financial statements

for the year ended 31 December 2015

14. Dividends and distributions

	2015	2014
	\$m	\$m
Dividends and distributions paid during the year		
Unfranked dividend of \$22.28 (31 December 2014: \$28.44) per ordinary share	(545)	(324)
Distributions paid - capital notes	(3)	-
Total dividends and distributions paid	(548)	(324)
Final dividend proposed but not recognised		
2015:\$12.96 (2014:\$24.31) per ordinary share	(317)	(277)

15. Contributed equity

	2015	2014
	\$m	\$m
Ordinary shares ¹	734	911
Capital notes ²	205	-
Total contributed equity at the end of the year	939	911
Movements in ordinary shares		
Balance at the beginning of the year	911	911
Return of ordinary share capital	(190)	-
Issue of share capital	13	-
Balance at the end of the year	734	911
24,459,252 (31 December 2014: 11,393,668) ordinary shares fully paid	734	911
Movement in Capital Notes		
Balance at the beginning of the year	-	-
Capital notes issued ²	205	-
Balance at the end of the year	205	-
911,500 (2014: nil) capital notes	205	-
Total contributed equity at the end of the year	939	911

1 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.

2 AMP Life has issued capital notes to AMP Limited as follows:

- \$115m of capital notes (11,500 notes with a face value of \$10,000 per note) issued in March 2015. AMP Life has the right but not the obligation to redeem the notes on 27 March 2020 or, subject to certain conditions, at a later date.

- \$90m of capital notes (900,000 notes with a face value of \$100 per note) issued in November 2015. AMP Life has the right but not the obligation to redeem the notes on 22 December 2021 or, subject to certain conditions, at a later date.

The capital notes are non-cumulative, subordinated, perpetual and unsecured. Distributions on the capital notes are at the absolute discretion of AMP Life. In the event that APRA determines AMP Life to be non-viable, the Notes may be written off. In a winding up of AMP Life, the capital notes will rank ahead of ordinary shares, but behind all other creditors for payment.

Notes to financial statements

for the year ended 31 December 2015

16. Life insurance contracts

	2015 \$m	2014 \$m
(a) Analysis of life insurance contract premium and related revenue		
Total life insurance contract premiums received and receivable	1,643	1,610
Less: component recognised as a change in life insurance contract liabilities	(369)	(345)
Life insurance contract premium revenue ¹	1,274	1,265
Reinsurance recoveries	43	52
Total life insurance contract premium and related revenue	1,317	1,317
(b) Analysis of life insurance contract claims and related expenses		
Total life insurance contract claims paid and payable	(2,083)	(2,242)
Less: component recognised as a change in life insurance contract liabilities	857	992
Life insurance contract claims expense	(1,226)	(1,250)
Outwards reinsurance expense	(60)	(58)
Total life insurance contract claims and related expenses	(1,286)	(1,308)

	2015 \$m	2014 \$m
(c) Analysis of life insurance contract operating expenses		
Life insurance contract acquisition expenses		
- Commission	(18)	(25)
- Other expenses	(77)	(81)
Life insurance contract maintenance expenses		
- Commission	(97)	(101)
- Other expenses	(268)	(282)
Investment management expenses	(51)	(43)

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

Notes to financial statements

for the year ended 31 December 2015

16. Life insurance contracts (continued)

	2015 \$m	2014 \$m
(d) Life insurance contract liabilities		
Life insurance contract liabilities determined using projection method		
<i>Best estimate liability</i>		
- value of future life insurance contract benefits	12,649	12,989
- value of future expenses	3,141	3,301
- value of future premiums	(11,888)	(12,251)
<i>Value of future profits</i>		
- life insurance contract holder bonuses	2,444	2,271
- shareholders' profit margins	2,473	2,557
Total life insurance contract liabilities determined using the projection method	8,819	8,867
Life insurance contract liabilities determined using the accumulation method		
<i>Best estimate liability</i>		
- Value of future life insurance contract benefits	7,072	7,363
- Value of future acquisition expenses	(3)	(4)
Total life insurance contract liabilities determined using the accumulation method	7,069	7,359
Value of declared bonus	292	300
Unvested policyholder benefits liabilities ¹	1,722	1,676
Total life insurance contract liabilities before reinsurance	17,902	18,202
Add: Reinsurers' share of life insurance contract liabilities	77	80
Total life insurance contract liabilities gross of reinsurance	17,979	18,282

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

	Note	2015 \$m	2014 \$m
(e) Reconciliation of changes in life insurance contract liabilities			
Total life insurance contract liabilities at the beginning of the year		18,282	17,875
Change in life insurance contract liabilities recognised in the income statement		216	997
Premiums recognised as an increase in life insurance contract liabilities	16(a)	369	345
Claims recognised as a decrease in life insurance contract liabilities	16(b)	(857)	(992)
Change in reinsurers' share of life insurance contract liabilities		(3)	(16)
Foreign exchange adjustment		(28)	73
Total life insurance contract liabilities at the end of the year	16(d)	17,979	18,282

Notes to financial statements

for the year ended 31 December 2015

16. Life insurance contracts (continued)

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

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

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

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

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

(i) Risk free discount rates

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

Business type	Basis ¹	31 December 2015		31 December 2014	
		Australia %	New Zealand %	Australia %	New Zealand %
Retail risk (other than income benefit open claims)	Zero coupon government bond yield curve	2.0 - 3.7	2.7 - 4.5	2.1 - 3.8	3.6 - 4.1
Retail risk and group risk (income benefit open claims)	Zero coupon government bond yield curve (including liquidity premium)	2.5 - 4.2	3.1 - 5.0	2.4 - 4.0	3.8 - 4.3
Life annuities	Non-CPI	2.6 - 4.3	3.3 - 5.1	2.5 - 4.1	3.9 - 4.4
	CPI	0.8 - 1.8	2.0 - 3.5	0.4 - 1.5	2.1 - 2.9

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

(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 shown in the following table.

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

	10 year government bond yields	Risk premiums				
		Local equities	International equities	Property & Infrastructure	Fixed interest	Cash
	%	%	%	%	%	%
31 December 2015						
Australia	2.9	4.5	3.5	2.5	0.7	(0.5)
New Zealand	3.6	4.5	3.5	2.5	0.7	(0.5)
31 December 2014						
Australia	2.8	4.5	3.5	2.5	0.6	(0.5)
New Zealand	3.7	4.5	3.5	2.5	0.6	(0.5)

Notes to financial statements

for the year ended 31 December 2015

16. Life insurance contracts (continued)

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

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

Average asset mix		Equities	Property & Infrastructure	Fixed Interest	Cash
		%	%	%	%
31 December 2015					
Australia	AMP Life	26	13	39	22
New Zealand	AMP Life	34	17	42	7
31 December 2014					
Australia	AMP Life	25	13	40	22
New Zealand	AMP Life	34	17	42	7

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

(iii) Future participating benefits

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

Actual bonus declarations are determined to reflect, over time, the investment returns of the particular fund and other factors in the emerging experience and management of the business. These factors include:

- allowance for an appropriate degree of benefit smoothing
- reasonable expectations of policyholders
- equity between generations of policyholders applied across different classes and types of business
- ongoing 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 2014 in parentheses).

Reversionary bonus	Bonus on sum insured	Bonus on existing bonuses
	%	%
Australia	0.9 - 1.0 (0.7 - 0.9)	1.0 - 1.6 (0.9 - 1.2)
New Zealand	0.8 - 1.2 (0.6 - 0.9)	0.8 - 1.2 (0.6 - 0.9)

Terminal bonus

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

Crediting rates (investment account)

	%
Australia	0.3 - 5.5 (0.0 - 7.0)
New Zealand	3.1 - 7.1 (3.4 - 6.6)

(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 future CPI rates derived from the difference between long-term government bonds and indexed government bonds.

Notes to financial statements

for the year ended 31 December 2015

16. Life insurance contracts (continued)

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 2015	2.2 CPI	3.0 Expense	2.5 CPI	3.0 Expense
31 December 2014	2.3 CPI	3.0 Expense	2.5 CPI	3.0 Expense

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

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

Business type	31 December 2015		31 December 2014	
	Australia	New Zealand	Australia	New Zealand
	%	%	%	%
Conventional	1.7 - 4.1	1.1 - 1.7	2.1 - 3.0	1.1 - 1.9
Retail risk (lump sum)	12.1 - 16.4	12.0 - 13.0	12.1 - 17.1	12.0 - 14.0
Retail risk (income benefit)	9.1 - 19.1	11.4	9.1 - 19.6	11.4
Flexible Lifetime Super (FLS) risk	10.2 - 18.9	n/a	10.2 - 19.4	n/a
Investment account	n/a	n/a	n/a	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.

(ix) *Mortality and morbidity*

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

Rates of mortality assumed at 31 December 2015 are as follows:

- Conventional business mortality rates in Australia and New Zealand are based on IA95-97 with an allowance for future mortality improvements. These rates are unchanged from those assumed at 31 December 2014.
- Annuitant mortality rates are unchanged from those assumed at 31 December 2014.
- Retail risk mortality rates for AMP Life Australia have been strengthened for some business lines from those assumed at 31 December 2014. The rates are based on the Industry standard IA04-08 Death Without Riders table modified based on aggregated experience with overall product specific adjustment factors.
- Retail risk mortality rates for AMP Life New Zealand are based on Industry standard IA04-08 Death Without Riders table modified based on aggregated experience with overall product specific adjustment factors.

For TPD and Trauma business, the AMP Life retail risk products assumptions are based on the latest industry table IA04-08 modified based on aggregated experience with overall product specific adjustment factors.

For income protection business, the assumptions are based on the IAD89-93 standard table modified in both Australia and New Zealand with overall product specific adjustment factors. The adjustment factors include age, gender, occupation, waiting period, duration on claim, benefit band and benefit period.

Notes to financial statements

for the year ended 31 December 2015

16. Life insurance contracts (continued)

The mortality assumptions are summarised in the following table:

Conventional	Conventional - % of IA95-97	
	Male	Female
Australia	67.5	67.5
New Zealand	73.0	73.0

Risk Products	Retail Lump Sum - % of table	
	Male	Female
Australia ¹	86 - 118	86 - 118
New Zealand	100	82

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

Annuities	Male - % of IML00*	Female - % of IFL00*
Australia and New Zealand ¹	95.0	80.0

¹ Annuities tables modified for future mortality improvements.

Typical morbidity assumptions, in aggregate, are as follows:

Income protection	Incidence rates - % of IAD 89-93	Termination rates (ultimate)
Australia	49 - 138	44 - 75
New Zealand	45 - 67	57 - 78

Retail Lump Sum	Male % of IA04-08	Female % of IA04-08
Australia TPD ¹	140 - 155	177 - 196
Australia Trauma ²	105 - 110	105 - 121
New Zealand TPD ¹	150	190
New Zealand Trauma ²	114	114

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

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

The actuarial tables used were as follows:

IA95-97	A mortality table developed by the Institute of Actuaries of Australia based on Australian insured lives experience from 1995–1997. The table has been modified to allow for future mortality improvement.
IML00*/IFL00*	IML00 and IFL00 are mortality tables developed by the Institute and Faculty of Actuaries based on United Kingdom annuitant lives experience from 1999-2002. The tables refer to male and female lives respectively and incorporate factors that allow for mortality improvements since the date of the investigation. IML00* and IFL00* are these published tables amended for some specific AMP experience.
IA04-08 DTH	This was published by the Institute of Actuaries of Australia under the name A graduation of the 2004-2008 Lump Sum Investigation Data. We refer to this table as IA04-08. The table contains separate graduations for Smokers, Non Smokers, Males and Females and Death With and Without Riders.
IA04-08 TPD	This is the TPD graduation published in the same paper as above.
IA04-08 Trauma	This is the Trauma graduation published in the same paper as above.
IAD 89-93	A disability table developed by the Institute of Actuaries of Australia based on the Australian disability income experience for the period 1989-1993. This table has been extensively modified based on aggregate experience.

Notes to financial statements

for the year ended 31 December 2015

16. Life insurance contracts (continued)

(x) Impact of changes in assumptions

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

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

The impact on future profit margins of changes in assumptions from 31 December 2014 to 31 December 2015 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	Change in life insurance contract liabilities	Change in shareholders' profit and equity
	\$m	\$m	\$m
Non-market related changes to discount rates	6	-	-
Mortality and morbidity	(91)	-	-
Discontinuance rates	-	-	-
Maintenance expenses	28	-	-
Other assumptions ¹	8	-	-

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

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

(g) Insurance risk sensitivity analysis – life insurance contracts

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

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

Variable	Change in variable	Change in life insurance contract liabilities		Change in shareholder profit after income tax and equity	
		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	10% increase in incidence rates	15	11	(11)	(8)
Morbidity - disability income	10% decrease in recovery rates	36	29	(25)	(20)
Discontinuance rates	10% increase in discontinuance rates	-	-	-	-
Maintenance expenses	10% increase in maintenance expenses	-	-	-	-

Notes to financial statements

for the year ended 31 December 2015

16. Life insurance contracts (continued)

(h) Life insurance risk

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

The design of products carrying insurance risk is managed with an objective 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, including concentration risks, is managed by having a large geographically diverse portfolio of individual risks, underwriting and the use of reinsurance.

Underwriting is managed through a dedicated underwriting department, with formal underwriting limits and appropriate training and development of underwriting staff. Individual policies carrying insurance risk are underwritten on their merits and are generally not issued without having been examined and underwritten individually. Individual policies that 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 with an objective 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 reinsurance companies a proportion of its portfolio or certain types of insurance risk, including catastrophe. This serves primarily to:

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

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

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 following table 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.

Notes to financial statements

for the year ended 31 December 2015

16. Life insurance contracts (continued)

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

(i) Liquidity risk and future net cash outflows

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

	Up to 1 year	1 to 5 years	Over 5 years	Total
	\$m	\$m	\$m	\$m
2015	833	2,313	6,454	9,600
2014	687	1,845	7,017	9,549

Notes to financial statements

for the year ended 31 December 2015

17. Other life insurance and investment contracts disclosures

	2015 \$m	2014 \$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	411	412
- Profits (losses) arising from difference between actual and assumed experience	30	142
- Profits (losses) arising from changes in assumptions	23	(63)
Profit related to life insurance and investment contract liabilities	464	491
Attributable to:		
- Life insurance contracts	281	314
- Investment contracts	183	177
Profit related to life insurance and investment contract liabilities	464	491
Investment earnings on assets in excess of life insurance and investment contract liabilities	78	69

(b) Restrictions on assets in 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 as set out below:

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

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 17(d).

Notes to financial statements

for the year ended 31 December 2015

17. Other life insurance and investment contracts disclosures (continued)

	2015	2014
	\$m	\$m
(c) Capital guarantees		
Life insurance contracts with a discretionary participating feature		
- Amount of the liabilities that relate to guarantees	12,415	12,812
Investment linked contracts		
- Amount of the liabilities subject to investment performance guarantees	926	939
Other life insurance and investment contracts with a guaranteed termination value		
- Current termination value	90	97

(d) Capital requirements

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

In addition to the regulatory capital requirements, the company maintains a target surplus providing an additional capital buffer against adverse events. The company uses internal capital models to determine its target surplus, with the models reflecting the risks of the business, principally the risk of adverse asset movements relative to the liabilities and of worse than expected claims costs.

The excess of the company's capital base over the PCA as at 31 December 2015 was \$1,229m (2014: \$1,188m).

The appointed actuary has confirmed that the capital base of each life statutory fund and shareholder's fund have exceeded PCA at all times during 2015 and 2014.

Notes to financial statements

for the year ended 31 December 2015

17. Other life insurance and investment contracts disclosures (continued)

		No 1 Statutory Fund	No 2 Statutory Fund	No 3 Statutory Fund	Share- holder's Fund	Total
2015		\$m	\$m	\$m	\$m	\$m
Capital Base						
Net assets as per Life Insurance Act	A	2,140	202	6	948	3,296
- Common equity Tier 1 Capital		2,140	202	6	743	3,091
- Additional Tier 1 Capital		-	-	-	205	205
Total regulatory adjustments to net assets	B	(866)	-	-	(557)	(1,423)
- Total regulatory adjustments to Common equity Tier 1 Capital		(866)	-	-	(557)	(1,423)
Tier 2 Capital	C	170	45	-	-	215
Total regulatory adjustments to Tier 2 Capital	D	-	-	-	-	-
Total capital base	E(A+B+C+D)	1,444	247	6	391	2,088
Prescribed capital						
Insurance risk charge		21	-	-	-	21
Asset risk charge		467	50	-	7	524
Asset concentration risk charge		-	-	-	-	-
Operational risk charge		85	153	2	-	240
Less aggregation benefit		(17)	-	-	-	(17)
Combined stress scenario adjustment		91	-	-	-	91
Total Prescribed capital Amount (PCA)	F	647	203	2	7	859
Capital adequacy multiple	E/F	223%	122%	300%	5586%	243%
		No 1 Statutory Fund	No 2 Statutory Fund	No 3 Statutory Fund	Share- holder's Fund	Total
2014		\$m	\$m	\$m	\$m	\$m
Capital Base						
Net assets as per Life Insurance Act	A	2,127	200	7	907	3,241
- Common equity Tier 1 Capital		2,127	200	7	907	3,241
- Additional Tier 1 Capital		-	-	-	-	-
Total regulatory adjustments to net assets	B	(754)	3	-	(582)	(1,333)
- Total regulatory adjustments to Common equity Tier 1 Capital		(754)	3	-	(582)	(1,333)
- Total regulatory adjustments to Additional Tier 1 Capital		-	-	-	-	-
Tier 2 Capital	C	170	45	-	-	215
Total regulatory adjustments to Tier 2 Capital	D	-	-	-	-	-
Total capital base	E(A+B+C+D)	1,543	248	7	325	2,123
Prescribed capital						
Insurance risk charge		32	-	-	-	32
Asset risk charge		479	45	-	10	534
Asset concentration risk charge		-	-	-	-	-
Operational risk charge		87	152	2	-	241
Less aggregation benefit		(25)	-	-	-	(25)
Combined stress scenario adjustment		151	-	-	2	153
Total Prescribed capital Amount (PCA)	F	724	197	2	12	935
Capital adequacy multiple	E/F	213%	126%	350%	2708%	227%

Notes to financial statements

for the year ended 31 December 2015

17. Other life insurance and investment contracts disclosures (continued)

(e) Actuarial information

Mr Anton Kapel, 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 16.

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

(f) Amounts which may be recovered or settled within 12 months after the reporting date

Based on assumptions as to likely withdrawal patterns of the various product groups, it is estimated that approximately \$11,825m (2014: \$11,529m) of policy liabilities may be settled within 12 months of the reporting date.

Notes to financial statements

for the year ended 31 December 2015

17. Other life insurance and investment contracts disclosures (continued)

(g) Disaggregated information

(i) Statement of comprehensive income by statutory fund and shareholders' fund

	No 1 Statutory Fund \$m	No 2 Statutory Fund \$m	No 3 Statutory Fund \$m	Share- holder's Fund \$m	Total \$m
2015					
Income and expenses of policyholders and the shareholder					
Insurance premium and related revenue	1,317	-	-	-	1,317
Fee revenue	24	1,040	10	46	1,120
Other revenue	-	-	-	13	13
Investment gains and (losses)	1,359	3,842	36	4	5,241
Share of profit of associates accounted for using the equity method	6	-	-	-	6
Insurance claims and related expenses	(1,286)	-	-	-	(1,286)
Operating expenses	(552)	(795)	(7)	(15)	(1,369)
Finance costs	(20)	(3)	-	-	(23)
Change in policyholder liabilities					
- Life insurance contracts	(216)	-	-	-	(216)
- Investment contracts	(74)	(3,954)	(29)	-	(4,057)
Profit before income tax	558	130	10	48	746
Income tax (expense) / credit	(211)	61	(5)	(16)	(171)
Net profit for the year	347	191	5	32	575

	No 1 Statutory Fund \$m	No 2 Statutory Fund \$m	No 3 Statutory Fund \$m	Share- holder's Fund \$m	Total \$m
2014					
Income and expenses of policyholders and the shareholder					
Insurance premium and related revenue	1,317	-	-	-	1,317
Fee revenue	29	1,022	10	46	1,107
Other revenue	1	-	-	-	1
Investment gains and (losses)	2,517	5,725	64	63	8,369
Insurance claims and related expenses	(1,308)	-	-	-	(1,308)
Operating expenses	(587)	(827)	(6)	14	(1,406)
Finance costs	(34)	-	-	-	(34)
Change in policyholder liabilities					
- Life insurance contracts	(997)	-	-	-	(997)
- Investment contracts	(111)	(5,535)	(48)	-	(5,694)
Profit before income tax	827	385	20	123	1,355
Income tax (expense) / credit	(458)	(201)	(13)	(19)	(691)
Net profit for the year	369	184	7	104	664

Notes to financial statements

for the year ended 31 December 2015

17. Other life insurance and investment contracts disclosures (continued)

(g) Disaggregated information (continued)

(ii) Statement of financial position by statutory fund and shareholders' fund

	No 1 Statutory Fund \$m	No 2 Statutory Fund \$m	No 3 Statutory Fund \$m	Share- holder's Fund \$m	Elimina- tions \$m	Total \$m
2015						
Assets						
Investments in financial assets	21,380	62,934	665	154	-	85,133
Investment property	147	-	-	-	-	147
Other assets	3,859	428	7	808	(511)	4,591
Total assets of policyholders and the shareholder	25,386	63,362	672	962	(511)	89,871
Liabilities						
Life insurance contract liabilities	17,979	-	-	-	-	17,979
Investment contract liabilities	2,672	61,307	615	-	-	64,594
Other liabilities	2,595	1,853	51	14	(511)	4,002
Total liabilities of policyholders and the shareholder	23,246	63,160	666	14	(511)	86,575
Net assets	2,140	202	6	948	-	3,296
Equity						
Contributed equity	158	173	-	608	-	939
Reserves	92	-	-	(13)	-	79
Retained earnings	1,890	29	6	353	-	2,278
Total equity	2,140	202	6	948	-	3,296

Notes to financial statements

for the year ended 31 December 2015

17. Other life insurance and investment contracts disclosures (continued)

(g) Disaggregated information (continued)

(ii) Statement of financial position by statutory fund and shareholders' fund (continued)

	No 1 Statutory Fund \$m	No 2 Statutory Fund \$m	No 3 Statutory Fund \$m	Share- holder's Fund \$m	Elimina- tions \$m	Total \$m
2014						
Assets						
Investments in financial assets	22,342	59,477	697	119	-	82,635
Investment property	77	-	-	-	-	77
Other assets	3,865	366	4	799	(328)	4,706
Total assets of policyholders and the shareholder	26,284	59,843	701	918	(328)	87,418
Liabilities						
Life insurance contract liabilities	18,282	-	-	-	-	18,282
Investment contract liabilities	2,899	57,914	629	-	-	61,442
Other liabilities	2,976	1,729	65	11	(328)	4,453
Total liabilities of policyholders and the shareholder	24,157	59,643	694	11	(328)	84,177
Net assets	2,127	200	7	907	-	3,241
Equity						
Contributed equity	158	173	-	580	-	911
Reserves	92	-	-	(13)	-	79
Retained earnings	1,877	27	7	340	-	2,251
Total equity	2,127	200	7	907	-	3,241

Notes to financial statements

for the year ended 31 December 2015

17. Other life insurance and investment contracts disclosures (continued)

(g) Disaggregated information (continued)

(iii) Retained earnings by statutory fund and shareholders' fund

	No 1 Statutory Fund \$m	No 2 Statutory Fund \$m	No 3 Statutory Fund \$m	Share- holder's Fund \$m	Total \$m
2015					
Opening retained earnings	1,877	27	7	340	2,251
Net profit	347	191	5	32	575
Transfers between statutory and shareholders' funds	(334)	(189)	(6)	529	-
Dividends and distributions paid	-	-	-	(548)	(548)
Closing retained earnings	1,890	29	6	353	2,278

	No 1 Statutory Fund \$m	No 2 Statutory Fund \$m	No 3 Statutory Fund \$m	Share- holder's Fund \$m	Total \$m
2014					
Opening retained earnings	1,609	20	9	273	1,911
Net profit	369	184	7	104	664
Transfers between statutory and shareholders' funds	(101)	(177)	(9)	287	-
Dividends paid	-	-	-	(324)	(324)
Closing retained earnings	1,877	27	7	340	2,251

(iv) Contributed equity by statutory fund and shareholders' fund

	No 1 Statutory Fund \$m	No 2 Statutory Fund \$m	No 3 Statutory Fund \$m	Share- holder's Fund \$m	Total \$m
2015					
Opening contributed equity	158	173	-	580	911
Return of ordinary share capital	-	-	-	(190)	(190)
Issue of share capital	-	-	-	13	13
Capital Notes issued	-	-	-	205	205
Closing contributed equity	158	173	-	608	939

	No 1 Statutory Fund \$m	No 2 Statutory Fund \$m	No 3 Statutory Fund \$m	Share- holder's Fund \$m	Total \$m
2014					
Opening contributed equity	158	173	-	580	911
Closing contributed equity	158	173	-	580	911

Notes to financial statements

for the year ended 31 December 2015

17. Other life insurance and investment contracts disclosures (continued)

(g) Disaggregated information (continued)

(v) Statement of comprehensive income by non-investment linked and investment linked

2015	Non- Investment Linked ⁽¹⁾ \$m	Investment Linked \$m	Total Statutory Funds \$m	Share- holder's Fund \$m	Total \$m
Income and expenses of policyholders and the shareholder					
Insurance premium and related revenue	1,317	-	1,317	-	1,317
Fee revenue	24	1,050	1,074	46	1,120
Other revenue	-	-	-	13	13
Investment gains and (losses)	1,359	3,878	5,237	4	5,241
Share of profit of associates accounted for using the equity method	6	-	6	-	6
Insurance claims and related expenses	(1,286)	-	(1,286)	-	(1,286)
Operating expenses	(552)	(802)	(1,354)	(15)	(1,369)
Finance costs	(20)	(3)	(23)	-	(23)
Change in policyholder liabilities					
- Life insurance contracts	(216)	-	(216)	-	(216)
- Investment contracts	(74)	(3,983)	(4,057)	-	(4,057)
Profit before income tax	558	140	698	48	746
Income tax (expense) / credit	(211)	56	(155)	(16)	(171)
Net profit for the year	347	196	543	32	575

2014	Non- Investment Linked ⁽¹⁾ \$m	Investment Linked \$m	Total Statutory Funds \$m	Share- holder's Fund \$m	Total \$m
Income and expenses of policyholders and the shareholder					
Insurance premium and related revenue	1,317	-	1,317	-	1,317
Fee revenue	29	1,032	1,061	46	1,107
Other revenue	1	-	1	-	1
Investment gains and (losses)	2,517	5,789	8,306	63	8,369
Insurance claims and related expenses	(1,308)	-	(1,308)	-	(1,308)
Operating expenses	(587)	(833)	(1,420)	14	(1,406)
Finance costs	(34)	-	(34)	-	(34)
Change in policyholder liabilities					
- Life insurance contracts	(997)	-	(997)	-	(997)
- Investment contracts	(111)	(5,583)	(5,694)	-	(5,694)
Profit before income tax	827	405	1,232	123	1,355
Income tax (expense) / credit	(458)	(214)	(672)	(19)	(691)
Net profit for the year	369	191	560	104	664

(1) The "investment linked" and "non-investment linked" classifications refer to the primary business of the individual statutory funds. Some investment linked business exists within the No.1 statutory fund through consolidation of the company's New Zealand Branch.

Notes to financial statements

for the year ended 31 December 2015

17. Other life insurance and investment contracts disclosures (continued)

(g) Disaggregated information (continued)

(vi) Statement of financial position by non-investment linked and investment linked

2015	Non- Investment Linked ¹ \$m	Investment Linked \$m	Total Statutory Funds \$m	Share- holder's Fund \$m	Elim \$m	Total \$m
Assets						
Investments in financial assets	21,380	63,599	84,979	154	-	85,133
Investment property	147	-	147	-	-	147
Other assets	3,859	435	4,294	808	(511)	4,591
Total assets of policyholders and the shareholder	25,386	64,034	89,420	962	(511)	89,871
Liabilities						
Life insurance contract liabilities	17,979	-	17,979	-	-	17,979
Investment contract liabilities	2,672	61,922	64,594	-	-	64,594
Other liabilities	2,595	1,904	4,499	14	(511)	4,002
Total liabilities of policyholders and the shareholder	23,246	63,826	87,072	14	(511)	86,575
Net assets	2,140	208	2,348	948	-	3,296
Equity						
Contributed equity	158	173	331	608	-	939
Reserves	92	-	92	(13)	-	79
Retained earnings	1,890	35	1,925	353	-	2,278
Total equity	2,140	208	2,348	948	-	3,296

¹The "investment linked" and "non-investment linked" classifications refer to the primary business of the individual statutory funds. Some investment linked business exists within the No.1 statutory fund through consolidation of the company's New Zealand Branch.

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for the year ended 31 December 2015

17. Other life insurance and investment contracts disclosures (continued)

(g) Disaggregated information (continued)

(vi) Statement of financial position by non-investment linked and investment linked (continued)

2014	Non- Investment Linked ¹ \$m	Investment Linked \$m	Total Statutory Funds \$m	Share- holder's Fund \$m	Elim \$m	Total \$m
Assets						
Investments in financial assets	22,342	60,174	82,516	119	-	82,635
Investment property	77	-	77	-	-	77
Other assets	3,865	370	4,235	799	(328)	4,706
Total assets of policyholders and the shareholder	26,284	60,544	86,828	918	(328)	87,418
Liabilities						
Life insurance contract liabilities	18,282	-	18,282	-	-	18,282
Investment contract liabilities	2,899	58,543	61,442	-	-	61,442
Other liabilities	2,976	1,794	4,770	11	(328)	4,453
Total liabilities of policyholders and the shareholder	24,157	60,337	84,494	11	(328)	84,177
Net assets	2,127	207	2,334	907	-	3,241
Equity						
Contributed equity	158	173	331	580	-	911
Reserves	92	-	92	(13)	-	79
Retained earnings	1,877	34	1,911	340	-	2,251
Total equity	2,127	207	2,334	907	-	3,241

¹The "investment linked" and "non-investment linked" classifications refer to the primary business of the individual statutory funds. Some investment linked business exists within the No.1 statutory fund through consolidation of the company's New Zealand Branch.

Notes to financial statements

for the year ended 31 December 2015

17. Other life insurance and investment contracts disclosures (continued)

(g) Disaggregated information (continued)

(vii) Retained earnings by non-investment linked and investment linked

	Non- Investment Linked ¹	Investment Linked	Total Statutory Funds	Shareholder's Fund	Total
2015	\$m	\$m	\$m	\$m	\$m
Opening retained earnings	1,877	34	1,911	340	2,251
Net profit	347	196	543	32	575
Transfers between statutory and shareholders' funds	(334)	(195)	(529)	529	-
Dividends and distributions paid	-	-	-	(548)	(548)
Closing retained earnings	1,890	35	1,925	353	2,278

	Non- Investment Linked ¹	Investment Linked	Total Statutory Funds	Shareholder's Fund	Total
2014	\$m	\$m	\$m	\$m	\$m
Opening retained earnings	1,609	29	1,638	273	1,911
Net profit	369	191	560	104	664
Transfers between statutory and shareholders' funds	(101)	(186)	(287)	287	-
Dividends paid	-	-	-	(324)	(324)
Closing retained earnings	1,877	34	1,911	340	2,251

¹The "investment linked" and "non-investment linked" classifications refer to the primary business of the individual statutory funds. Some investment linked business exists within the No.1 statutory fund through consolidation of the company's New Zealand Branch.

(viii) Contributed equity by non-investment linked and investment linked

	Non- Investment Linked ¹	Investment Linked	Total Statutory Funds	Shareholder's Fund	Total
2015	\$m	\$m	\$m	\$m	\$m
Opening contributed equity	158	173	331	580	911
Return of ordinary share capital	-	-	-	(190)	(190)
Issue of share capital	-	-	-	13	13
Capital Notes issued	-	-	-	205	205
Closing contributed equity	158	173	331	608	939

	Non- Investment Linked ¹	Investment Linked	Total Statutory Funds	Shareholder's Fund	Total
2014	\$m	\$m	\$m	\$m	\$m
Opening contributed equity	158	173	331	580	911
Return of capital	-	-	-	-	-
Closing contributed equity	158	173	331	580	911

¹The "investment linked" and "non-investment linked" classifications refer to the primary business of the individual statutory funds. Some investment linked business exists within the No.1 statutory fund through consolidation of the company's New Zealand Branch.

Notes to financial statements

for the year ended 31 December 2015

18. Risk management and financial instruments disclosures

(a) Financial risk management

Financial risk management (FRM) in AMP Life is conducted as part of AMP group's enterprise risk management framework. The Risk Committee, supported by the Group Asset and Liability Committee (Group ALCO), is responsible for ensuring financial risks are appropriately managed.

Risks and mitigation

Financial risks arising in AMP Life include market risk (investment risk, interest rate risk, foreign exchange risk, currency risk, property risk, and equity price risk); liquidity and refinancing risk; and credit risk. These risks are managed according to the Enterprise Risk Management Policy and individual policies for each risk category. This financial risk management includes the use of derivative financial instruments such as cross-currency and interest rate swaps, forward rate agreements, futures, options and foreign currency contracts to hedge risk exposures arising from changes in interest rates and foreign exchange rates.

Financial risk management includes decisions made about the allocation of investment assets across asset classes and/or markets and the management of risks within these asset classes. Financial risk for investments in AMP Life is managed by reference to the probability of loss relative to expected income over a one-year time horizon at a 90% confidence level (profit at risk). In respect of investments held in the shareholder fund and in the life statutory funds, the loss tolerance over the discretionary investments is set at a low level because AMP has equity market exposure in its businesses (for example through fees on assets under management).

Market risk is the risk that the fair value of assets and liabilities, or future 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 arises from the management of insurance contracts and investment of shareholder capital including investments in equities, property, interest bearing investments and borrowings.

(b) Market risk sensitivity analysis

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

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

(i) Interest rate risk

Interest rate risk is the risk of an impact on AMP Life'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. as discussed in Note 16 (b), AMP Life conducts its wealth management and life insurance business through separate life statutory funds. Investment assets of the life statutory funds including interest-bearing financial assets are held to back investment contract liabilities, life insurance contract liabilities, retained profits and capital.

The interest rate risk of AMP Life 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 capital adequacy requirements, including holding statutory reserves to cater for interest rate risk to the extent that assets are not matched against liabilities.

AMP Life 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 capital as advised by the appointed actuary.

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.

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18. Risk management and financial instruments disclosures (continued)

Change in variables	2015		2014	
	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
+ 100 basis points	(26)	(26)	(21)	(21)
- 100 basis points	26	26	19	19

(ii) Currency risk

Currency risk is the risk of an impact on AMP Life's profit after tax and equity from movements in foreign exchange rates. Changes in value would occur in respect of translating AMP Life'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).

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

Currency risk sensitivity analysis

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

Change in variables	2015		2014	
	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	4	36	2	32
10% appreciation of AUD	(4)	(30)	(3)	(27)

(iii) Equity price risk

Equity price risk is the risk of an impact on AMP Life's profit after tax and equity from movements in equity prices. AMP Life measures equity securities at fair value through profit or loss. Group Treasury may, with Group ALCO approval, use equity exposures or equity futures or options to hedge other enterprise-wide equity exposures.

Equity price risk sensitivity analysis

The analysis demonstrates the impact of a 10 % movement in Australian and International equities held at the reporting date. This sensitivity analysis has been performed to assess the direct risk of holding equity instruments. Any potential indirect impact on fees from AMP Life's investment linked business is not included.

Change in variables	2015		2014	
	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	7	7	5	5
10% increase in International equities	6	6	6	6
10% decrease in Australian equities	(7)	(7)	(6)	(6)
10% decrease in International equities	(6)	(6)	(7)	(7)

Notes to financial statements

for the year ended 31 December 2015

18. Risk management and financial instruments disclosures (continued)

(c) Liquidity and refinancing risk

Liquidity risk is the risk that the AMP Life is not able to meet its debt obligations or other cash outflows as they fall due because of an inability to liquidate assets or obtain adequate funding when required. Refinancing risk is the risk that AMP Life is not able to refinance the full quantum of its ongoing debt requirements on appropriate terms and pricing.

The following table summarises the maturity profiles of AMP Life'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 liabilities¹

	Up to 1 Year or no term \$m	1 to 5 Years \$m	More than 5 Years \$m	Other ² \$m	Total \$m
2015					
Non-derivative financial liabilities¹					
Payables	1,188	-	-	-	1,188
Borrowings	541	-	-	-	541
Subordinated debt	11	236	-	-	247
Investment contract liabilities ²	812	812	1,252	62,025	64,901
Total undiscounted financial liabilities³	2,552	1,048	1,252	62,025	66,877
2014					
Non-derivative financial liabilities¹					
Payables	994	-	-	-	994
Borrowings	549	-	-	-	549
Subordinated debt	12	250	-	-	262
Investment contract liabilities ²	963	846	1,274	58,543	61,626
Total undiscounted financial liabilities³	2,518	1,096	1,274	58,543	63,431

1 The table provides maturity analysis of AMP Life financial liabilities and non-linked investment contracts including term annuities.

2 Investment contract liabilities are liabilities to policyholders for investment linked business linked to the performance and value of assets that back those liabilities. If all those policyholders claimed their funds, there may be some delays in settling the liability as assets are liquidated, but the shareholder has no direct exposure to any liquidity risk.

3 Estimated net cash outflow profile of life insurance contract liabilities is disclosed in Note 17 and are excluded from the above table.

(d) Credit risk

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

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

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

Notes to financial statements

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18. Risk management and financial instruments disclosures (continued)

(i) Exposure to credit risk

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

	2015	2014
	\$m	\$m
AAA	3,348	3,758
AA- to AA+	6,623	5,649
A- to A+	2,347	2,863
BBB- to BBB+	1,710	1,514
BB+ and below	-	225
Total financial assets with credit risk exposure managed by AMP Treasury	14,028	14,009

(ii) 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:

	2015	2014
	\$m	\$m
Cumulative adjustment	8	9
Change during the period	(1)	(2)

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.

(iii) Collateral

AMP Life enters into debt security repurchase agreements and part of the agreement includes the receipt of collateral which is required to be returned to the counterparty on settlement.

(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 Statement of comprehensive income unless they are designated as a cash flow hedge, as set out in note 1(o).

(i) Derivative transactions undertaken by AMP Life as part of life insurance operations

AMP Life uses derivative financial instruments including financial futures, forward foreign exchange contracts, exchange traded and other options and forward rate agreements to hedge the impact of market movements on the value of assets in the investment portfolios, and to effect a change in the asset mix of investment portfolios.

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

(ii) Risk relating to derivative financial instruments

The market risk of derivatives is managed and controlled as an integral part of the financial risk of the AMP group. The credit risk of derivatives is also managed in the context of the AMP group's overall credit risk policies.

In 2014 AMP Life entered into an agreement to acquire 19.99% of China Life Pension Company. AMP Life entered into a hedging relationship, at the time the transaction became highly probable, which qualified as a cash flow hedge. The transaction settled for RMB 1,359m in January 2015 for a net outflow of \$238m.

Notes to financial statements

for the year ended 31 December 2015

18. Risk management and financial instruments disclosures (continued)

(f) Master netting or similar agreements

(i) Derivative financial assets and liabilities

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

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

As at 31 December 2015, if these netting arrangements were applied to the derivative portfolio, the derivative assets of \$272m would be reduced by \$30m to the net amount of \$242m and derivative liabilities of \$176m would be reduced by \$30m to the net amount of \$146m (31 December 2014: derivative assets of \$325m would be reduced by \$50m to the net amount of \$275m and derivative liabilities of \$204m would be reduced by \$50m to the net amount of \$154m).

(ii) Repurchase Agreements

Included within debt securities are assets held to back the liability for collateral deposits held in respect of debt security repurchase arrangements entered into by the life entities' statutory funds. Collateral deposits held includes the obligation to repay collateral held in respect of debt security repurchase arrangements entered into. As at 31 December 2015, if repurchase arrangements were netted, debt securities of \$9,582m would be reduced by \$27m to the net amount of \$9,555m and collateral deposits held of \$27m would be reduced by \$27m to the net amount of nil (31 December 2014: debt securities of \$9,364m would be reduced by \$443m to the net amount of \$8,921m and collateral deposits held of \$443m would be reduced by \$443m to the net amount of nil).

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19. Fair value information

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

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

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

Level 3: Valued in whole or in part using valuation techniques or models that are based on unobservable inputs that are neither supported by prices from observable current market transactions in the same instrument nor based on available market data. Unobservable inputs are determined based on the best information available, which might include the company's own data, reflecting the company'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.

Notes to financial statements

for the year ended 31 December 2015

19. Fair value information (continued)

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

2015	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total fair value \$m
Assets				
Measured at fair value on a recurring basis				
Equity securities and listed managed investment schemes	9,336	-	156	9,492
Debt securities	1	9,552	29	9,582
Investments in unlisted managed investment schemes	-	65,696	20	65,716
Derivative financial assets	122	150	-	272
Other financial assets	-	1	8	9
Investment property	-	-	147	147
Total financial assets measured at fair value on a recurring basis	9,459	75,399	360	85,218
Liabilities				
Measured at fair value on a recurring basis				
Borrowings	-	541	-	541
Collateral deposits held	-	27	-	27
Derivative financial liabilities	93	83	-	176
Investment contract liabilities	-	2,346	62,248	64,594
Total financial liabilities measured at fair value on a recurring basis	93	2,997	62,248	65,338
2014				
	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total fair value \$m
Assets				
Measured at fair value on a recurring basis				
Equity securities and listed managed investment schemes	10,542	1	159	10,702
Debt securities	-	9,326	38	9,364
Investments in unlisted managed investment schemes	-	62,124	27	62,151
Derivative financial assets	110	215	-	325
Other financial assets	-	-	9	9
Investment property	-	-	77	77
Total financial assets measured at fair value on a recurring basis	10,652	71,666	310	82,628
Liabilities				
Measured at fair value on a recurring basis				
Borrowings	-	549	-	549
Collateral deposits held	443	-	-	443
Derivative financial liabilities	96	108	-	204
Investment contract liabilities	-	2,502	58,940	61,442
Total financial liabilities measured at fair value on a recurring basis	539	3,159	58,940	62,638

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19. Fair value 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 year	FX gains or losses ²	Total gains/ (losses) ^{2,4}	Purchases/ deposits	Sales/ (with- drawals)	Net transfers in/(out) ^{1,3}	Balance at the end of the year	Total gains and losses on assets and liabilities held at reporting date
2015	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Assets classified as level 3⁵								
Equity securities and listed managed investment	159	-	(2)	19	(20)	-	156	(2)
Debt Securities	38	-	(1)	-	(8)	-	29	(1)
Investments in unlisted managed investment	27	-	(6)	-	(1)	-	20	3
Other financial assets	9	-	-	-	(1)	-	8	-
Total financial assets	233	-	(9)	19	(30)	-	213	0
Liabilities								
Investment contract liabilities	58,940	(1)	2,948	11,340	(10,979)	-	62,248	2,607
Total financial liabilities	58,940	(1)	2,948	11,340	(10,979)	-	62,248	2,607
2014								
Assets classified as level 3⁵								
Equity securities and listed managed investment	154	-	6	-	(1)	-	159	6
Debt Securities	56	-	(6)	-	(12)	-	38	(3)
Investments in unlisted managed investment	75	-	(28)	-	-	(20)	27	(28)
Other financial assets	-	-	-	-	-	9	9	-
Total financial assets	285	-	(28)	-	(13)	(11)	233	(25)
Liabilities								
Investment contract liabilities	57,556	4	4,580	11,157	(14,357)	-	58,940	4,278
Total financial liabilities	57,556	4	4,580	11,157	(14,357)	-	58,940	4,278

1 AMP Life recognises transfers as at the end of the reporting period during which the transfer has occurred. Transfers are recognised when there are changes in the observability of the pricing of the relevant securities.

2 Gains and losses are classified in investment gains and losses or change in policyholder liabilities in the Statement of comprehensive income.

3 Transfers out primarily relate to changes in the observability of pricing of AMP Life's investment in an unlisted managed investment scheme. There have been no significant transfers from Level 1 to Level 2 or vice versa.

Notes to financial statements

for the year ended 31 December 2015

19. Fair value information (continued)

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

2015	Carrying amount ^{1,2} \$m	Effect of reasonably possible alternative assumptions ³		Valuation Technique	Key Unobservable inputs
		(+) \$m	(-) \$m		
Assets					
Equity securities and listed managed investment schemes	156	6	(6)	Discounted cash flow approach utilising cost of equity as the discount rate.	Discount rate Terminal value growth rate Cash flow forecasts
Debt securities	29	-	-	Discounted cash flow approach	Discount rate Cash flow forecasts
Investments in unlisted managed investment schemes	20	-	-	Published redemption prices	Valuation of the unlisted managed investment schemes. Suspension of redemptions of the managed investment schemes
Other financial assets	8	-	-		
Financial assets	213	6	(6)		
Liabilities					
Investment contract liabilities	62,248	3	(3)	Valuation model based on published unit prices and the fair value of backing assets	Fair value of financial instruments Cash flow forecasts Credit risk
Financial liabilities	62,248	3	(3)		

2014	Carrying amount \$m	Effect of reasonably possible alternative assumptions		Valuation Technique	Key Unobservable inputs
		(+) \$m	(-) \$m		
Assets					
Equity securities and listed managed investment schemes	159	6	(6)	Discounted cash flow approach utilising cost of equity as the discount rate.	Discount rate Terminal value growth rate Cash flow forecasts
Debt securities	38	-	-	Discounted cash flow approach	Discount rate Cash flow forecasts
Investments in unlisted managed investment schemes	27	-	-	Published redemption prices	Valuation of the unlisted managed investment schemes. Suspension of redemptions of the managed investment schemes
Other financial assets	9	-	-		
Financial assets	233	6	(6)		
Liabilities					
Investment contract liabilities	58,940	5	(5)	Valuation model based on published unit prices and the fair value of backing assets	Fair value of financial instruments Cash flow forecasts Credit risk
Financial liabilities	58,940	5	(5)		

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

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

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

Financial asset valuation process

For financial assets categorised within Level 3 of the fair value hierarchy, the valuation processes applied in valuing such assets is governed by the AMP Capital Asset Valuation Policy. This policy outlines the asset valuation methodologies and processes applied to measure non-exchange traded assets which have no regular market price, including investment property, infrastructure, private equity, alternative assets, and Illiquid Debt Securities. All significant Level 3 assets are referred to the appropriate valuation committee who meet at least every 6 months, or more frequently if required.

Notes to financial statements

for the year ended 31 December 2015

20. Capital management

AMP Life and its subsidiaries hold capital to protect customers, creditors and shareholders against unexpected losses to a level that is consistent with AMP's risk appetite, approved by the board.

AMP Life and its subsidiaries assess the adequacy of its capital requirements against regulatory capital requirements. AMP Life is an operating entity within the AMP group and is an APRA regulated company. Controlled entities of AMP Life also include an APRA regulated approved superannuation trustee (RSE) and companies that hold Australian Financial Services Licences (AFSL).

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 aims to optimise the mix of capital resources to minimise the cost of capital and maximise shareholder value.

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

- AMP Life – Capital adequacy requirements as specified under the Life Act and APRA Life Insurance Prudential Standards. This applies to the company as a whole, and each statutory fund of the company.
- Controlled entities of AMP Life that hold an AFSL and RSE license – capital and liquidity requirements under the appropriate AFSL and APRA Superannuation Prudential Standards.

AMP Life and its subsidiaries have at all times during the current and prior financial year complied with the externally imposed capital requirements to which they are subject.

AMP Life has a Board approved minimum capital target above APRA requirements, with additional capital targets held above this amount. The capital target above the Board minimum has been set to a less than 10% probability of capital resources falling below the Board minimum over a 12 month period. In addition, the participating business of the life insurance companies is managed to target a very high level of confidence that the business is self-supporting and that there are sufficient assets to support policyholder liabilities.

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21. Notes to statement of cash flows

	2015	2014
	\$m	\$m
(a) Reconciliation of the net profit after income tax to cash flows from operating activities		
Net profit for the year	575	664
Depreciation of operating assets	8	6
Investment gains and losses	(914)	(3,816)
Dividend and distribution income reinvested	(3,197)	(2,656)
Additions to PPE	(20)	(13)
(Increase) decrease in receivables and other assets	(45)	171
Increase in net policy liabilities	2,849	1,421
Increase in income tax balances	(151)	853
(Decrease) increase in other payables	192	(172)
Cash flows (used in) from operating activities	(703)	(3,542)
	2015	2014
	\$m	\$m
(b) Reconciliation of cash		
Cash and cash equivalents for the purposes of the Statement of financial position	2,721	3,143
Short term bills and notes (included in Debt securities)	1,054	436
Cash and cash equivalents for the purposes of the Statement of cash flows	3,775	3,579

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22. Investments in controlled entities

Controlled entities of the statutory funds are as follows:

Name of entity	Country of Incorporation	Share type	Footnote	% Holdings	
				2015	2014
140 St Georges Terrace Trust	Australia			100	100
255 George Street Investment A Pty Ltd	Australia	Ord		100	100
255 George Street Investment B Pty Ltd	Australia	Ord		100	100
35 Ocean Keys Pty Limited	Australia	Ord		100	100
Abbey Capital Real Estate Pty Limited	Australia	Ord		100	100
ACPP Holding Trust	Australia			100	100
ACPP Industrial Trust	Australia			100	100
ACPP Retail Trust	Australia			100	100
Active Quant Share Fund	Australia			91	91
AFS Alternative Fund 1	Australia			100	100
AFS Alternative Fund 2	Australia			100	-
AFS Australian Share Fund 10	Australia			100	-
AFS Australian Share Fund 8	Australia			100	100
AFS Australian Share Fund 9	Australia			100	-
AFS Extended Alpha Fund (formerly AMP Capital Sustainable Extended Alpha Fund)	Australia			100	100
AFS International Share Fund 1	Australia		2	-	62
Aged Care Investment Services No.1 Pty Limited	Australia	Ord		100	100
Aged Care Investment Services No.2 Pty Limited	Australia	Ord		100	100
Aged Care Investment Trust No.1	Australia			100	81
Aged Care Investment Trust No.2	Australia			100	81
Aggressive Enhanced Index Fund	Australia			100	100
AHGI Martineau Fund	Australia			100	100
AHGI Martineau Galleries Fund	Australia			100	100
Allmarg Corporation Limited	New Zealand	Ord		100	100
AMP Australian Fixed Interest Index Fund	Australia		1	54	-
AMP Australian Property Index Fund	Australia		1,3	46	41
AMP Balanced Enhanced Index Fund	Australia			100	100
AMP Capital 1950s Fund	Australia			96	100
AMP Capital 1960s Fund	Australia			97	100
AMP Capital 1970s Fund	Australia			97	100
AMP Capital 1980s Fund	Australia			95	100
AMP Capital 1990s Fund	Australia			90	100
AMP Capital Absolute Return - Passive Fund	Australia			92	96
AMP Capital Alternative Defensive Fund	Australia		2	-	94
AMP Capital Alternative Defensive Fund - Delayed Redemption	Australia			98	98
AMP Capital Asia ex-Japan Fund	Australia			100	100
AMP Capital Asia Local Currency Bond Fund	Australia		2	-	100
AMP Capital Asia Quant Fund	Australia		1	100	-

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22. Investments in controlled entities (continued)

Name of entity	Country of Incorporation	Share type	Footnote	% Holdings	
				2015	2014
AMP Capital Asian Equity Growth Fund	Australia			94	91
AMP Capital Australian Equity Concentrated Fund	Australia			76	76
AMP Capital Australian Equity Income Fund	Australia			59	85
AMP Capital Australian Equity Index Fund	Australia			51	54
AMP Capital Australian Equity Long Short Fund	Australia		1	94	-
AMP Capital Australian Equity Opportunities Fund	Australia		2	-	66
AMP Capital China Growth Fund	Australia		3	34	38
AMP Capital Credit Strategies Fund	Australia			92	90
AMP Capital Direct Property Fund	Australia			100	100
AMP Capital Diversified Balanced Fund	Australia			100	100
AMP Capital Dynamic Balanced Fund	Australia			100	-
AMP Capital Extended Multi-Asset Fund	Australia			65	66
AMP Capital Global Equities Sector Rotation Fund	Australia		2	-	59
AMP Capital Global Infrastructure Securities Fund (Hedged)	Australia			93	83
AMP Capital Global Infrastructure Securities Fund (Unhedged)	Australia			89	88
AMP Capital Greater China Equity Growth Fund	Australia			99	100
AMP Capital Infrastructure Trust 1	Australia			56	100
AMP Capital Investments No. 14 Limited	New Zealand	Ord A & B, Pref		100	100
AMP Capital Investments No. 2 Limited	New Zealand	Ord A & B, Pref		100	100
AMP Capital Investments No. 8 Limited	New Zealand	Ord A & B, Pref		100	100
AMP Capital Macro Strategies Fund	Australia			81	100
AMP Capital New Zealand Shares Index Fund	New Zealand		2	-	33
AMP Capital Shell Fund 3	Australia			98	100
AMP Capital Specialist Australian Small Companies Fund	Australia			93	91
AMP Capital Specialist Diversified Fixed Income Fund	Australia			83	91
AMP Capital Stable Fund	Australia			83	100
AMP Capital Sustainable Share Fund	Australia			72	75
AMP CMBS No. 1 Pty Limited	Australia	Ord		100	100
AMP CMBS No. 2 Pty Limited	Australia	Ord		100	100
AMP Conservative Enhanced Equity Fund	Australia		1	98	-
AMP Global Property Investments Pty Ltd	Australia	Ord		100	100
AMP International Equity Index Fund	Australia		1	62	-
AMP International Fixed Interest Index Fund Hedged	Australia			66	65
AMP Life (NZ) Investments Holdings Limited	New Zealand	Ord		100	100
AMP Life (NZ) Investments Limited	New Zealand	Ord		100	100
AMP Life Cash Management Trust	Australia			100	100
AMP Private Capital Trust No.9	Australia			100	100
AMP Property Investments (Qld) Pty. Ltd.	Australia	Ord		100	100
AMP Shareholder Cash Fund	Australia			70	82
AMP Shareholder Fixed Interest Fund	Australia		2	-	73

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22. Investments in controlled entities (continued)

Name of entity	Country of Incorporation	Share type	Footnote	% Holdings	
				2015	2014
AMP Smaller Companies Fund	Australia		1	62	-
AMP UK Shopping Centre Fund	Australia			100	100
AMP/ERGO Mortgage and Savings Limited	New Zealand	Ord		100	100
AMPCI China Strategic Growth Fund	Australia			100	100
AMPCI FD Infrastructure Trust	Australia			99	99
Australian Corporate Bond Fund	Australia			56	62
Australian Pacific Airports Fund	Australia			77	77
Australian Pacific Airports Fund No.3	Australia			33	33
BCG Finance Pty Limited	Australia	Ord		100	100
Booragoon Trust	Australia			100	100
Cautious Enhanced Index Fund	Australia			100	100
Collins Place No. 2 Pty Ltd	Australia	Ord		100	100
Collins Place Pty Limited	Australia	Ord		100	100
Conservative Enhanced Index Fund	Australia		2	-	99
Crossroads Trust	Australia			100	100
Davidson Road Trust	Australia			100	100
Diversified Investment Strategy No.1	Australia		2	-	55
EFM Australian Share Fund 1	Australia			98	96
EFM Australian Share Fund 10	Australia		1	100	-
EFM Australian Share Fund 2	Australia			99	99
EFM Australian Share Fund 3	Australia			98	98
EFM Australian Share Fund 4	Australia			94	94
EFM Australian Share Fund 6	Australia			98	98
EFM Australian Share Fund 7	Australia			97	97
EFM Australian Share Fund 7	Australia			97	97
EFM Australian Share Fund 9	Australia		1	100	-
EFM Fixed Interest Fund 2	Australia		2	-	97
EFM Fixed Interest Fund 3	Australia			91	94
EFM Fixed Interest Fund 5	Australia		1	99	-
EFM Fixed Interest Fund 6	Australia		1	99	-
EFM Fixed Interest Fund 7	Australia		1	100	-
EFM Fixed Interest Fund 8	Australia		1	71	-
EFM Fixed Interest Fund 9	Australia		1	80	-
EFM Infrastructure Fund 1	Australia		2	-	94
EFM Infrastructure Fund 2	Australia		1	99	-
EFM International Share Fund 10	Australia		1	100	-
EFM International Share Fund 3	Australia			97	97
EFM International Share Fund 5	Australia			96	96
EFM International Share Fund 7	Australia		2	-	91
EFM International Share Fund 8	Australia			100	100
EFM International Share Fund 9	Australia		1	100	-
EFM Listed Property Fund 1	Australia			95	96

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22. Investments in controlled entities (continued)

Name of entity	Country of Incorporation	Share type	Footnote	% Holdings	
				2015	2014
EFM Listed Property Fund 2	Australia		1	100	-
Enhanced Index International Share Fund	Australia			97	95
FD Australian Share Fund 1	Australia			96	96
FD Australian Share Fund 3	Australia			96	95
FD International Share Fund 1	Australia		2	-	96
FD International Share Fund 3	Australia			98	98
FD International Share Fund 4	Australia		2	-	95
Floating Rate Income Fund	Australia			97	97
Future Directions Emerging Markets Fund	Australia			54	-
Future Directions Asia ex Japan Fund	Australia			98	96
Future Directions Australian Bond Fund	Australia			92	91
Future Directions Australian Equity Fund	Australia			98	98
Future Directions Australian Share Fund	Australia			84	84
Future Directions Balanced Fund	Australia			98	100
Future Directions Conservative Fund	Australia			96	96
Future Directions Core International Share Fund	Australia			88	88
Future Directions Credit Opportunities Fund	Australia			98	96
Future Directions Diversified Alternatives Fund	Australia			96	96
Future Directions Enhanced Index Australian Share Fund	Australia		2	-	100
Future Directions Enhanced Index Global Property Securities Fund	Australia			100	100
Future Directions Enhanced Index International Bond Fund	Australia			98	92
Future Directions Geared Australian Share Fund	Australia			92	93
Future Directions Global Credit Fund (formerly FD International Bond Fund 3)	Australia			95	95
Future Directions Global Government Bond Fund	Australia			91	92
Future Directions Growth Fund	Australia			97	97
Future Directions Hedged Core International Share Fund	Australia			81	69
Future Directions High Growth Fund	Australia			96	96
Future Directions Inflation Linked Bond Fund	Australia		2	-	100
Future Directions Infrastructure Fund	Australia		1	98	-
Future Directions International Bond Fund	Australia			95	95
Future Directions International Share Fund	Australia			84	84
Future Directions International Share Fund 1 Bern Val	Australia			97	96
Future Directions International Small Companies Fund	Australia		2	-	100
Future Directions Moderately Conservative Fund	Australia			95	96
Future Directions Opportunistic Fund	Australia			97	99
Future Directions Private Equity Fund 1A	Australia			97	100
Future Directions Private Equity Fund 1B	Australia			100	100
Future Directions Private Equity Fund 2A	Australia			97	99
Future Directions Private Equity Fund 2B	Australia			100	100
Future Directions Private Equity Fund 3A	Australia			99	99

Notes to financial statements

for the year ended 31 December 2015

22. Investments in controlled entities (continued)

Name of entity	Country of Incorporation	Share type	Footnote	% Holdings	
				2015	2014
Future Directions Private Equity Fund 3B	Australia			100	100
Future Directions Private Equity Fund 4A	Australia			99	99
Future Directions Property (Feeder) Fund	Australia			93	96
Future Directions Real Property Fund	Australia			98	100
Future Directions Total Return Fund	Australia			90	94
Future Directions Transition Fund No 3	Australia		1	98	-
Glendenning Pty Limited	Australia	Ord		100	100
Global Growth Opportunities Fund	Australia			95	96
Henderson Global Commodities Fund	Australia		2	-	56
Honeysuckle 231 Pty Limited	Australia	Ord		51	60
International Bond Fund	Australia			87	92
Jeminex Limited	Australia	Ord and Pref		51	51
Kent Street Investment Trust	Australia			100	100
Kent Street Pty Limited	Australia	Ord		100	100
Kiw i Kat Limited	New Zealand	Ord	2	-	70
Listed Property Trusts Fund	Australia		2	-	52
Macquarie Balanced Growth Fund	Australia			87	86
Macquarie life Australian Enhanced Equities Fund	Australia		2	-	96
MAFS Transition Trust No 10	Australia		1	100	-
MAFS Transition Trust No 2	Australia		1	98	-
MAFS Transition Trust No 4	Australia		1	100	-
MAFS Transition Trust No 5	Australia		1	97	-
MAFS Transition Trust No 6	Australia		1	100	-
MAFS Transition Trust No 7	Australia		1	98	-
MAFS Transition Trust No 8	Australia		1	97	-
MAFS Transition Trust No 9	Australia		1	100	-
Managed Treasury Fund	Australia			89	88
Moderately Aggressive Enhanced Index Fund	Australia			100	100
Moderately Conservative Enhanced Index Fund	Australia			100	100
Monash House Trust	Australia			100	100
Mortgage Backed Bonds Limited	New Zealand	Ord	1	100	-
Mow la Pty. Ltd.	Australia	Ord		100	100
Principal Healthcare Holdings Pty Limited	Australia	Ord		100	100
Principal Healthcare Holdings Trust	Australia			100	100
Private Equity Fund IIIA	Australia			94	94
Private Equity Fund IIIB	Australia			94	94
Quay Mining (No. 2) Limited	Bermuda	Ord, Red Pref		100	100
Quay Mining No 2	Australia			100	100
Quay Mining Pty Limited	Australia	Ord		100	100
Responsible Investment Leaders Conservative Fund	Australia			94	95
Responsible Investment Leaders Growth Fund	Australia			98	97
Responsible Investment Leaders High Growth Fund	Australia			100	100

Notes to financial statements

for the year ended 31 December 2015

22. Investments in controlled entities (continued)

Name of entity	Country of Incorporation	Share type	Footnote	% Holdings	
				2015	2014
Riverside Plaza Trust	Australia			100	100
Select Property Portfolio No. 1	Australia			86	86
SouthPeak Real Diversification Fund (4-8% vol)	Australia		1	60	-
SPP No. 1 (Alexandra Canal) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Cow es) Pty Limited	Australia	Ord		86	86
SPP No. 1 (H) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Haw thorn) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Mona Vale) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Mornington) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Mt. Waverley Financing) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Mt. Waverley) Pty Limited	Australia	Ord		86	86
SPP No. 1 (New castle) Pty Limited	Australia	Ord		86	86
SPP No. 1 (North Melbourne) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Pakenham) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Point Cook) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Port Melbourne) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Q Stores) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Rosebery) Pty Limited	Australia	Ord		86	86
SPP No. 1 Holdings Pty Limited	Australia	Ord		86	86
AMP Capital Strategic Infrastructure Trust of Europe Group	Luxembourg			54	52
Student Housing Accommodation Growth Trust	Australia			35	19
Student Housing Accommodation Growth Trust No.2	Australia			35	19
Sunshine West Development Pty Limited	Australia	Ord		75	75
Sydney Cove Trust	Australia			100	100
The Glendenning Trust	Australia			100	100
The Pinnacle Fund	Australia			100	100
TOA Pty Ltd	Australia	Ord		100	100
Waterfront Place (No. 2) Pty. Ltd.	Australia	Ord		100	100
Waterfront Place (No. 3) Pty. Ltd.	Australia	Ord		100	100
Wholesale Australian Bond Fund	Australia			76	82
Wholesale Cash Management Trust	Australia		4	-	51
WOW Future Directions Balanced Fund	Australia		1,3	100	-
WT Infrastructure Equity Fund	Australia		1	32	-

1 Controlling interest acquired in 2015.

2 Controlling interest lost in 2015.

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

4 Wholesale Cash Management Trust became an associated entity during 2015.

Notes to financial statements

for the year ended 31 December 2015

22. Investments in controlled entities (continued)

Controlled entities of the Shareholder's Fund are as follows:

Name of entity	Country of incorporation	Share type	Footnote	Ownership interest	
				2015 (%)	2014 (%)
ACN 155 075 040 Pty Limited	Australia	Ord, Class A Pref.	1	-	100
AMP ASAL Pty Ltd	Australia	Ord	1	-	100
AMP Direct Pty Ltd	Australia	Ord	1	-	100
AMP Finance Limited	Australia	Ord		100	100
AMP Financial Planning Pty Limited	Australia	Ord	1	-	100
AMP GBS Limited	Australia	Fixed		100	100
AMP Insurance Investment Holdings Pty Limited	Australia	Ord		100	100
AMP Personal Investment Services Pty Limited	Australia	Ord		100	100
AMP Planner Register Company Pty Limited	Australia	Ord	1	-	100
AMP Real Estate Advisory Holdings Pty Limited	Australia	Ord	1	-	100
AMP Remuneration Reward Plans Nominees Pty. Limited	Australia	Ord		100	100
AMP Services (NZ) Limited	New Zealand	Ord		100	100
AMP SMSF Holding Co Limited	Australia	Ord	1	-	100
AMP Superannuation Limited	Australia	Ord		100	100
Arrive Wealth Management Pty Limited	Australia	Ord	1	-	100
Australian Securities Administration Limited	Australia	Ord		100	100
CBD Financial Planning Pty Limited	Australia	Ord	1	-	100
Hillross Alliances Pty Limited	Australia	Ord	1	-	100
Hillross Financial Services Limited	Australia	Ord	1	-	100
Hillross Innisfail Pty Limited	Australia	Ord	1	-	100
Hillross Wealth Management Centre Melbourne Pty Limited	Australia	Ord	1	-	100
INSSA Pty Limited	Australia	Ord		100	100
PremierOne Mortgage Advice Pty Limited	Australia	Ord	1	-	100
Priority One Financial Services Limited	Australia	Ord		100	100

1 Controlling interest lost in 2015.

Notes to financial statements

for the year ended 31 December 2015

23. Associates

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

	Principal activities	Ownership interest		Carrying amount		Principal place of business
		2015	2014	2015	2014	
		%	%	\$m	\$m	
China Life Pension Company	Pension company	19.99	-	282	-	People's Republic of China
Total investments in associates accounted for using the equity				282	-	

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

	Principal activity ³	Ownership interest		Carrying amount	
		2015	2014	2015	2014
		%	%	\$m	\$m
AMP Australian Equity Index Fund ⁵	Investment trusts	-	50	-	121
AMP Capital Diversified Property Fund	Investment trusts	25	25	1,058	1,011
AMP Capital Dynamic Markets Fund ⁴	Investment trusts	24	-	293	-
AMP Capital Balanced Growth Fund	Investment trusts	35	20	120	53
AMP Capital Global Property Securities Fund	Investment trusts	41	40	670	614
AMP Capital Multi-Asset Fund	Investment trusts	28	37	126	111
AMP Capital NZ Shares Fund	Investment trusts	44	40	173	183
AMP Capital Retail Trust	Investment trusts	26	26	330	291
AMP Capital Shopping Centre Fund	Investment trusts	30	23	538	504
AMP Capital Strategic NZ Shares Fund	Investment trusts	42	45	59	65
Australian Property Fund ⁴	Investment trusts	23	-	381	-
AMP Equity Trust ⁵	Investment trusts	-	46	-	202
AMP Shareholder Fixed Income Fund ⁴	Investment trusts	26	-	57	-
Diversified Investment Strategy No 2 ⁵	Investment trusts	-	23	-	120
Diversified Investment Strategy No 3 ⁵	Investment trusts	-	30	-	62
Enhanced Index Share Fund	Investment trusts	48	50	186	199
EFM Fixed Interest Fund 10 ⁴	Investment trusts	49	-	50	-
Future Directions Emerging Markets Share Fund ⁵	Investment trusts	-	49	-	56
Gove Aluminium Finance Limited	Investment company	30	30	95	96
Hyperion Australian Growth Companies Fund ⁵	Investment trusts	-	24	-	111
K2 Australian Absolute Return Fund	Investment trusts	26	28	99	109
Listed Property Trust Fund ⁴	Investment trusts	29	-	55	-
Pimco Diversified Fixed Interest Fund ⁵	Investment trusts	-	33	-	145
Responsible Investments Leader Balanced Fund	Investment trusts	24	26	243	238
Templeton Global Trust Fund ⁵	Investment trusts	-	26	-	85
Value Plus Australia Share Fund	Investment trusts	33	29	62	57
Wholesale Cash Management Trust ⁴	Investment trusts	49	-	3,391	-

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(f).

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 2015

5 Trust ceased being an associated entity during 2015.

Notes to financial statements

for the year ended 31 December 2015

24. Contingent liabilities

AMP Life 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 for performance obligations to controlled entities of AMP Life.

Where it is determined that the disclosure of information in relation to a contingent liability can be expected to prejudice seriously the position of AMP Life (or its insurers) in a dispute, accounting standards allow AMP Life not to disclose such information and it is AMP Life's policy that such information is not to be disclosed in this note.

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

Notes to financial statements

for the year ended 31 December 2015

25. Related party disclosures

(a) Key management personnel details

The following individuals were the key management personnel (being those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of AMP Life for the whole or part of the reporting period as indicated:

Catherine Brenner	Chairman, Non-Executive Director
Craig Møller	Executive Director
Pauline Blight-Johnston	Executive Director
Anthony Coleman	Non-Executive Director
Diana Elert	Non-Executive Director
Andrew Harnos	Non-Executive Director
Peter Shergold	Non-Executive Director
Trevor Matthews	Non-Executive Director

(b) Remuneration of key management personnel

The following table provides aggregate details of the compensation of key management personnel of AMP Life Limited.

	Short term benefits	Post- employment	Share based payments	Other long-term benefits ²	Total ¹
	\$	\$	\$	\$	\$
2015	5,718,022	192,929	2,837,693	141,334	8,889,978
2014	5,879,994	192,683	2,043,552	154,538	8,270,767

Footnote:

1 The fees paid to non-executive directors of AMP Life are the fees for AMP Limited.

2 Presentation has been enhanced to include long service leave accruals.

(c) Transactions with key management personnel

During the year, key management personnel and their personally related entities have entered into transactions with the disclosing entity or its subsidiaries. All such transactions have occurred within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those that it is reasonable to expect AMP Life would have adopted if dealing at arm's length with an unrelated individual. These transactions include:

- Purchase of insurance products available to other employees and policy owners;
- Purchase of superannuation products available to other employees and policy owners;
- Placement of funds on deposit; and
- Acquisition and disposal of units in controlled managed investment scheme and receipts of trust distributions.

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.

No Director or Director-related entities had loans with AMP Life in 2015 (2014: nil).

A number of Directors of the company are also Directors of public companies and/or are a Partner of a professional service partnership which have transactions with AMP Life. The Directors do not believe that they have the capacity to control or significantly influence the financial or operating policies of either company in their dealings with each other. Those companies are therefore not considered to be Director-related entities.

(d) Transactions with key related parties

Transactions with related parties are made at arm's length and on normal commercial terms. Outstanding balances at 31 December 2015 and 31 December 2014 are unsecured, non-interest bearing and settlement occurs in cash or through intercompany accounts as necessary.

AMP Life purchases administrative services from AMP Services Limited and AMP Services (NZ) Limited on a fee service basis. (2015: \$629m, 2014: \$693m). Services purchased include product distribution, marketing, payroll, personnel, computing and accounting services.

AMP Life receives investment services from AMP Capital Investors Limited and AMP Capital Investors (New Zealand) Limited (AMP Capital) on a normal commercial basis (2015: \$222m, 2014: \$233m). AMP Capital is a related entity of AMP Life and manages the investment assets of the policyholder fund and the shareholders fund. AMP Capital is also the responsible entity of a number of the controlled and associated unit trusts detailed in Note 22 and Note 23. Investment management services provided by AMP Capital to AMP Life are charged at normal commercial rates.

The company receives financial planning services from AMP Financial Planning Pty Limited, Hillcross Financial Services Limited and AMP Superannuation Limited, and is charged on commercial terms and conditions.

Notes to financial statements

for the year ended 31 December 2015

25. Related party disclosures (continued)

The company has amounts in deposits with AMP Bank Limited (2015: \$2,600m, 2014: \$2,740m).

The following table provides the total amount of significant transactions which AMP Life has entered into with related parties for the relevant financial year:

Fellow subsidiaries of AMP Limited		Service, management and other fees received from related parties	Service, management and other fees paid to related parties	Amounts owed by related parties	Amounts owed to related parties
		\$m	\$m	\$m	\$m
ACPP Holding Trust	2015	-	-	-	-
	2014	6	-	-	-
Aged Care Investment Trust	2015	6	-	-	-
	2014	-	-	-	-
AMP Bank Limited	2015	67	-	2,600	-
	2014	95	-	2,745	-
AMP Bermuda Ltd	2015	-	-	-	71
	2014	-	-	-	71
AMP Capital Funds Management Limited	2015	3	-	-	-
	2014	6	1	-	-
AMP Capital Investors Limited	2015	-	222	-	29
	2014	-	233	-	31
AMP Direct Pty Limited	2015	-	2	-	-
	2014	-	2	-	-
AMP Financial Planning Pty Limited	2015	-	285	16	-
	2014	-	293	14	-
AMP Insurance Investment Holdings Pty Limited	2015	-	-	-	-
	2014	-	-	9	-
AMP Life (NZ) Investments Holdings Limited	2015	-	-	945	-
	2014	-	-	959	-
AMP Life (NZ) Investments Holdings Limited - IL Fund	2015	-	-	63	-
	2014	-	-	64	-
AMP Life (NZ) Investments Limited	2015	-	-	-	284
	2014	-	-	-	216
AMP Life (NZ) Investments Limited - IL Fund	2015	-	-	-	84
	2014	-	-	-	61
AMP Limited	2015	-	11	-	215
	2014	-	11	-	215
AMP Planner Register Company Pty Limited	2015	2	-	-	-
	2014	-	-	78	3
AMP Property Investments (Qld) Pty. Limited.	2015	-	-	-	54
	2014	-	-	-	54
AMP Services Limited	2015	-	588	4	-
	2014	52	656	1	-

Notes to financial statements

for the year ended 31 December 2015

25. Related party disclosures (continued)

Fellow subsidiaries of AMP Limited			Service,	Service,	Amounts	Amounts
			management	management		
			and other fees	and other fees	related parties	related parties
			received from	paid to		
			related parties	related parties		
			\$m	\$m	\$m	\$m
AMP Superannuation Limited	2015	-	6	-	-	
	2014	-	7	-	-	
AMP Services (NZ) Limited	2015	-	33	1	-	
	2014	-	37	-	-	
Australia Securities Admin Ltd	2015	3	-	-	-	
	2014	-	-	-	-	
Charter Financial Planning Ltd	2015	-	7	-	-	
	2014	-	5	-	-	
Ergo Mortgage and Savings	2015	-	-	-	-	
	2014	-	-	2	-	
Glendenning Trust	2015	2	-	1	-	
	2014	-	-	-	-	
Hillross Alliances Limited	2015	-	-	-	-	
	2014	-	-	-	1	
Hillross Financial Service	2015	-	21	8	-	
	2014	-	21	8	-	
INSSA Pty Limited	2015	-	-	-	2	
	2014	-	-	-	2	
Kent Street Investment Trust	2015	-	-	-	-	
	2014	1	-	-	-	
NMLA Shareholders Fund	2015	-	-	-	-	
	2014	-	-	1	-	
NMLA No1 Stat Fund	2015	-	-	-	6	
	2014	-	-	-	3	
Principle Healthcare Trust	2015	3	-	5	-	
	2014	-	-	-	-	
Shareholders Fixed Income Fund	2015	12	-	-	-	
	2014	-	-	-	-	
Sydney Cove Trust	2015	1	-	5	-	
	2014	2	-	1	-	
TOA Pty Limited	2015	-	-	-	319	
	2014	-	-	-	319	
140 St Georges Terrace Trust	2015	-	-	-	-	
	2014	1	-	-	-	

Notes to financial statements

for the year ended 31 December 2015

26. Auditor's remuneration

All auditors' remuneration payable to the auditors of AMP Life Limited for the audit of the controlled companies within the AMP Life Group is settled by a related entity. Certain controlled property and private equity funds within the AMP Life Group incur auditors' remuneration directly.

	2015	2014
	\$'000	\$'000
Amounts received or due and receivable by auditors of AMP Life Limited for:		
Audit of subsidiary financial statements	-	259
Other audit services ¹	74	149
Total amounts received or due and receivable by auditors of AMP Life Limited²	74	408

1 Other audit services includes fees for compliance audits for AMP Life and entities controlled by AMP Life.

2 Other fee for service provided by the auditor including the full year audit and half year review are paid on the company's behalf by a related entity within the AMP Limited Group.

27. Parent entities

The parent entity is AMP Financial Services Holdings Limited and the company's ultimate parent entity is AMP Limited.

28. Events occurring after reporting date

On 17 February 2016, AMP Life declared a \$317m final dividend of \$12.96 per share, which is subject to APRA approval. Details of the dividends paid and declared during the year are disclosed in Note 14 of the financial report.

At the date of this report, the directors are not aware of any matter or circumstance that has arisen since the reporting date that has significantly affected or may significantly affect the company's operations in future years, the results of those operations in future years or the company's state of affairs in future years, which is not already reflected in this report.

Directors' declaration

for the year ended 31 December 2015

In accordance with a resolution of the directors of AMP Life Limited, the purposes of Section 295(4) of the *Corporations Act 2001*, the Directors declare that:

- (a) in the opinion of directors 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) in the opinion of directors the financial statements and notes for the financial year ended 31 December 2015 are in accordance with the *Corporations Act 2001*, including Section 296 (compliance with accounting standards) and Section 297 (true and fair view); and
- (c) the notes to the financial statements for the financial year ended 31 December 2015 include an explicit and unreserved statement of compliance with the International Financial Reporting Standards as discussed in Note 1(a).



Catherine Brenner
Director



Pauline Blight-Johnston
Director

Sydney, 17 February 2016

Independent auditor's report to the members of AMP Life Limited

Report on the financial report

We have audited the accompanying financial report of AMP Life Limited, which comprises the statement of financial position as at 31 December 2015 the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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 of the financial report that gives a true and fair view 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 Life Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the company's financial position as at 31 December 2015 and of its 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.



Ernst & Young



Kieren Cummings
Partner
Sydney
17 February 2016