AMP Life Limited
(New Zealand) Branch

Financial Statements
31 December 2009

FOREWORD
AMP NEW ZEALAND 2009

Financial Statements

The following financial statements have been drawn up to comply with the Financial Reporting Act 1993 and New Zealand equivalents to International Financial Reporting Standards. They relate to the New Zealand activities of the statutory entity, AMP Life Limited, and are prepared as if the branch was a stand alone entity. They do not include the New Zealand activities of other AMP entities (including AMP Bank Limited and AMP Capital Investors (New Zealand) Limited).

Registered Office

The Registered Office of AMP Life Limited is Level 24, 33 Alfred Street, Sydney, NSW 2000, Australia.

AMP LIFE LIMITED (NEW ZEALAND) BRANCH

CONTENTS

Income statement
for the year ended 31 December 2009

		Consolidated		Parent	
		2009	*2008*	**2009**	*2008*
	Note	**$000**	*$000*	**$000**	*$000*
Income and expenses of shareholders, policyholders, external unitholders and minority interests					
Life insurance premium and related revenue	*4(a)*	**207,374**	*196,616*	**207,374**	*196,616*
Fee and other revenue	*4(b)*	**101,137**	*94,190*	**4,383**	*6,684*
Investment gains / (losses)	*4(c)*	**5,424**	*301,909*	**(21,083)**	*343,482*
Life insurance claims and related expenses	*5(a)*	**(210,903)**	*(227,902)*	**(210,903)**	*(227,902)*
Operating expenses	*5(b)*	**(179,762)**	*(215,678)*	**(108,638)**	*(114,063)*
Finance costs	*5(c)*	**(997)**	*(1,969)*	**(239)**	*(380)*
Movement in external unitholders' liabilities		**(16,066)**	*48,752*	**-**	-
Change in policyholder liabilities					
- investment contracts	*16(g)*	**(14,411)**	*27,816*	**(14,411)**	*27,816*
- life insurance contracts	*15(e)*	**182,123**	*(51,693)*	**182,123**	*(51,693)*
Profit before tax		**73,919**	*172,041*	**38,606**	*180,560*
Income tax credit / (expense)	*6(a)*	**5,567**	*(124,207)*	**10,916**	*(125,645)*
Net profit after income tax		**79,486**	*47,834*	**49,522**	*54,915*
Loss / (profit) attributable to minority interests in controlled companies		**1,404**	*(3,082)*	**-**	-
Net profit after income tax attributable to the shareholder of AMP Life Limited		**80,890**	*44,752*	**49,522**	*54,915*

The accompanying notes form part of these financial statements.

Statement of comprehensive income
for the year ended 31 December 2009

		Consolidated		Parent	
		2009	*2008*	**2009**	*2008*
	Note	**$000**	*$000*	**$000**	*$000*
Profit		**79,486**	*47,834*	**49,522**	*54,915*
Other comprehensive income recognised in retained earnings					
Defined benefit funds					
- actuarial losses		**(2,953)**	*(11,111)*	-	-
- income tax credit		**886**	*3,332*	-	-
		(2,067)	*(7,779)*	-	-
Other comprehensive income recognised in other reserves					
- other losses / (gains)		**278**	*(265)*	-	-
- income tax (expense) / credit		-	-	-	-
		278	*(265)*	-	-
Total comprehensive income		**77,697**	*39,790*	**49,522**	*54,915*
Total comprehensive loss / (income) attributable to minority interest		**1,404**	*(3,082)*	-	-
Total comprehensive income attributable to the shareholder of AMP Life Limited		**79,101**	*36,708*	**49,522**	*54,915*

Footnote:

Under accounting standards, actuarial gains and losses on AMP's employer sponsored defined benefit fund are recognised directly in retained earnings.

The accompanying notes form part of these financial statements.

Statement of financial position
as at 31 December 2009

		Consolidated		Parent	
		2009	*2008*	**2009**	*2008*
	Note	**$000**	*$000*	**$000**	*$000*
Assets					
Cash and cash equivalents	*17(b)*	**339,141**	*82,070*	**58,203**	*23,701*
Receivables	*7*	**71,973**	*89,796*	**34,086**	*66,748*
Current tax assets		**-**	*7,023*	**-**	*5,359*
Deferred tax assets	*6(c)*	**25,841**	*39,581*	**5,783**	*18,943*
Equity securities	*8(a)*	**906,765**	*941,629*	**124,853**	*440,480*
Debt securities	*8(b)*	**746,097**	*971,891*	**1,061,883**	*854,639*
Property securities	*8(c)*	**361,771**	*412,836*	**12,918**	*16,124*
Other financial assets	*8(d)*	**160,295**	*359,735*	**67,370**	*283,968*
Plant and equipment	*10*	**13,586**	*14,945*	**-**	*-*
Inventories and other assets	*9*	**12,662**	*14,393*	**123**	*105*
Intangibles	*11*	**8,097**	*10,070*	**-**	*-*
Investments in controlled entities	*8(e)*	**-**	*-*	**1,142,303**	*900,821*
Total assets of the shareholder of AMP Life Limited, policyholders, external unitholders and minority interests		**2,646,228**	*2,943,969*	**2,507,522**	*2,610,888*
Liabilities					
Payables	*12*	**73,334**	*88,453*	**29,423**	*30,342*
Provisions	*13*	**19,845**	*23,445*	**-**	*-*
Borrowings	*14*	**3,994**	*6,729*	**-**	*-*
Other financial liabilities-derivative financial instruments		**65,241**	*4,071*	**51,841**	*2,551*
Current tax liabilities		**12,078**	*-*	**5,747**	*-*
Deferred tax liabilities	*6(d)*	**125,122**	*116,033*	**125,122**	*114,000*
Investment contract liabilities	*16(h)*	**136,872**	*143,006*	**136,872**	*143,006*
Life insurance contract liabilities	*15(e)*	**1,828,096**	*2,040,090*	**1,828,096**	*2,040,090*
Superannuation scheme liability	*21(e)*	**14,197**	*12,550*	**-**	*-*
External unitholders' liabilities		**-**	*219,840*	**-**	*-*
Total liabilities of the shareholder of AMP Life Limited, policyholders, external unitholders and minority interests		**2,278,779**	*2,654,217*	**2,177,101**	*2,329,989*
Net assets of the shareholder of AMP Life Limited and minority interests		**367,449**	*289,752*	**330,421**	*280,899*
Equity					
Reserves		**(117)**	*(395)*	**-**	*-*
Retained earnings		**362,884**	*284,061*	**330,421**	*280,899*
Total equity attributable to the shareholder of AMP Life Limited		**362,767**	*283,666*	**330,421**	*280,899*
Minority interests		**4,682**	*6,086*	**-**	*-*
Total equity of the shareholder of AMP Life Limited and minority interests		**367,449**	*289,752*	**330,421**	*280,899*

For and on behalf of the Board who authorised these financial statements for issue on 18 March 2010:

Director Director

The accompanying notes form part of these financial statements.

Statement of changes in equity
for the year ended 31 December 2009

Consolidated

	Equity attributable to shareholder of AMP Life Limited			Minority interest	Total equity
	Retained earnings[1]	Other reserves	Total shareholder equity		
	$000	$000	$000	$000	$000
31 December 2009					
Balance at the beginning of the period	284,061	(395)	283,666	6,086	289,752
Total comprehensive income	78,823	278	79,101	(1,404)	77,697
Balance at the end of the period	**362,884**	**(117)**	**362,767**	**4,682**	**367,449**
31 December 2008					
Balance at the beginning of the period	*247,088*	*(130)*	*246,958*	*3,004*	*249,962*
Total comprehensive income	*36,973*	*(265)*	*36,708*	*3,082*	*39,790*
Balance at the end of the period	*284,061*	*(395)*	*283,666*	*6,086*	*289,752*

Parent

	Retained earnings	Other reserves	Total shareholder equity
	$000	$000	$000
31 December 2009			
Balance at the beginning of the period	280,899	-	280,899
Movements in total comprehensive income	49,522	-	49,522
Balance at the end of the period	**330,421**	**-**	**330,421**
31 December 2008			
Balance at the beginning of the period	*225,984*	*-*	*225,984*
Movements in total comprehensive income	*54,915*	*-*	*54,915*
Balance at the end of the period	*280,899*	*-*	*280,899*

Footnote:

(1) Movements in total comprehensive income recognised in retained earnings include profit attributable to shareholders of AMP Life Limited $79.5m (2008: $47.8m) and movements in actuarial gains and losses net of tax in AMP's defined benefit fund $2.1m (2008: $7.8m).

The accompanying notes form part of these financial statements.

Statement of cash flows

for the year ended 31 December 2009

		Consolidated		Parent	
		2009	*2008*	**2009**	*2008*
	Note	**$000**	*$000*	**$000**	*$000*
Cash flows from operating activities					
Cash receipts in the course of operations		**333,399**	*347,484*	**249,634**	*248,220*
Interest and other items of a similar nature received		**112,622**	*21,799*	**58,988**	*7,024*
Dividends and distributions received		**22,504**	*43,072*	**14,008**	*52,772*
Cash payments in the course of operations		**(451,365)**	*(484,559)*	**(366,932)**	*(432,869)*
Finance costs		**(997)**	*(2,234)*	**(239)**	*(380)*
Income tax refunded (paid)		**37,261**	*(1,472)*	**35,183**	*11,878*
Cash flows from (used in) operating activities	*17(a)*	**53,424**	*(75,910)*	**(9,358)**	*(113,355)*
Cash flows from investing activities					
Net proceeds from sale of/(payments to acquire):					
- equity securities/property securities/other financial assets		**(18,673)**	*72,183*	**17,806**	*120,811*
- interest bearing securities		**229,292**	*(9,883)*	**18,335**	*(19,165)*
- loans		**(2,385)**	*4,683*	**80**	*3,272*
- plant and equipment		**(1,349)**	*(641)*	**-**	*-*
- intangibles		**(503)**	*(11,096)*	**-**	*-*
Proceeds from redemption of preference shares		**-**	*-*	**7,639**	*-*
Cash flows from investing activities		**206,382**	*55,246*	**43,860**	*104,918*
Cash flows from financing activities					
Repayment of borrowings		**(2,735)**	*(3,511)*	**-**	*-*
Cash flows (used in) financing activities		**(2,735)**	*(3,511)*	**-**	*-*
Net increase (decrease) in cash and cash equivalents		**257,071**	*(24,175)*	**34,502**	*(8,437)*
Cash and cash equivalents at the beginning of the period		**82,070**	*106,245*	**23,701**	*32,138*
Cash and cash equivalents at the end of the period	*17(b)*	**339,141**	*82,070*	**58,203**	*23,701*

The accompanying notes form part of these financial statements.

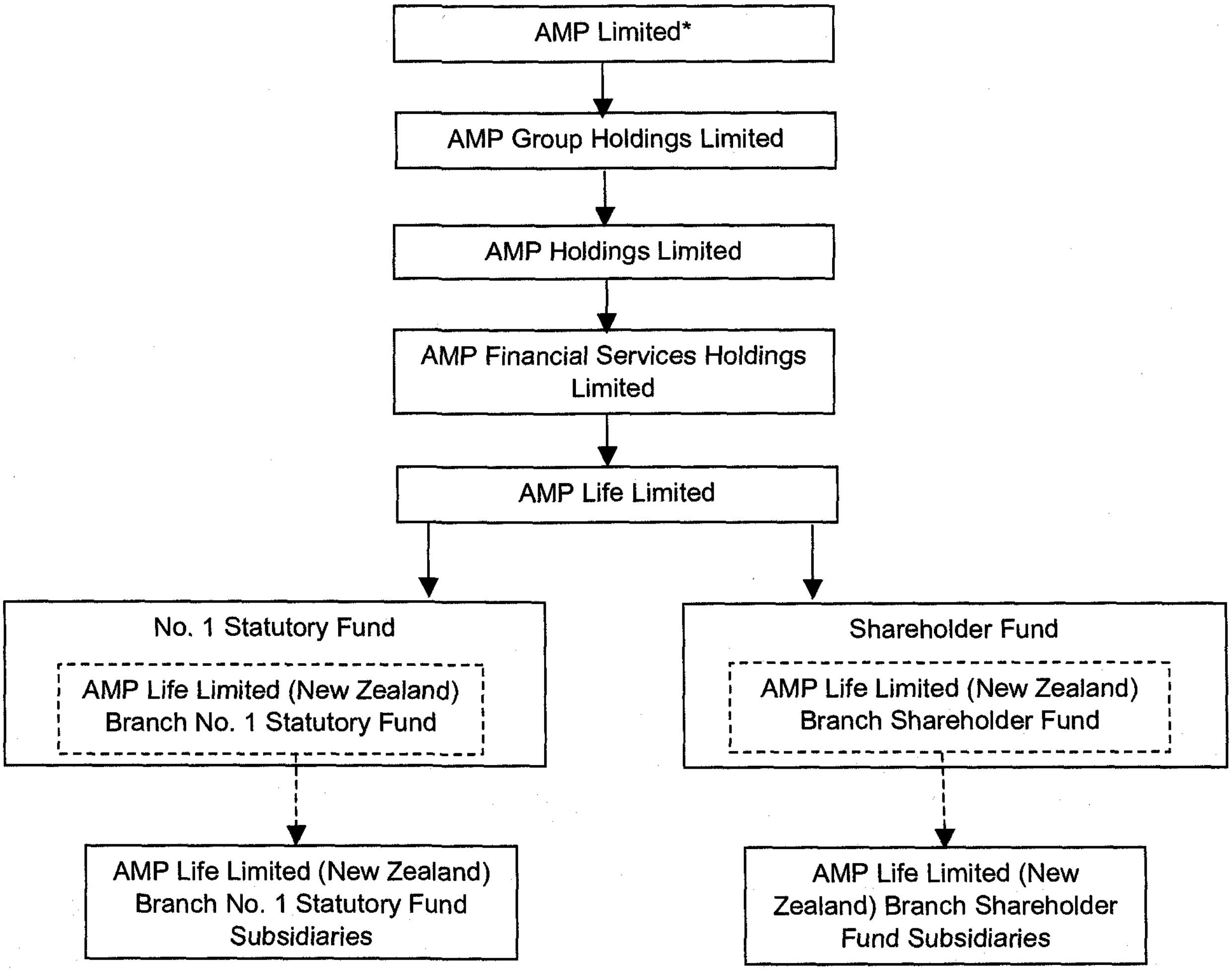
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

1. CORPORATE INFORMATION

Reporting entity

AMP Life Limited is registered under the New Zealand Life Insurance Act 1908. It is incorporated in New South Wales, and registered under Australia's Life Insurance Act 1995 ("Life Act"). AMP Life Limited carries on its life insurance business in New Zealand through a branch establishment and offers securities for sale as part of its business and as such is deemed to be an "issuer" as defined under the New Zealand Financial Reporting Act 1993. AMP Life Limited is not a self-contained legal entity in New Zealand except to the extent that New Zealand incorporated subsidiaries carry out its business. A summarised group structure is as follows:



**AMP Limited is the ultimate holding company of the AMP group and is dual listed on the Australian and New Zealand stock exchanges.*

The life insurance operations of AMP Life Limited (New Zealand) Branch (hereafter referred to as the 'Branch' or 'Parent') are conducted within a separate statutory fund as required by the Life Act, and are reported in aggregate in the Income statement, Statement of financial position, and the Statement of comprehensive income. Further information on the Statutory Fund and Shareholders' Fund is provided in note 16.

The figures appearing in these financial statements are for the Branch and the consolidation with its New Zealand Group undertakings prepared as if this were a group formed and registered in New Zealand. In line with this approach the AMP Life Limited interest in the Branch and its consolidated entities has been disclosed as equity in these financial statements. The financial statements are prepared in this way to comply with Sections 8 and 9 of the New Zealand Financial Reporting Act 1993.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

1. CORPORATE INFORMATION (continued)

AMP Life Limited is the registered issuer of life insurance policies in New Zealand. The liability under New Zealand policies is limited to the worldwide No.1 Statutory Fund. The No.1 Statutory Fund forms part of AMP Life Limited.

As the assets included and policies issued in the Branch are a component of the AMP Life Limited Worldwide No. 1 Statutory Fund, New Zealand life insurance policyholders should refer to the financial statements of AMP Life Limited Worldwide No. 1 Statutory Fund to gain an understanding of the financial affairs of that Fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to the current and prior year. The financial statements include separate financial statements for the Branch ('parent'), and for the consolidated entity, which consists of the parent and all entities controlled by the parent during the year and at balance sheet date ('consolidated').

(a) Basis of preparation

These financial statements for the year ended 31 December 2009 were authorised by the Directors of AMP Life Limited on 18 March 2010. They have been prepared on a going concern basis and in accordance with generally accepted accounting practice in New Zealand and the requirements of the Companies Act 1993 and the Financial Reporting Act 1993.

The financial statements are also prepared in a manner consistent with the financial reporting requirements of:

* The New Zealand Life Insurance Act 1908
* The New Zealand Society of Actuaries Professional Standards
* The Australian Life Insurance Act 1995 (Life Act), and
* Prudential Standards issued by Australian Prudential Regulation Authority (APRA)

The Branch is predominantly a life insurance and wealth management business. As described in note 2(d), the assets and liabilities arising from investment contracts and life insurance contracts are measured predominantly on the basis of fair value. Subject to the exceptions noted in the accounting policies below, other assets and liabilities in these financial statements are also measured on a fair value basis.

Assets and liabilities have been presented on the face of the Statement of financial position in decreasing order of liquidity and do not distinguish between current and non-current items. The majority of the assets of the Branch 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 twelve months of the reporting date is not always known, estimates have been provided in note 16(e) for the life statutory fund. However, as positive net cash flows in any one period are expected to cover these anticipated settlements, and as the investment assets are managed as a portfolio to achieve long-term gains, the assets backing the insurance and investment contract liabilities are considered to be non-current for statutory financial reporting purposes. Details of other amounts expected to be recovered or settled (a) no more than 12 months after the reporting date, and (b) more than 12 months after the reporting date, have been provided in footnotes to the relevant notes.

Changes in accounting policy

Since 1 January 2009, the Branch has adopted a number of International accounting standards and Interpretations which are mandatory for annual periods beginning on or after 1 January 2009. Adoption of these Standards and Interpretations has not had any material effect on the financial position or performance of the Branch.

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

* NZ IAS 1 (Revised) "Presentation of Financial Statements": This revised standard introduces a number of amendments that impact the presentation of the Branch's primary financial statements and notes to the financial statements. The revised standard includes presentation changes for the "Statement of comprehensive income" (previously the "Statement of recognised income and expenses"), the addition of the "Statement of changes in equity" and the "Balance Sheet" is now called the "Statement of financial position". The revised standard does not impact the measurement or recognition of amounts disclosed in the Branch's financial statements.

* NZ IFRS 7 "Amendments to NZ IFRS 7 Financial Instruments Disclosures": The amended standard requires enhanced disclosures of fair value measurements, liquidity risk and various other disclosures relating to Financial Instruments. This standard does not impact the measurement or recognition of amounts disclosed in the Branch's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

Published standards that are not yet effective

A number of new Accounting standards have been issued but not yet effective during 2009. The Branch has not elected to early adopt any new standards or amendments. These accounting standards when applied to future periods, are not expected to have a material impact on the financial position or performance of the Branch. The most significant published standards that are not yet effective are as follows:

NZ IFRS 3 (Revised) "Business combinations" and NZ IAS 27 "Consolidated and separate financial statements": The revised standards introduce significant changes to accounting for business combinations and consolidation. The major impacts include:

- The requirement for acquisition costs to be recognised as expenses during the period in which they occur;
- Revaluation of investments to fair value of an entity prior to gaining control upon gaining control of that entity; and
- Whilst in control of an entity, transactions with minority interest shall be recognised as equity transactions.

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

Accounting judgement and estimates

In the course of its operations, the Branch and controlled entities apply judgment and make estimates that affect the amounts recognised in these financial statements. Estimates are based on a combination of historical experience and expectations of future events that are believed to be reasonable at the time. The key areas of estimation are in respect of the valuation of life insurance contract liabilities (see notes 2(x), 15 and 16), valuation of investment contract liabilities (see notes 2(w) and 16), valuation of unlisted securities (see notes 2(h), (i), (j) and 8), determining the present value of the defined benefit obligation of the superannuation plan (see note 21), determining which intangible assets may be capitalised and amortisation periods (see note 2(n)), assessing assets for impairment (see note 11) and determining provisions (see notes 2(s) and 13). In addition, deferred tax assets have been recognised for all temporary differences and tax losses where management considers it is probable future taxable profits will be available to utilise those benefits.

There are no judgments other than those applied in respect of the estimates above that have a significant impact on the amounts recognised in these financial statements.

Changes in accounting estimates

The Taxation (International, Life Insurance and Remedial Matters) Act 2009 passed into legislation on 6 October 2009, changing the basis of taxation for life insurance business. In order to achieve the accounting policy set out in note 2(q), a gross of tax model to determine certain life insurance contract liabilities has been adopted (2008: net of tax).

The resulting life insurance contract liabilities and deferred tax liabilities are not materially different from those calculated previously using a net of tax model.

(b) Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ('NZ GAAP'). They comply with applicable Financial Reporting Standards as appropriate for profit oriented entities, which include New Zealand equivalents to International Financial Reporting Standards ('NZIFRS'). The financial statements also comply with International Financial Reporting Standards ('IFRSs').

(c) Principles of consolidation

These financial statements consolidate the financial information of controlled entities. Control is determined as the power to govern the financial and operating policies of an entity or business so as to obtain benefits from its activities. The financial information for subsidiaries is prepared for the same reporting period as the parent entity, using consistent accounting policies. Where dissimilar accounting policies may exist, adjustments are made to bring these into line.

The Branch conducts its life insurance business (see note 2(d) below) through Statutory Fund No. 1. Transactions in respect of policyholder activities within this life statutory fund are consolidated into the Branch financial statements, along with all activities attributable to the shareholders of the parent entity.

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

When a controlled unit trust is consolidated, the share of the unitholder liability attributable to the Branch is eliminated but amounts due to external unitholders remain as liabilities in the consolidated Statement of financial position. The share of the net assets of controlled companies attributable to minority interests is disclosed separately in the Statement of financial position. In the Income statement, the net profit or loss of the Branch is allocated between profit or loss attributable to minority interests and profit or loss attributable to shareholders of the parent entity.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Principles of consolidation (continued)

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

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

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

Certain controlled entities of the life statutory funds are operating companies which carry out business operations unrelated to the core wealth management operations of the AMP group.

(d) Accounting for wealth management and life insurance business

The accounting treatment of certain transactions in these financial statements 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 Branch are investment contracts and life insurance contracts.

For the purposes of these financial statements holders of investment contracts or life insurance contracts are collectively and individually referred to as policyholders.

Investment contracts

All of this class of business relates to investment–linked policies. The nature of this business is that the Branch receives deposits from policyholders and those funds are invested on behalf of the policyholders. The resulting liability to policyholders is linked to the performance and value of the assets that back those liabilities.

Under accounting standards such contracts are defined as *life investment contracts* and described as *investment contracts* throughout these financial statements.

Life insurance contracts

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

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

Assets backing investment contract and life insurance contract liabilities

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

Life insurance contract liabilities are measured as described in note 2(x), and investment contract liabilities are measured at fair value, per note 2(w), assets backing such liabilities are measured at fair value, to the extent permitted under accounting standards. Realised and unrealised gains and losses arising from changes in the fair value are recognised in the Income statement, to the extent permitted under accounting standards. The accounting policies for individual asset classes, and any restrictions on application of fair value, are described below.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Accounting for wealth management and life insurance business (continued)

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

Assets not backing investment and life insurance contract liabilities

To ensure consistency across the Branch, and except where specifically stated otherwise, all financial and all non-financial assets, including those not backing investment or insurance contract liabilities, are recognised at fair value to the extent permitted under accounting standards. Similarly, adjustments to the value of such assets are recognised in the Income statement when the corresponding accounting standards allow such treatment. The accounting policy for the parent entity's investment in controlled entities is set out in note 2(k).

(e) Accounting mismatches

Under NZ IFRS, accounting mismatches arise on consolidation from some of the Branch's transactions. The primary mismatch is noted below.

Investments in controlled entities of the life statutory fund

Some of the Branch's investments are held through controlling interests in separate entities and these investments are measured at fair value. These investment assets are held on behalf of policyholders and, as a result, the life statutory fund also recognises a corresponding liability to the policyholder.

Consolidation principles require the underlying net assets of the controlled entities to be recognised in the consolidated financial statements. The value of the underlying assets recognised will not necessarily be the same value as the life statutory fund's value of investments in controlled entities. However, the corresponding investment contract and life insurance contract liabilities, and related income statement change in the liabilities, remains upon consolidation. At the consolidated level this mismatch results in policyholder asset movements impacting the net profit after income tax attributable to shareholders and may increase volatility of the reported consolidated profit in future years.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand that is available on demand and deposits that are held at call with financial institutions. Cash and cash equivalents are carried at fair value, being the principal amount. For the purposes of the Statement of cash flows, cash comprises cash on hand that is available on demand and deposits held at call with financial institutions, net of outstanding bank overdrafts.

(g) Receivables

Receivables are financial assets and are measured at fair value. Given the short-term nature of most receivables, the recoverable amount approximates fair value. Reinsurance and other recoveries receivable are discounted to present value in a manner consistent with the outstanding claims liability. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(h) Equity securities

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

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

Investments in associates

Investments in associated entities that back investment contract and life insurance contract liabilities are treated as financial assets. These are not equity accounted, but are valued in the same manner as equity securities described above.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Debt securities

Debt securities are financial assets and are initially recognised at fair value. Initial fair value is determined as the purchase cost of the asset exclusive of any transaction costs.

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

(j) Property securities

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

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

(k) Investments in controlled entities

Investments in controlled entities that are held to back investment contract and life insurance contract liabilities are measured at fair value to the extent permitted under accounting standards. Investments in controlled entities that are not held to back investment contract and insurance contract liabilities are measured at cost less any accumulated impairment losses, unless they are managed and internally reported on a fair value basis, in which case they are designated on initial recognition, and subsequently measured, at fair value.

(l) Other financial assets and liabilities

Other financial assets include units held in cash trusts and derivatives (see note 2(u)).

Cash trusts

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

(m) 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 straight line basis over the useful life of the asset of 2-10 years.

(n) Intangible assets

Goodwill

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

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

Other intangibles

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Other assets including inventories

Other assets mainly comprise of inventories, prepayments and other similar assets. Inventories are predominately finished goods, which are stated at the lower of cost (determined on a first in first out basis) and net realisable value. Cost includes the cost of direct material, direct labour and a proportion of overhead expenses incurred in putting the inventories in their present location and condition based on normal capacity.

(p) Impairment of assets

Assets measured at fair value, where changes in value are reflected in the Income statement, are not subject to impairment testing. As a result, all financial assets are not subject to impairment testing.

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

Any impairment loss is recognised in the Income statement, being the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value (including realisation costs) and its value in use.

(q) Taxes

Income tax for investment contracts and life insurance contracts business

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

Investment contracts and life insurance contracts liabilities are established exclusive of the policyholders' share of any current tax payable and deferred tax balances of the Branch.

As at 31 December 2009, the policy liabilities (being the sum of the life insurance contract and investment contract liabilities, including any asset or liability arising in respect of the management services element of an investment contract) and solvency reserves have been determined at the reporting date in accordance with the Life Act. For accounting purposes at 31 December 2008, an amount of $114m was removed from the value of life insurance contract liabilities calculated in accordance with the Life Act and included within deferred tax liabilities in order to recognise separately the amount of deferred tax implicitly embedded in the policy liability calculation. This adjustment related to risk business where there were differences between accounting profit and the amount assessable for tax. In 2009, the process for determining risk business policy liabilities for Life Act purposes has been changed (refer 2(a)) so as to calculate the liability on a before tax basis and, accordingly, an adjustment was not required for the current year.

Income tax for other business

The income tax expense for all other business is the tax payable on taxable income for the current period, based on the income tax rate and adjusted for changes in deferred tax assets and liabilities attributable to: (i) temporary differences between the tax bases of assets and liabilities and their Statement of financial position carrying amounts, and (ii) unused tax losses.

Deferred tax

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

In New Zealand, the tax regime recognises a deduction for acquisition expenses as they are incurred rather than over the life of the policy. This results in a difference in the tax and accounting recognition and creates a deferred tax liability.

The relevant tax rate is 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Taxes (continued)

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

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

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

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

Goods and services tax

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 Inland Revenue Department. In such circumstances, the GST paid is recognised as part of the cost of acquisition of the assets or as part of the particular expense.

Receivables and payables are recorded with the amount of GST included. The net amount of GST recoverable from or payable to the Inland Revenue Department is included as either 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, the Inland Revenue Department are classified as operating cash flows.

(r) Payables

Payables are financial liabilities and are measured at fair value. Given the short term nature of most payables, the amount payable approximates fair value.

(s) Provisions

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

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

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

Employee entitlements

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Provisions (continued)

Restructuring

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

(t) Borrowings

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

Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income statement over the period of the contract using the *effective interest method*.

(u) Derivatives and hedging

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

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

Fair value estimation

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

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

(v) Recognition and derecognition of financial assets and liabilities

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Investment contract liabilities

Investment contracts consist of a financial instrument and an investment management services element, both of which are measured at fair value. The resulting liability to policyholders is closely linked to the performance and value of the assets (after tax) that back those liabilities. The fair value of such liabilities is therefore the same as the fair value of those assets, after tax, charged to the policyholders with the exception of the impact of any accounting mismatch items.

(x) Life insurance contract liabilities

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

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

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

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.

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

Allocation of operating profit and unvested policyholder benefits

The operating profit arising from discretionary participating contracts is allocated between shareholders and participating policyholders by applying the MoS principles in accordance with the *Life Insurance Act 1908* (Life Act).

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Life insurance contract liabilities (continued)

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

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

(ii) Other MoS profits arising from discretionary participating business are allocated 80% to policyholders and 20% to shareholders, except for the profit arising from corporate superannuation business which is apportioned such that shareholders are allocated 15% of the profit allocated to policyholders.

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

Allocation of expenses within the Life statutory fund

All operating expenses relating to the life insurance contract and investment contract activities are apportioned between acquisition, maintenance, and investment management expenses. Expenses that are directly attributable to an individual life insurance contract or investment contract are allocated directly to a particular expense category, class of business or product line as appropriate.

Where expenses are not directly attributable, they are appropriately apportioned, according to detailed expense analysis, with due regard for the objective in incurring that expense and the outcome achieved. The apportionment basis has been made in accordance with Actuarial Standards and on an equitable basis to the different classes of business in accordance with the Life Act.

The costs apportioned to life insurance contracts are included in the determination of margin described above.

Investment management expenses of the Life statutory fund are classified as other operating expenses (see note 2(dd)).

(y) Currency

Functional and presentation currency

Both the functional and presentation currency of the Branch is New Zealand dollars ($).

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($'000).

Transactions and balances

Income and expense items denominated in a currency other than the functional currency are translated at the spot exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Exchange variations are recorded in the Income statement.

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

(z) Insurance premium and related revenue

Life insurance contracts

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Insurance premium and related revenue (continued)

Investment contracts

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

(i) origination fees and ongoing investment management fees. See note 2(aa).

(ii) amounts credited directly to investment contract liabilities. See note 2(w).

(aa) Fee and other revenue

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

Investment contracts consist of a financial instrument and an investment-management services element. The payment by the policyholder includes the amount to fund the financial instrument and a fee for the origination of the contract. In many cases, that origination fee is based on commission paid to financial planners for providing initial advice. The financial instrument is classified as an investment contract and is measured at fair value. See note 2(w).

The revenue that can be attributed to the origination service is recognised at inception. Any commission paid to that fee is also recognised as an expense at that time. See note 2(ee).

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

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

(bb) Investment gains or losses

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

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

(cc) Insurance claims and related expense

Life insurance contracts

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

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

Investment contracts

There is no claims expense in respect of investment contracts. Amounts paid to policyholders in respect of investment contracts are withdrawals and are recognised as a decrease in investment contract liabilities (see note 2(w)).

(dd) Operating expenses

All operating expenses, other than those allocated to life insurance contracts, are expensed as incurred (see note 2(x)).

Expenses of controlled entities of the life statutory fund represent the business costs of those entities and are consolidated into the results of the Branch.

The majority of investment contracts issued result in commissions and other payments to external service and advice providers. Where the amount paid equates to a fee charged to policyholders for the provision of advice, the amount is expensed either at inception or over the period of the contract consistent with the basis for recognising the fee revenue on the respective contracts (see note 2(aa)).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ee) Finance costs

Finance costs reflect interest on bank overdrafts and other borrowings and foreign exchange gains and losses. These are recognised as expenses when incurred.

(ff) Superannuation Schemes

Certain controlled entities are participating employers in the AMP (New Zealand) Staff Superannuation Plan that provides benefits for employees and their dependants on resignation, retirement, disability or death of the employee. The Plan has both defined contribution and defined-benefit sections. The Plan is no longer open to new members.

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

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

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

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

Contributions are also paid to other defined contribution schemes. The employer has no further payment obligations once the contributions have been paid and the contributions are recognised in the Income statement as an employment benefit expense when they fall due.

(gg) Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases.

Operating lease payments are recognised as an expense in the Income statement on a straight-line basis over the lease term.

3. SEGMENT INFORMATION

The Branch operates in one sector, namely the financial services sector in New Zealand. The Branch provides financial services in relation to the provision of insurance and investment services to the public and other businesses. Activities of the Branch are conducted wholly within New Zealand.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

4. INCOME

		Consolidated		Parent	
		2009	*2008*	**2009**	*2008*
	Note	**$000**	*$000*	**$000**	*$000*
(a) Life insurance premium and related revenue					
Life insurance contract premium and related revenue	*15(a)*	**207,374**	*196,616*	**207,374**	*196,616*
Total life insurance premium and related revenue		**207,374**	*196,616*	**207,374**	*196,616*
(b) Fee and other revenue					
Investment management fees		**4,383**	*6,684*	**4,383**	*6,684*
Service fees		**77,522**	*70,981*	**-**	*-*
Other revenue[1]		**19,232**	*16,525*	**-**	*-*
Total fee and other revenue		**101,137**	*94,190*	**4,383**	*6,684*
(c) Investment gains / (losses)					
Interest					
- other entities		**109,362**	*11,047*	**57,737**	*(2,938)*
Dividends and distributions					
- subsidiaries		**-**	*-*	**7,000**	*32,397*
- associated entities		**3,222**	*1,710*	**469**	*1,710*
- other entities		**18,853**	*41,171*	**5,875**	*17,977*
Net realised and unrealised gains and losses		**(128,195)**	*247,850*	**(92,138)**	*294,205*
Other investment income		**2,182**	*131*	**(26)**	*131*
Total investment gains / (losses)		**5,424**	*301,909*	**(21,083)**	*343,482*
Equities		**18,690**	*(115,669)*	**33,508**	*(61,740)*
Interest bearing securities		**8,472**	*64,494*	**1,111**	*62,586*
Property securities		**(53,024)**	*(25,146)*	**(2,845)**	*(14,921)*
Other financial assets		**31,286**	*378,230*	**(52,857)**	*357,557*
Total investment gains / (losses)		**5,424**	*301,909*	**(21,083)**	*343,482*

Footnote:

[1] *Other revenue includes trading revenue (other than that received through service fees) from business operations in which the Branch holds a controlling interest.*

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

5. EXPENSES

		Consolidated		Parent	
		2009	*2008*	**2009**	*2008*
	Note	**$000**	*$000*	**$000**	*$000*
(a) Life insurance claims and related expenses					
Life insurance contract claims and related expenses	*15(b)*	**210,903**	*227,902*	**210,903**	*227,902*
Total life insurance claims and related expenses		**210,903**	*227,902*	**210,903**	*227,902*
(b) Operating expenses					
Commission expense		**70,284**	*67,669*	**30,188**	*32,094*
Investment management expenses		**8,307**	*11,148*	**2,883**	*9,509*
Fee and commission expenses		**78,591**	*78,817*	**33,071**	*41,603*
Wages and salaries		**44,127**	*45,603*	**-**	*-*
Superannuation costs		**1,936**	*2,197*	**-**	*-*
Other expenses		**377**	*312*	**-**	*-*
Staff and related expenses		**46,440**	*48,112*	**-**	*-*
Service fee expense - related parties		**8,131**	*6,625*	**72,430**	*70,551*
Auditors remuneration – audit services (group entities)		**524**	*560*	**370**	*387*
Auditors remuneration – audit services (other related entities)		**267**	*329*	**-**	*-*
Operating lease expenditure		**2,770**	*3,680*	**-**	*-*
Depreciation and amortisation		**4,663**	*8,236*	**-**	*-*
Impairment losses		**267**	*18,186*	**-**	*-*
Intangible assets written off		**254**	*909*	**-**	*-*
Other expenses		**37,855**	*50,224*	**2,767**	*1,522*
Other operating expenses		**54,731**	*88,749*	**75,567**	*72,460*
Total operating expenses		**179,762**	*215,678*	**108,638**	*114,063*
(c) Finance costs					
Interest expense on borrowings		**770**	*1,587*	**-**	*-*
Other finance costs		**226**	*382*	**239**	*380*
Total finance costs		**997**	*1,969*	**239**	*380*

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

6. INCOME TAX

	Consolidated		Parent	
	2009	*2008*	**2009**	*2008*
	$000	*$000*	**$000**	*$000*
(a) Analysis of income tax (credit) / expense				
Current tax	**(27,244)**	*59,119*	**(35,059)**	*42,231*
Decrease in deferred tax assets	**13,269**	*50,249*	**13,160**	*66,342*
Increase in deferred tax liabilities	**9,089**	*20,499*	**11,122**	*22,321*
(Over) / under provided in previous years:				
- current tax	**(2,244)**	*(10,044)*	**(265)**	*(5,228)*
- deferred tax	**471**	*5,029*	**-**	*-*
Other	**1,092**	*(645)*	**126**	*79*
Income tax (credit) / expense	**(5,567)**	*124,207*	**(10,916)**	*125,645*

(b) Relationship between income tax (credit) / expense and accounting profit

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

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 the policyholder liabilities. The rate applicable to New Zealand life insurance business during the period was 30% (2008 : 30%).

	Consolidated		Parent	
	2009	*2008*	**2009**	*2008*
	$000	*$000*	**$000**	*$000*
Profit before income tax per Income statement	**73,919**	*172,041*	**38,606**	*180,560*
Policyholder tax recognised as a change in policy liabilities in determining profit before income tax	**(3,525)**	*(124,054)*	**(3,525)**	*(124,054)*
Profit before income tax excluding policyholder tax	**70,394**	*47,987*	**35,081**	*56,506*
Prima facie tax at the rate of 30% (2008: 30%)	**21,118**	*14,396*	**10,524**	*16,952*
Tax effect of differences between amounts of income and expenses recognised for accounting and the amounts deductible/taxable in calculating taxable income:				
Shareholder impact of par-business tax treatment	**(26,582)**	*(13,230)*	**(26,582)**	*(13,230)*
Non-taxable or deductible items	**3,340**	*(9,704)*	**3,310**	*(9,704)*
Investment revenue related items	**236**	*12,147*	**236**	*12,147*
Tax offsets and credits	**(3,470)**	*(4,000)*	**-**	*-*
Other items	**(1,961)**	*5,559*	**(1,664)**	*654*
Over provision in previous years	**(1,773)**	*(5,015)*	**(265)**	*(5,228)*
Income tax (credit) / expense attributable to shareholders	**(9,092)**	*153*	**(14,441)**	*1,591*
Income tax expense attributable to policyholders	**3,525**	*124,054*	**3,525**	*124,054*
Tax (credit) / expense per Income statement	**(5,567)**	*124,207*	**(10,916)**	*125,645*
(c) Analysis of deferred tax asset				
- Fair value adjustments on investments	**10,898**	*8,545*	**10,898**	*10,577*
- Accruals and provisions	**10,659**	*11,444*	**66**	*66*
- Plant and equipment and capitalised costs	**9,465**	*5,279*	**-**	*-*
- Portfolio Investment Entity allocated losses	**(5,181)**	*8,300*	**(5,181)**	*8,300*
- Other	**-**	*6,013*	**-**	*-*
Total deferred tax assets	**25,841**	*39,581*	**5,783**	*18,943*
(d) Analysis of deferred tax liability				
- Deferred acquisition cost within policy liabilities	**125,122**	*114,000*	**125,122**	*114,000*
- Other	**-**	*2,033*	**-**	*-*
Total deferred tax liability	**125,122**	*116,033*	**125,122**	*114,000*

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

6. INCOME TAX (continued)

(e) Unused tax losses and deductible temporary differences not recognised

There are no unused tax losses deductible temporary differences not recognised (2008: nil) in either the Group or the Parent.

(f) Policyholders Credit Account

As a life insurer, the Branch is a policyholder credit account person that meets the tax legislation requirements laid down for life insurers. The Branch is therefore required to maintain a policyholders' credit account. This account is the means permitting a life insurer to meet the income tax liability arising on the year's policyholder base income. The tax liability arising will be satisfied to the extent of a credit balance in the insurer's policyholder credit account.

	Consolidated and Parent	
	2009	*2008*
	$000	*$000*
Opening balance brought forward	**43,541**	*44,397*
Imputation credits transferred in	**-**	*60,000*
Taxation liability	**36,369**	(60,856)
Closing balance	**79,910**	*43,541*

(g) Dividend withholding payment account

The Branch has elected to maintain a dividend withholding payment account.

	Consolidated and Parent	
	2009	*2008*
	$000	*$000*
Opening balance brought forward	**7,260**	*7,065*
Dividend withholding credits attached to dividends received	**-**	*195*
(Over) / under provision in previous years	**(645)**	*-*
Closing balance	**6,615**	*7,260*

(h) Imputation credit account

Under the imputation system, the Branch may allocate or impute the tax it pays on its income to its shareholders on the distributions it makes. Imputation credits can also be transferred to the policyholder credit account to meet the policyholder tax liability. This information is held in the imputation credit account which records tax payments and the allocation available to the shareholder or the policyholder credit account.

	Consolidated		Parent	
	2009	*2008*	**2009**	*2008*
	$000	*$000*	**$000**	*$000*
Opening balance brought forward	**204,960**	*160,548*	**167,982**	*108,700*
Imputation credits attached to dividends received	**(64)**	*109,346*	**6,345**	*125,918*
Tax refunded	**(35,707)**	*(4,934)*	**(37,027)**	*(6,636)*
Transfer to policyholder credit account	**-**	*(60,000)*	**-**	*(60,000)*
Closing balance	**169,189**	*204,960*	**137,300**	*167,982*

(i) Conduit tax relief account

The Branch became a conduit tax relief company from 1 July 2000.

	Consolidated and Parent	
	2009	*2008*
	$000	*$000*
Opening balance brought forward	**38,211**	*38,211*
Conduit tax relief credits received	**-**	*-*
(Over) / under provision in previous years	**6,660**	*-*
Closing balance	**44,871**	*38,211*

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

7. RECEIVABLES

	Consolidated		Parent	
	2009	*2008*	**2009**	*2008*
	$000	*$000*	**$000**	*$000*
Reinsurers' share of life insurance contract liabilities	**-**	*16,004*	**-**	*16,004*
Reinsurance and other recoveries receivable	**2,885**	*2,749*	**2,885**	*2,749*
Investment income and sales proceeds receivable	**3,112**	*6,802*	**788**	*2,703*
Life insurance contract premiums receivable	**28,240**	*28,368*	**28,240**	*28,368*
Other receivables				
- related entities	**13,449**	*-*	**509**	*3,354*
- other entities	**24,287**	*35,873*	**1,664**	*13,570*
Total receivables[1][2]	**71,973**	*89,796*	**34,086**	*66,748*

Footnote:

[1] *$1m (2008: $1m) of total receivables is expected to be realised 12 months or more from reporting date.*

[2] *All receivables are measured at fair value through profit or loss, designated as such upon initial recognition.*

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

	Consolidated		Parent	
	2009	*2008*	**2009**	*2008*
	$000	*$000*	**$000**	*$000*
(a) Equity securities				
Directly held				
- associated entities	**35,042**	*44,023*	**31,614**	*38,384*
- other entities	**26,542**	*541,199*	**6,226**	*18,882*
Held via unit trusts				
- associated entities	**365,021**	*-*	**33,789**	*-*
- other entities	**480,160**	*356,407*	**53,224**	*383,214*
Total equity securities[1]	**906,765**	*941,629*	**124,853**	*440,480*
(b) Debt securities				
Interest bearing securities directly held	**652,148**	*881,439*	**15,954**	*34,289*
Interest bearing securities held via unit trusts				
- other entities	**41,075**	*39,963*	**41,075**	*39,963*
Secured loans				
- other entities	**52,384**	*49,506*	**412**	*489*
Unsecured loans				
- subsidiaries	**-**	*-*	**1,004,442**	*779,895*
- associated entities	**490**	*547*	**-**	*-*
- other entities	**-**	*436*	**-**	*3*
Total debt securities[1]	**746,097**	*971,891*	**1,061,883**	*854,639*
(c) Property securities				
Held via unit trusts				
- associated entities	**347,266**	*396,712*	**-**	*-*
- other entities	**14,505**	*16,124*	**12,918**	*16,124*
Total property securities[1]	**361,771**	*412,836*	**12,918**	*16,124*
(d) Other financial assets				
- Other financial assets				
- other entities	**160,295**	*359,735*	**67,370**	*283,968*
Total other financial assets[1][2]	**160,295**	*359,735*	**67,370**	*283,968*
(e) Investments in controlled entities	**-**	*-*	**1,142,303**	*900,821*

Footnote:

[1] *All equity, debt (excluding loans), property securities and other financial assets are designated at fair value through profit or loss.*

[2] *The other category includes mainly cash trusts and derivative financial assets.*

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

9. INVENTORIES AND OTHER ASSETS

	Consolidated		Parent	
	2009	*2008*	**2009**	*2008*
	$000	*$000*	**$000**	*$000*
Inventories	**12,021**	*14,195*	**-**	*-*
Prepayments and othe assets	**641**	*198*	**123**	*105*
Total inventories and other assets[1]	**12,662**	*14,393*	**123**	*105*

Footnote:

[1] All inventories and other assets are expected to be realised within 12 months or more from the reporting date.

10. PLANT AND EQUIPMENT

31 December 2009	**Office fittings, furniture and equipment**	**Computer & communication equipment**	**Total**
Consolidated	**$000**	**$000**	**$000**
Property, plant and equipment			
Gross carrying amount	**16,882**	**7,948**	**24,830**
Less: accumulated depreciation and impairment losses	**(4,356)**	**(6,888)**	**(11,244)**
Property, plant and equipment at written down value	**12,526**	**1,060**	**13,586**
Movements in property, plant and equipment			
Balance at the beginning of the period	**13,184**	**1,761**	**14,945**
Additions	**977**	**422**	**1,399**
Disposals	**(6)**	**(44)**	**(50)**
Impairment losses	**-**	**(16)**	**(16)**
Depreciation expense for the period	**(1,943)**	**(1,383)**	**(3,326)**
Transfer from intangible assets	**314**	**320**	**634**
Balance at the end of the period	**12,526**	**1,060**	**13,586**

31 December 2008	*Office fittings, furniture and equipment*	*Computer & communication equipment*	*Total*
Consolidated	*$000*	*$000*	*$000*
Property, plant and equipment			
Gross carrying amount	*15,969*	*11,837*	*27,806*
Less: accumulated depreciation and impairment losses	*(2,771)*	*(10,090)*	*(12,861)*
Property, plant and equipment at written down value	*13,198*	*1,747*	*14,945*
Movements in property, plant and equipment			
Balance at the beginning of the period	*13,601*	*5,915*	*19,516*
Additions	*589*	*186*	*775*
Disposals	*-*	*(134)*	*(134)*
Impairment losses	*(203)*	*(1,175)*	*(1,378)*
Depreciation expense for the period	*(2,000)*	*(1,834)*	*(3,834)*
Transfer to plant and equipment	*1,197*	*(1,197)*	*-*
Balance at the end of the period	*13,184*	*1,761*	*14,945*

There was no restriction on the title of any assets as at 31 December 2009 or 2008. Refer to note 11 for details of the impairment loss of $16,000 (2008: $1,378,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

11. INTANGIBLES

31 December 2009	**Goodwill**	**Other intangibles**	**Total**
Consolidated	**$000**	**$000**	**$000**
Intangibles			
Gross carrying amount	**1,192**	**31,263**	**32,455**
Less: accumulated amortisation and/or impairment losses	**-**	**(24,358)**	**(24,358)**
Intangibles at written down value	**1,192**	**6,905**	**8,097**
Movements in intangibles			
Balance at the beginning of the period	**1,192**	**8,878**	**10,070**
Additions	**-**	**503**	**503**
Amortisation expense for the period	**-**	**(1,337)**	**(1,337)**
Impairment losses (recognised) or reversed in profit	**-**	**(251)**	**(251)**
Asset write-offs	**-**	**(254)**	**(254)**
Transfer to plant and equipment	**-**	**(634)**	**(634)**
Balance at the end of the period	**1,192**	**6,905**	**8,097**

31 December 2008	*Goodwill*	*Other intangibles*	*Total*
Consolidated	*$000*	*$000*	*$000*
Intangibles			
Gross carrying amount	*2,795*	*31,648*	*34,443*
Less: accumulated amortisation and/or impairment losses	*(1,603)*	*(22,770)*	*(24,373)*
Intangibles at written down value	*1,192*	*8,878*	*10,070*
Movements in intangibles			
Balance at the beginning of the period	*2,795*	*18,298*	*21,093*
Additions	*-*	*11,096*	*11,096*
Disposals	*-*	*187*	*187*
Amortisation expense for the period	*178*	*(4,580)*	*(4,402)*
Impairment losses (recognised) or reversed in profit	*(1,781)*	*(15,027)*	*(16,808)*
Asset write-offs	*-*	*(1,096)*	*(1,096)*
Transfer from tangible assets	*-*	*-*	*-*
Balance at the end of the period	*1,192*	*8,878*	*10,070*

Goodwill

Goodwill arose on acquisition of investment entities that carry out business operations unrelated to the core wealth management operations of the Branch. This goodwill is subject to annual impairment testing which is carried out at a cash generating unit level. The goodwill relates to the cash generating unit based on the operations of controlled entity Donaghy's Limited. Tests performed at 31 December 2009 confirmed there was no impairment.The impairment testing compares the value of the goodwill with the cash generating unit's value in use.

In the prior year, tests performed at 31 December 2008 confirmed that the goodwill attributed to the cash generating unit based on AMP's mortgage broking franchise business Roost was impaired. Accordingly an impairment loss of $1,781,000, being the total of goodwill attributed to the Roost cash generating unit, was recognised. The impairment testing on this balance compared the carrying value of the goodwill with the cash generating units value in use, calculated as the present value of 5 years forecast future cash flows using a revenue growth rate of 7% and a discount rate of 15%.

The major driver of the impairment in 2008 was the application of significantly reduced projected future cash inflows. The key assumptions built into the value in use calculation were a reduction in the volume and quantum of mortgages written and an associated reduction in insurance product cross selling. The assumptions reflected both the past performance of the cash generating unit and the significant slowdown in the housing market in New Zealand.

Other intangibles

Indicators of impairment in the carrying value of tangible and intangible (excluding goodwill) assets attributed to AMP's retail savings and investment products AIS and KiwiSaver and mortgage broking franchise business Roost exit through a decrease in performance coupled with changes to KiwiSaver legislation and current market conditions.

In assessing the assets for impairment, they were allocated to cash generating units that were determined based on the AIS and KiwiSaver products and Roost business. The recoverable amount of each cash generating unit was determined as its value in use. In calculating the value in use a discount rate of 15% (2008: 15%) was used, and the assets (comprising software platforms and associated development costs) were attributed to the products on the basis of primary pattern of use – ie: number of funds, number of members etc. To the extent that the value in use was less than the value of the assets attributed to the cash generating units, an impairment loss of $267,000 (2008: $16,405,000) has been recognised. This is attributed $16,000 (2008: $1,378,000) and $251,000 (2008: $15,027,000) to Plant and Equipment and Other Intangibles respectively.

Certain assets previously categorised as Other Intangibles (e.g. fitout) have been reclassified to Plant and Equipment for more appropriate presentation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

12. PAYABLES

	Consolidated		Parent	
	2009	*2008*	**2009**	*2008*
	$000	*$000*	**$000**	*$000*
Life insurance policies in process of settlement	**17,197**	*22,647*	**17,197**	*22,647*
Reinsurers' share of life insurance contract liabilities	**5,066**	-	**5,066**	-
Other payables				
- subsidiaries and related entities	**5,143**	*8,833*	**5**	*5*
- other entites	**45,928**	*56,973*	**7,155**	*7,690*
Total payables[1]	**73,334**	*88,453*	**29,423**	*30,342*

Footnote:

[1] All payables are expected to be settled within 12 months of the reporting date.

13. PROVISIONS

	Consolidated		Parent	
	2009	*2008*	**2009**	*2008*
	$000	*$000*	**$000**	*$000*
(a) Provisions				
Loyalty bonuses	**16,548**	*15,129*	-	-
Other	**3,297**	*8,316*	-	-
Total provisions	**19,845**	*23,445*	-	-

	Loyalty Bonuses	Other	Total
	$000	**$000**	**$000**
(b) Movements in provision - consolidated			
Balance at the beginning of the period	**15,129**	**8,316**	**23,445**
Additional provisions made during the period	**2,362**	-	**2,362**
Provisions used during the period	**(943)**	**(4,563)**	**(5,506)**
Increases in existing provision and reversal of unused provision	-	**(456)**	**(456)**
Balance at the end of the period[1]	**16,548**	**3,297**	**19,845**

Loyalty Bonuses

For some financial products managed by the Branch, an amount is payable to customers primarily depending upon the length of time those customers have remained within the product. This loyalty bonus has been calculated based on best estimate assumptions about future customer behaviour. Some bonuses are payable at set dates, however others will not be paid until the customer exits a product. As such it is not always possible to estimate when liabilities will fall due. Where there are no set dates for repayment falling due within 12 months these liabilities are treated as a non current liability.

Other

This provision relates to restructuring and rectification costs. Costs associated with restructuring are recognised in a provision when there is an obligation to incur this expenditure (e.g. a restructuring plan has been drawn up and announced to employees pre year end). Rectification costs are the expected costs associated with fulfilling and rectifying certain service level obligations to certain AMP managed entities and entities where AMP provides, or has provided administration services.

Footnote:

$15,678m (2008: $14,995m) of total provisions is expected to be realised 12 months or more from the reporting date.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

14. BORROWINGS

	Consolidated		Parent	
	2009	2008	2009	2008
	$000	$000	$000	$000
Borrowings				
Bank loans	3,994	6,729	-	-
Total borrowings [1]	3,994	6,729	-	-

Footnote:

[1] *The bank loans are repayable within one year and are secured by a charge over certain assets and undertakings of the controlled entity who is party to the borrowings.*

15. LIFE INSURANCE CONTRACTS

	Consolidated and Parent	
	2009	2008
	$000	$000
(a) Analysis of life insurance contract premium and related revenue		
Total life insurance contract premiums received and receivable	214,550	216,762
Less: component recognised as a change in life insurance contract liabilities	(18,399)	(30,581)
Life insurance contract premium revenue	196,151	186,181
Reinsurance recoveries	11,223	10,435
Total life insurance contract premium and related revenue	207,374	196,616
(b) Analysis of life insurance contract claims and related expenses		
Total life insurance contract claims paid and payable	224,594	262,520
Less: component recognised as a change in life insurance contract liabilities	(27,199)	(47,075)
Life insurance contract claims expense	197,395	215,445
Outwards reinsurance expense	13,508	12,457
Total life insurance contract claims and related expenses	210,903	227,902
(c) Analysis of life insurance contract operating expenses		
Life insurance contract acquisition expenses		
- Commission	16,840	19,883
- Other	33,560	35,051
Life insurance contract maintenance expenses		
- Commission	13,051	11,879
- Other	39,748	36,300
Investment management expenses	3,637	3,673
(d) Life insurance contract liabilities		
Life insurance contract liabilities determined using projection method		
Best estimate liability		
- Value of future life insurance contract benefits	2,010,169	2,549,605
- Value of future expenses	452,411	611,214
- Value of future premiums	(1,939,288)	(2,780,306)
Total best estimate liability - projection method	523,292	380,513
Value of future profits		
- Life insurance contract holder bonuses	411,131	400,353
- Shareholder profit margins	321,637	782,636
Total value of future profits - projection method	732,768	1,182,989
Life insurance contract liabilities determined using accumulation method		
Best estimate liability		
- Value of future life insurance contract benefits	121,917	127,810
Total best estimate liability - accumulation method	121,917	127,810

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

15. LIFE INSURANCE CONTRACTS (continued)

		Consolidated and Parent	
		2009	*2008*
		$000	*$000*
(d) Life insurance contract liabilities (continued)			
Value of declared bonus		**28,440**	*25,601*
Unvested life insurance contract holder benefits[1]		**426,745**	*421,173*
Total life insurance contract liabilities before reinsurance assets / liabilities and deferred tax liabilities		**1,833,162**	*2,138,086*
(Less) / add: Reinsurers share of life insurance contract liabilities		**(5,066)**	*16,004*
Less: Deferred tax balances separately disclosed in the Statement of financial position		**-**	*(114,000)*
Total life insurance contract liabilities		**1,828,096**	*2,040,090*

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

(e) Reconciliation of changes in life insurance contract liabilities			
Total life insurance contract liabilities brought forward		**2,040,090**	*2,002,815*
Change in life insurance contract liabilities recognised in the Income statement		**(182,123)**	*51,693*
Change in reinsurers share of life insurance contract liabilities		**(21,071)**	*2,076*
Premium recognised as an increase in life insurance contract liabilities	*15(a)*	**18,399**	*30,581*
Claims recognised as a decrease in life insurance contract liabilities	*15(b)*	**(27,199)**	*(47,075)*
Total life insurance contract liabilities at the end of the period	*15(d)*	**1,828,096**	*2,040,090*

(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 calculateded by applying the principles of Margin on Services (MoS). Refer to note 2(x) for a description of MoS and the methods for calculating life insurance contract liabilities.

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

Business type	Method	Profit carriers (for business valued using projection method)
Conventional	Projection	Bonuses
Investment account	Modified Accumulation	N/A
Risk	Projection / Accumulation	Expected premiums
Life Annuities	Projection	Annuity payments

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

(i) Risk free discount rates

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

Business type		Basis	31 December 2009	31 December 2008
Risk		10 year Government bond rate	6.2%	*4.7%*
Life Annuities	Non-CPI	Zero coupon interbank swap curve	2.7%-6.6%	*4.2%-5.4%*
	CPI	Government indexed bond curve + 20 bp	3.0%	*3.8%*

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

15. LIFE INSURANCE CONTRACTS (continued)

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

(ii) Participating business discount rates

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

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

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

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

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 valutation date as they reflect long term assumptions.

	Equities	Property	Fixed interest	Cash
31 December 2009	**40.0%**	**17.0%**	**37.0%**	**6.0%**
31 December 2008	*40.0%*	*17.0%*	*37.0%*	*6.0%*

Where an assumption used is net of tax, then 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 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, and ongoing solvency and capital adequacy.

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

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

Reversionary Bonus

Bonus on sum insured	0.7%-1.0% (0.5%-0.8%)
Bonus on existing bonuses	0.7%-1.0% (0.5%-0.8%)

Terminal Bonus

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

Credit Rates (investment account) 3.3%-4.2% (2.8%-3.6%)

(iv) Future maintenance and investment expenses

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

15. LIFE INSURANCE CONTRACTS (continued)

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

(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's own experience with the annual CPI rates derived from the difference long-term government bonds and indexed government bonds.

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

The assumed annual inflation rate at 31 December 2009 was 3.4% for CPI and 3% for expenses (31 December 2008: 1.0% for CPI and 3% for expenses).

(vi) Basis of taxation

A change in accounting estimate has been made in the current year, which results in the move to a gross of tax method of calculating certain insurance contract liabilities (refer note 2). This resuls in no allowance being made for taxation within the valuation of life insurance contract liabilities. Deferred tax is calculated independently (refer to note 6).

(vii) Voluntary discontinuance

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

Future rates of discontinuance used at 31 December 2009 were increased for conventional, term and disability income from those used at 31 December 2008.

Future rates of discontinuance for the major classes of life insurance contracts are assumed on average to be:

Business Type	**31 December 2009**	*31 December 2008*
Conventional	**2.5%-2.6%**	*2.3%-2.4%*
Term and Crisis/Disability	**9.5%-12%**	*7.5%-9.0%*

(viii) Surrender values

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

(ix) Mortality and morbidity

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

Rates of mortality assumed at 31 December 2009 are unchanged from those assumed at 31 December 2008.

Typical mortality assumptions in aggregate, are as follows:

Conventional	78% (M/F) IA95-97	(2008: 78% (M/F) IA95-97)
Term	63% (M/F) IA95-97	(2008: 63% (M/F) IA95-97)
Annuities	72% IM80* / 61% IF80*	(2008: 72% IM80* / 61% IF80*)

For disability income business, the claim assumptions are currently based on CIDA85, which is derived from North American experience. It is adjusted for AMP's experience, with the adjustment dependent on age, sex, waiting period, occupation, smoking status and claim duration. Incidence rates and termination rates are both unchanged at 31 December 2009 compared to those at 31 December 2008.

For incidence of lump sum disability, standard tables are not available and so the assumptions are based on recent AMP and industry experience. The assumptions at 31 December 2009 are the same as rates applying at 31 December 2008.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

15. LIFE INSURANCE CONTRACTS (continued)

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

The Actuarial tables used were:

IA95-97	A mortality table developed by the Institute of Actuaries of Australia based on Australian insured lives experience from 1995 to 1997.
IM80* / IF80*	IM80 / IF80 are mortality tables developed by the Institute of Actuaries and the Faculty of Actuaries based on United Kingdom annuitant lives experience from 1979 to 1982. The tables refer to male and female lives respectively and incorporate factors that allow for mortality improvements since the date of the investigation. IM80 * and IF80* are these published tables amended for some specific AMP experience.
CIDA85	A disability table developed by the Society of Actuaries based on North American disability income experience from 1973 to 1979.

(x) Impact of changes in assumptions

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

Changes in actuarial assumptions do not include market related changes in discount rates such as changes in benchmark market yields caused by changes in investment markets and economic conditions. These are reflected in both life insurance contract liabilities and asset values at the balance date.
Although the current year change in accounting estimate (refer note 2) results in certain policy liabilities and future profit margins being determined exclusive of the effect of tax (i.e. gross), the future profit margins shown below are after tax.

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

Assumption Change	Change in future profit margins ($000)	Change in life insurance contract liabilities ($000)	Change in shareholder profit and equity ($000)
Non-market related changes to discount rates	**5,567**	-	-
Mortality and morbidity	**-**	-	-
Discontinuance rates	**(197,705)**	-	-
Maintenance expenses	**5,225**	-	-
Net to gross of tax	**(242,792)**	-	-
Other assumptions	**(27,403)**	-	-

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

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

(g) Insurance risk sensitivity analysis - life insurance contracts

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

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

Variable		Change in life insurance contract liabilities		Change in shareholder profit after income tax, and equity	
		Gross of reinsurance ($000)	Net of reinsurance ($000)	Gross of reinsurance ($000)	Net of reinsurance ($000)
Mortality (including annuitant mortality)	10% increase in mortality rates	(1,711)	(1,711)	1,711	1,711
Annuitant mortality	50% increase in the rate of mortality improvement	905	905	(905)	(905)
Morbidity – lump sum disablement	20% increase in lump sum disablement rates	-	-	-	-
Morbidity – disability income	20% increase in incidence rates and 20% decrease in recovery rates	475	179	357	462
Discontinuance rates	10% increase in discontinuance rates	-	-	-	-
Maintenance expenses	10% increase in maintenance expenses	130	130	(130)	(130)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

15. LIFE INSURANCE CONTRACTS (continued)

(h) Life insurance risk

The life insurance activities of the Branch involve a number of non-financial risks concerned with the pricing, acceptance and management of the mortality, morbidity and longevity risks accepted from policyholders, often in conjunction with the provision of wealth-management products. Financial risks involved in AMP are covered in notes 18 and 19.

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

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

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

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

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

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

Terms and conditions of life insurance contracts

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

15. LIFE INSURANCE CONTRACTS (continued)

(i) Liquidity risk and future net cash outflows

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

	Up to 1 year $000	1 to 5 years $000	Over 5 years $000	Total $000
31 December 2009	**32,000**	**94,000**	**334,000**	**460,000**
31 December 2008	*49,000*	*68,000*	*169,000*	*286,000*

16. OTHER DISCLOSURES IN RESPECT OF LIFE INSURANCE AND INVESTMENT CONTRACTS

	Consolidated and Parent	
	2009	*2008*
	$000	*$000*
(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	**51,081**	*43,259*
- Profits (losses) arising from difference between actual and assumed experience	**(4,541)**	*6,958*
- Capitalised (losses) reversals	**-**	*(1,096)*
Profit related to life insurance and investment contract liabilities	**46,540**	*49,121*
Attributable to:		
- Life insurance contracts	**45,651**	*47,613*
- Investment contracts	**889**	*1,508*
Investment earnings on assets in excess of life insurance and investment contract liabilities	**7,286**	*5,794*

Accounting mismatches

As explained in note 2(e), accounting mismatches arise from some of the statutory fund's transactions because the recognition and measurement rules for certain policyholder assets differ from the recognition and measurement rules for the actual liability to policyholders in respect of the same assets.

These mismatches result in policyholder asset movements impacting the net profit after income tax attributable to shareholders and increase volatility of the reported profit. Accounting mismatches arise in respect of the gains and losses on investments in controlled entities of the statutory fund – consolidated 2009: nil (2008: nil).

(b) Restrictions on assets

Investments held in the life statutory fund are only used within the relevant regulatory restrictions, which are imposed under the Life Act and associated rules and regulations. The main restrictions are that the assets in a statutory fund can only be used to meet the liabilities and expenses of that fund, to acquire investments to further the business of the fund or as distributions when solvency, capital adequacy and other regulatory requirements are met.

(c) Capital guarantees

	Consolidated and Parent	
	2009	*2008*
	$000	*$000*
Life insurance contracts with a discretionary participating feature		
- Amount of the liabilities that relate to guarantees	**1,494,067**	*1,508,867*
Investment linked contracts		
- Amount of the liabilities subject to investment performance guarantees	**2,593**	*2,645*

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

16. OTHER DISCLOSURES IN RESPECT OF LIFE INSURANCE AND INVESTMENT CONTRACTS (continued)

(d) Solvency and capital adequacy

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

Solvency requirements

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

The Appointed Actuary of AMP has confirmed that the available assets of the statutory fund have exceeded the solvency reserve required at all times during the reporting period.

Capital adequacy requirements

As described previously, the Solvency Standard prescribes a minimum capital requirement, the solvency requirement, for the statutory fund. The assets included and policies issued in the Branch financial statements represent only a segment of AMP Life Limited No 1 Statutory Fund, and as such separate solvency reserves are not required to be maintained specifically for the Branch.

The solvency requirements and ratios in respect of those requirements shown below and stated in Australian dollars are therefore those calculated for the entire No 1 Statutory Fund.

		NO 1 STATUTORY FUND	
		2009	*2008*
		AUD$m	*AUD$m*
SOLVENCY REQUIREMENT (i)	**A**	**22,754**	*24,076*
Represented by:			
- Net minimum termination value (ii)		**18,570**	*19,384*
- Other liabilities		**2,006**	*2,282*
- Solvency reserve	**B**	**2,178**	*2,410*
		22,754	*24,076*
ASSETS AVAILABLE FOR SOLVENCY	**C**	**3,809**	*3,925*
Determined as:			
- Net assets		**1,508**	*1,236*
- Liability for unvested policy owner benefits at end of the year		**1,344**	*1,190*
- Excess of net policy liabilities (including policy owner bonuses) over net minimum termination value		**957**	*1,499*
		3,809	*3,925*
Solvency reserve %	**(B/(A-B))*100**	**10.6%**	*11.1%*
Coverage of solvency reserve	**C/B**	**1.7%**	*1.6*
Excess assets over solvency reserve	**((C-B)/B*100**	**75.0%**	*63%*

(i) The minimum level of assets required to be held in the Statutory Fund, Prescribed by the Solvency Standard referred to in Part 5 of Australia's Life Insurance Act 1995.

(ii) In determining the solvency requirement the minimum termination value is the base figure upon which reserves against liability and asset risks are layered. With exceptions, the minimum termination values are determined in accordance with the Solvency Standard and represent the minimum obligation payable on termination of the policy as at the balance sheet date. For those conventional policies in New Zealand, where no minimum termination values apply under the Australian Standard, values have been calculated on similar lines as for comparable Australian policies.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

16. OTHER DISCLOSURES IN RESPECT OF LIFE INSURANCE AND INVESTMENT CONTRACTS (continued)

(d) Solvency (continued)

If AMP Life Limited (New Zealand) Branch was a separate entity, its hypothetical solvency position as determined using Professional Standard No 5.01 issued by the New Zealand Society of Actuaries would be as follows.

	NZ BRANCH - NO 1 STATUTORY FUND	
	2009	*2008*
	$m	*$m*
Solvency reserve	**(2,162)**	*(2,231)*
Total assets	**2,501**	*2,600*
	339	*369*
Determined as:		
Unvested policyowner liabilities	**15**	*99*
Retained profits	**324**	*270*
	339	*369*

The retained profits set out above are the same as the retained profits for the Statutory Fund as set out in note 16(h).

The assets available for solvency at 31 December 2009 and 31 December 2008 for the Branch are after allowing for any transfers out of the Statutory Fund, which were approved in February following the year by the AMP Life Limited Board.

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

Based on assumptions as to likely withdrawal patterns in the various product groups, it is estimated that approximately $247m of policy liabilities (2008 - $268m) may be settled within 12 months of the reporting date.

(f) Disaggregated information

Under the Life Act, the life insurance business of the Branch is conducted within a separate life Statutory Fund that is distinguished from the shareholders fund. Information for all major components of the financial statements disaggregated between the life Statutory Fund and the shareholders' fund is provided within this note.

(i) Shareholders' capital in the Statutory Fund

Shareholders' capital in the Statutory Fund is made up of two components: capital transfers to the Statutory Fund and shareholders' Life Act capital.

The amount of the retained profits in the Statutory Fund attributable to shareholders has been analysed in notes 16(i) and 16(j) including shareholders Life Act capital, which represents the balance of retained profits determined as "capital" for the purposes of implementing the Life Act.

(ii) Shareholders' entitlement to moneys held in the Statutory Fund

Moneys held in the Statutory Fund are subject to the distribution and transfer restrictions and other requirements of the Life Act.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

16. OTHER DISCLOSURES IN RESPECT OF LIFE INSURANCE AND INVESTMENT CONTRACTS (continued)

(g) Disaggregated income statement

	Investment Linked 2009 $000	Non Investment Linked 2009 $000	Elimination 2009 $000	Total Statutory Fund 2009 $000	Shareholder Fund 2009 $000	Total Parent 2009 $000
Income and expenses						
Life insurance premium and related revenue	-	207,374	-	207,374	-	207,374
Fee and other revenue	4,383	-	-	4,383	-	4,383
Investment (losses)/gains	16,167	(32,946)	-	(16,779)	(4,304)	(21,083)
Life insurance claims and related expenses	-	(210,903)	-	(210,903)	-	(210,903)
Operating expenses	(1,897)	(106,741)	-	(108,638)	-	(108,638)
Finance costs	(9)	(230)	-	(239)	-	(239)
Change in life insurance contract liabilities	-	182,123	-	182,123	-	182,123
Change in investment contract liabilities	(14,411)	-	-	(14,411)	-	(14,411)
Profit before income tax	4,233	38,677	-	42,910	(4,304)	38,606
Income tax credit / (expense)	(3,344)	14,260	-	10,916	-	10,916
Net profit after income tax	889	52,937	-	53,826	(4,304)	49,522

	Investment Linked 2008 $000	*Non Investment Linked 2008 $000*	*Elimination 2008 $000*	*Total Statutory Fund 2008 $000*	*Shareholder Fund 2008 $000*	*Total Parent 2008 $000*
Income and expenses						
Life insurance premium and related revenue	-	196,616	-	196,616	-	196,616
Fee and other revenue	5,412	1,272	-	6,684	-	6,684
Investment (losses)/gains	(29,477)	372,959	-	343,482	-	343,482
Life insurance claims and related expenses	-	(227,902)	-	(227,902)	-	(227,902)
Operating expenses	(2,222)	(111,841)	-	(114,063)	-	(114,063)
Finance costs	(85)	(295)	-	(380)	-	(380)
Change in life insurance contract liabilities	-	(51,693)	-	(51,693)	-	(51,693)
Change in investment contract liabilities	27,816	-	-	27,816	-	27,816
Profit before income tax	1,444	179,116	-	180,560	-	180,560
Income tax (expense)/credit	64	(125,709)	-	(125,645)	-	(125,645)
Net profit after income tax	1,508	53,407	-	54,915	-	54,915

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

16. OTHER DISCLOSURES IN RESPECT OF LIFE INSURANCE AND INVESTMENT CONTRACTS (continued)

(h) Disaggregated Statement of financial position

	Investment Linked 2009 $000	Non Investment Linked 2009 $000	Elimination 2009 $000	Total Statutory Fund 2009 $000	Shareholder Fund 2009 $000	Total Parent 2009 $000
Assets						
Equity securities	87,013	37,840	-	124,853	-	124,853
Debt securities	84,677	1,020,808	(43,602)	1,061,883	-	1,061,883
Property securities	12,918	-	-	12,918	-	12,918
Other financial assets	3,716	63,654	-	67,370	-	67,370
Investments in controlled entities	-	1,135,622	-	1,135,622	6,681	1,142,303
Other assets	(1,589)	178,054	(78,270)	98,195	-	98,195
Total assets	186,735	2,435,978	(121,872)	2,500,841	6,681	2,507,522
Liabilities						
Life insurance contract liabilities	-	1,828,096	-	1,828,096	-	1,828,096
Investment contract liabilities	136,872	-	-	136,872	-	136,872
Other liabilities	49,863	284,138	(121,872)	212,129	4	212,133
Total liabilities	186,735	2,112,234	(121,872)	2,177,097	4	2,177,101
Net assets	-	323,744	-	323,744	6,677	330,421
Equity						
Retained earnings	-	323,744	-	323,744	6,677	330,421
Total equity	-	323,744	-	323,744	6,677	330,421

	Investment Linked 2008 $000	*Non Investment Linked 2008 $000*	*Elimination 2008 $000*	*Total Statutory Fund 2008 $000*	*Shareholder Fund 2008 $000*	*Total Parent 2008 $000*
Assets						
Equity securities	76,470	364,010	-	440,480	-	440,480
Debt securities	82,182	814,677	(42,220)	854,639	-	854,639
Property securities	16,124	-	-	16,124	-	16,124
Other financial assets	14,009	269,959	-	283,968	-	283,968
Investments in controlled entities	-	889,835	-	889,835	10,986	900,821
Other assets	33,004	157,069	(75,217)	114,856	-	114,856
Total assets	221,789	2,495,550	(117,437)	2,599,902	10,986	2,610,888
Liabilities						
Life insurance contract liabilities	-	2,040,090	-	2,040,090	-	2,040,090
Investment contract liabilities	143,006	-	-	143,006	-	143,006
Other liabilities	78,783	185,542	(117,437)	146,888	5	146,893
Total liabilities	221,789	2,225,632	(117,437)	2,329,984	5	2,329,989
Net assets	-	269,918	-	269,918	10,981	280,899
Equity						
Retained earnings	-	269,918	-	269,918	10,981	280,899
Total equity	-	269,918	-	269,918	10,981	280,899

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

16. OTHER DISCLOSURES IN RESPECT OF LIFE INSURANCE AND INVESTMENT CONTRACTS (continued)

(i) Disaggregated movement in retained earnings

	Investment Linked	Non Investment Linked	Total Statutory Fund	Shareholder Fund	Total Parent
	2009	2009	2009	2009	2009
	$000	$000	$000	$000	$000
Opening retained earnings	-	269,918	269,918	10,981	280,899
Net profit after tax for the period	889	52,937	53,826	(4,304)	49,522
Transfers within Statutory Fund	(889)	889	-	-	-
Closing retained earnings	-	323,744	323,744	6,677	330,421

	Investment Linked	*Non Investment Linked*	*Total Statutory Fund*	*Shareholder Fund*	*Total Parent*
	2008	*2008*	*2008*	*2008*	*2008*
	$000	*$000*	*$000*	*$000*	*$000*
Opening retained earnings	*-*	*215,003*	*215,003*	*10,981*	*225,984*
Net profit after tax for the period	*1,508*	*53,407*	*54,915*	*-*	*54,915*
Transfers within Statutory Fund	*(1,508)*	*1,508*	*-*	*-*	*-*
Closing retained earnings	*-*	*269,918*	*269,918*	*10,981*	*280,899*

(j) Allocation and distribution of profit

Details of operating surplus

	Policy Owner Interests	Shareholder Interests	Total Statutory Fund	*Policy Owner Interests*	*Shareholder Interests*	*Total Statutory Fund*
	2009	2009	2009	*2008*	*2008*	*2008*
	$000	$000	$000	*$000*	*$000*	*$000*
Operating surplus after income tax	-	53,826	53,826	*-*	*54,915*	*54,915*
Bonuses provided or paid in the current period						
Interim and terminal bonus on claims paid	15,978	-	15,978	*19,690*	*-*	*19,690*
Declared bonus on in force policies	28,440	-	28,440	*25,601*	*-*	*25,601*
Increase in unvested policy owner benefits	5,572	-	5,572	*27,948*	*-*	*27,948*
Life Insurance Act 1908 operating surplus after tax	49,990	53,826	103,816	*73,239*	*54,915*	*128,154*
Sources of the Life Insurance Act 1908 operating surplus						
From non-investment - linked business						
Participating business	49,990	12,096	62,086	*73,239*	*17,928*	*91,167*
Non-participating business	-	40,841	40,841	*-*	*35,479*	*35,479*
From investment - linked business						
Participating business	-	-	-	*-*	*-*	*-*
Non-participating business	-	889	889	*-*	*1,508*	*1,508*
	49,990	53,826	103,816	*73,239*	*54,915*	*128,154*

There are no retained surpluses held directly in the Investment Linked fund. Capital support is provided from non-investment linked business.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

16. OTHER DISCLOSURES IN RESPECT OF LIFE INSURANCE AND INVESTMENT CONTRACTS (continued)

(j) Allocation and distribution of profit (continued)

Details of retained surpluses

	Policy Owner Interests 2009 $000	**Shareholder Interests 2009 $000**	**Total Statutory Fund 2009 $000**	*Policy Owner Interests 2008 $000*	*Shareholder Interests 2008 $000*	*Total Statutory Fund 2008 $000*
Retained surpluses at the beginning of the period	**421,172**	**269,918**	**691,090**	*393,225*	*215,003*	*608,228*
Life Insurance Act 1908 operating surplus after income tax	**49,990**	**53,826**	**103,816**	*73,239*	*54,915*	*128,154*
Add transfers and bonuses						
Transfers to other countries						
Participating business	-	-	-	-	-	-
Non-participating business	-	-	-	-	-	-
Transfers between funds	-	-		-	-	
Participating business	-	**(10,703)**	**(10,703)**	-	*(10,940)*	*(10,940)*
Non-participating business	-	**10,703**	**10,703**	-	*10,940*	*10,940*
Shareholders' capital	-	-	-	-	-	-
Provision for bonuses and bonuses paid						
Participating business	**(44,418)**	-	**(44,418)**	*(45,292)*	-	*(45,292)*
Life Insurance Act 1908 retained surpluses at the end of the period	**426,744**	**323,744**	**750,488**	*421,172*	*269,918*	*691,090*
Policy owner retained surplus at the end of the period	**426,744**	-	**426,744**	421,172	-	421,172
Shareholder retained surplus at the end of the period	-	**323,744**	**323,744**	-	*269,918*	*269,918*
Components of Life Insurance Act 1908 retained surplus at the end of the year						
Policy owners	**426,744**	-	**426,744**	*421,172*	-	*421,172*
Shareholder participating	-	**106,686**	**106,686**	-	*105,293*	*105,293*
Shareholder non-participating	-	**217,058**	**217,058**	-	*164,625*	*164,625*
	426,744	**323,744**	**750,488**	*421,172*	*269,918*	*691,090*

Statement of analysis of operating surplus

	Investment Linked 2009 $000	**Non Investment Linked 2009 $000**	**Total 2009 $000**	*Investment Linked 2008 $000*	*Non Investment Linked 2008 $000*	*Total 2008 $000*
Shareholder operating surplus in the Statutory Fund						
The Shareholder operating surplus after income tax of the Statutory Fund is represented by:						
Investment earnings on shareholder retained surplus and capital	-	**7,286**	**7,286**	-	*5,794*	*5,794*
Emergence of shareholder planned surpluses	**1,252**	**49,829**	**51,081**	*1,967*	*41,293*	*43,260*
Experience surplus	**(363)**	**(4,178)**	**(4,541)**	*(458)*	*7,415*	*6,957*
Reversals of capitalised (surplus) / loss	-	-	-	-	*(1,096)*	*(1,096)*
Shareholder operating surplus after income tax	**889**	**52,937**	**53,826**	*1,509*	*53,406*	*54,915*
Life Insurance Act policy owners' operating surplus in the Statutory Fund						
The Life Insurance Act policy owners' operating profit after income tax of the Statutory Fund is represented by:						
Investment earnings on policy owners' retained surpluses and capital	-	**9,216**	**9,216**	-	*9,003*	*9,003*
Emergence of policy owners' planned surpluses	-	**34,358**	**34,358**	-	*37,120*	*37,120*
Experience loss	-	**6,416**	**6,416**	-	*27,116*	*27,116*
Life Insurance Act policy owners' operating surplus after income tax	-	**49,990**	**49,990**	-	*73,239*	*73,239*

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

17. NOTES TO THE STATEMENT OF CASH FLOWS

	Consolidated		Parent	
	2009	*2008*	**2009**	*2008*
	$000	*$000*	**$000**	*$000*
(a) Reconciliation of the net profit after income tax to cash flows from/(used in) operating activities				
Net profit after income tax	**79,486**	*47,834*	**49,522**	*54,915*
Net actuarial losses recognised directly in equity	**(2,067)**	*(7,779)*	**-**	-
Increase in superannuation scheme liability	**1,647**	*11,320*	**-**	-
Depreciation, amortisation, impairment and loss on disposal	**5,184**	*27,331*	**-**	-
Other items recognised directly in equity	**278**	*(265)*	**-**	-
Movement in external unitholders' liabilities	**16,066**	*(48,752)*	**-**	-
Net (profit)/loss on investment assets	**128,195**	*(247,850)*	**92,138**	*(294,205)*
Increase/(decrease) in life insurance contract liabilities	**(211,994)**	*37,275*	**(211,994)**	*37,275*
(Decrease) in investment contract liabilities	**(6,134)**	*(67,271)*	**(6,134)**	*(67,271)*
Decrease/(increase) in income tax balances	**41,930**	*119,193*	**35,388**	*137,523*
Decrease/(increase) in other operating assets and liabilities	**833**	*53,052*	**31,722**	*18,408*
Cash flows (used in) operating activities	**53,424**	*(75,910)*	**(9,358)**	*(113,355)*

(b) Reconciliation of cash and cash equivalents

Comprises:				
Cash at bank	**339,141**	*82,070*	**58,203**	*23,701*
Total cash and cash equivalents	**339,141**	*82,070*	**58,203**	*23,701*

The consolidated Branch holds cash at bank on behalf of the AMP Savings and Investments Portfolio, the AMP Investment Suite, the New Zealand Retirement Trust and the AMP KiwiSaver Scheme. The amounts held as at 31 December 2009 are $8m (2008: $14.2m). The cash held in these accounts is not available for use by the consolidated Branch.

For the purposes of the cash flow statement, cash and cash equivalents comprise the above. Cash at bank earns interest at floating rates predominately based on overnight cash rates.

(c) Acquisition and disposal of controlled entities

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

18. FINANCIAL RISK MANAGEMENT

The principal objective of the Branch's Financial Risk Management (FRM) strategy is to establish a robust structure for the determination of risk appetite and the measuring, monitoring, reporting and escalation of financial risks. The Branch seeks to manage financial risks to maximise the return on shareholder capital, while ensuring:

- that the Branch remains solvent
- there is sufficient cash flow available to execute operational strategies

Whilst the Board of AMP Life Limited has ultimate responsibility for risk management and governance, in order to meet the above objective the Branch and certain delegated committees reviews the financial risks periodically. This includes regular meetings of the following committees:

- AMP New Zealand Asset and Liability Committee ("NZ ALCO") - which provides advice to the Board on financial risk management policy and investment strategy. NZ ALCO is charged with optimising the management of the balance sheet and income statement and coordination of pricing and allocation decisions across the Branch. The NZ ALCO is a sub committee of the AMP Group Asset and Liability Committee
- Risk and Compliance Committee - which is charged with mitigating key business risks and to ensure compliance with regulatory and AMP Group policy

The Branch is also subject to the oversight of:

- the AMP Life Limited Audit Committee (and an Internal Audit function) which is responsible for ensuring the existence of effective financial risk management policies and procedures, and oversight of the execution of the FRM Policy target surpluses
- the Appointed Actuary who is responsible fpr reporting to the AMP Life Board and other committees on solvency, capital adequacy and target surpluses

The directors and boards of controlled entities have responsibility to set risk appetite as it relates to that individual subsidiary entity while complying with the Group policies and approved risk appetite.

The Branch's FRM is consistent with the policies set out by the AMP Limited and AMP Life Limited Boards.

19. FINANCIAL INSTRUMENTS AND FINANCIAL RISK DISCLOSURES

The Branch's activities expose it to a variety of financial risks. Significant risks are as follows:

- market risk (including interest rate risk, currency risk, equity price risk and investment risk)
- liquidity risk
- credit risk

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

(a) Market risk

Market risk is the risk of loss arising from movements in market variables including observable variables such as interest rates, exchange rates and equity markets, and indirectly observable variables such as volatilities and correlations. Market risk in the Branch primarily arises from the management of insurance contracts and from non-trading market risk positions arising from balance sheet and capital management activities.

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

The sensitivity is required to show the impact of a reasonably possible change in market rate (it is not intended to illustrate a remote, worst case or stress test scenario) over the period to the subsequent reporting date.

(i) Interest rate risk

Interest rate risk is the risk to the Branch's earnings and capital arising from movements in interest rates, including changes in the absolute levels of interest rates, the shape of the yield curve, the margin between different yield curves and the volatility of interest rates.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

19. FINANCIAL INSTRUMENTS AND FINANCIAL RISK DISCLOSURES (continued)

(i) Interest rate risk (continued)

As discussed in notes 1 and 2, the Branch conducts life insurance business through the No. 1 Statutory Fund. Investment assets of this Fund comprise cash, equity securities, debt securities, property securities and other financial assets that are held to back investment contract liabilities, life insurance contract liabilities, retained profits and capital. A substantial portion of the interest-bearing financial assets therefore represents investments held in life insurance funds in respect of policyholders' interests.

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

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

The Branch 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 target surplus philosophy for both capital adequacy and solvency as advised by the Appointed Actuary.

Interest rate risk sensitivity analysis

The following table demonstrates the impact of a 100 basis points change in New Zealand and International interest rates, with all other variables held constant, on the Branch's shareholder profit after tax and equity. It is assumed that all underlying exposures and related hedges are included in the sensitivity analysis, that the 100 basis point change occurs as at the reporting date (31 December 2009 and 2008) and there are concurrent movements in interest rates and parallel shifts in the yield curves.

	31 December 2009		*31 December 2008*	
Change in variables	**Impact on profit after tax $000**	**Impact on equity $000**	*Impact on profit after tax $000*	*Impact on equity $000*
+ 100 basis points	**(7,035)**	**(7,035)**	*(4,964)*	*(4,964)*
- 100 basis points	**6,930**	**6,930**	*4,947*	*4,947*

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

(ii) Currency risk

Currency, or foreign exchange risk is the risk of loss resulting from changes in exchange rates. Losses in value may result from translating the Branch's overseas investments into New Zealand dollars at balance date (translation risk) or from adverse foreign currency exchange rate movements on specific cash flow transactions (transaction risk).

Subject to materiality discretions, the Branch may hedge expected foreign currency receipts and payments once the value and timing of the expected cash flow is known.

Currency risk sensitivity analysis

The analysis below demonstrates the impact of a 10% movement of currency rates (predominately the US dollar and Euro) against the New Zealand dollar with all other variables held constant, showing the impact on profit after tax (due to changes in fair value of currency sensitive monetary assets and liabilities) and equity. It is assumed that the relevant change occurs as at the reporting date (31 December 2009 and 2008).

	31 December 2009		*31 December 2008*	
Change in variables	**Impact on profit after tax $000**	**Impact on equity $000**	*Impact on profit after tax $000*	*Impact on equity $000*
+ 10%	**4,288**	**4,288**	*2,546*	*2,546*
- 10%	**(4,293)**	**(4,293)**	*(2,550)*	*(2,550)*

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

19. FINANCIAL INSTRUMENTS AND FINANCIAL RISK DISCLOSURES (continued)

(iii) Equity price risk

Equity price risk is the risk that the fair value of equities will decrease as a result of changes in levels of equity indices and the value of individual stocks. The Branch holds all of its equities at fair value through profit or loss.

Sensitivity analysis
The analysis below demonstrates the impact of a 10% movement in New Zealand and international equities. This sensitivity analysis has been performed to assess the direct risk of holding equity instruments, therefore any potential indirect impact on fees from the Branch's investment linked business has been excluded. It is assumed that the relevant change occurs as at the reporting date (31 December 2009 and 2008).

	31 December 2009		*31 December 2008*	
Change in variables	**Impact on profit after tax $000**	**Impact on equity $000**	*Impact on profit after tax $000*	*Impact on equity $000*
10% increase in New Zealand equities	**2,440**	**2,440**	*1,254*	*1,254*
10% increase in international equities	**4,288**	**4,288**	*2,546*	*2,546*
10% decrease in New Zealand equities	**(2,442)**	**(2,442)**	*(1,256)*	*(1,256)*
10% decrease in international equities	**(4,293)**	**(4,293)**	*(2,550)*	*(2,550)*

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

(iv) Investment risk

Investment risk is the risk of volatility in the Branch's net investment earnings and value that result in a reduced ability to implement corporate strategy. Investment earnings arise from the Branch's investment of shareholder capital. Investment classes include equities, property and interest bearing instruments, so the management of investment risk encompasses equity price risk and interest rate risk.

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

(b) Liquidity risk

Liquidity risk is the risk that the Branch will not be able to meet its debt obligations, or other cash outflows, as they fall due, because of a lack of liquid assets or access to adequate funding on acceptable terms. In addition, in some instances, the terms of investment-linked policies do not permit the deferral of redemption requests beyond an agreed period of time. The period over which redemption payments must be made varies depending on the policy. The risk that assets are settled at below fair value as a result of a forced sale of the illiquid asset is borne by the policyholder. If the Branch is unable to sell assets to meet redemption requests, it may elect to fund the redemptions from borrowings (which may be without recourse to the AMP Group depending on the circumstances) or from its own capital resources.

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

The operating subsidiary of a private equity controlled entity of the Branch was in breach of certain banking covenants on its external lending twice during 2009. The carrying amount of the borrowings at 31 December 2009 was $4m ($2008: $6.7m) - refer Note 14. The financiers of the borrowings do not have recourse to the Branch, and have waived their rights to take action in respect of the breaches in covenants.

The following table summarises the maturity profile of the Branch's financial liabilities at 31 December 2009. This is based on contractual undiscounted repayment obligations, except for insurance contract liabilities when maturity profiles are determined on the discounted estimated timing of net cash outflows (see note 16(e)). Repayments that are subject to notice are treated as if notice were to be given immediately.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

19. *FINANCIAL INSTRUMENTS AND FINANCIAL RISK DISCLOSURES (continued)*

(b) Liquidity risk (continued)

Maturity profile of undiscounted financial liabilities: [1]

2009 - Consolidated	**Non-financial liabilities $000**	**Up to 1 year $000**	**1 to 5 years $000**	**Over 5 years $000**	**On call $000**	**Investment-linked[2] $000**	**Total $000**
Payables	**7,010**	**57,665**	**5,753**	**230**	**531**	**2,145**	**73,334**
Borrowings	**-**	**3,994**	**-**	**-**	**-**	**-**	**3,994**
Other financial liabilities	**-**	**65,241**	**-**	**-**	**-**	**-**	**65,241**
Investment contract liabilities	**-**	**-**	**-**	**-**	**-**	**136,872**	**136,872**
Total undiscounted financial liabilities[3]	**7,010**	**126,900**	**5,753**	**230**	**531**	**139,017**	**279,441**

2008 - Consolidated	*Non-financial liabilities $000*	*Up to 1 year $000*	*1 to 5 years $000*	*Over 5 years $000*	*On call $000*	*Investment-linked [2] $000*	*Total $000*
Payables	*5,403*	*76,046*	*4,329*	*617*	*-*	*2,058*	*88,453*
Borrowings	*-*	*6,729*	*-*	*-*	*-*	*-*	*6,729*
Other financial liabilities	*-*	*4,071*	*-*	*-*	*-*	*-*	*4,071*
Investment contract liabilities	*-*	*-*	*-*	*-*	*-*	*143,006*	*143,006*
Total undiscounted financial liabilities [3]	*5,403*	*86,846*	*4,329*	*617*	*-*	*145,064*	*242,259*

2009 - Parent	**Non-financial liabilities $000**	**Up to 1 year $000**	**1 to 5 years $000**	**Over 5 years $000**	**On call $000**	**Investment-linked[2] $000**	**Total $000**
Payables	**-**	**27,273**	**-**	**-**	**5**	**2,145**	**29,423**
Other financial liabilities	**-**	**51,841**	**-**	**-**	**-**	**-**	**51,841**
Investment contract liabilities	**-**	**-**	**-**	**-**	**-**	**136,872**	**136,872**
Total undiscounted financial liabilities[3]	**-**	**79,114**	**-**	**-**	**5**	**139,017**	**218,136**

2008 - Parent	*Non-financial liabilities $000*	*Up to 1 year $000*	*1 to 5 years $000*	*Over 5 years $000*	*On call $000*	*Investment-linked [2] $000*	*Total $000*
Payables	*-*	*28,279*	*-*	*-*	*5*	*2,058*	*30,342*
Other financial liabilities	*-*	*2,551*	*-*	*-*	*-*	*-*	*2,551*
Investment contract liabilities	*-*	*-*	*-*	*-*	*-*	*143,006*	*143,006*
Total undiscounted financial liabilities [3]	*-*	*30,830*	*-*	*-*	*5*	*145,064*	*175,899*

[1] *Estimated net cash outflow profile of life insurance contract liabilities is disclosed in note 16.*

[2] *For investment linked business, the liability to policyholders is linked to the performance and value of the assets that back those liabilities. If all such policyholders claimed their funds, there may be some delays in settling this liability as assets are liquidated, but the shareholder (subject to comments in respect of redemption risk above) has no direct exposure to any liquidity risk as a result of investment linked contracts. As a result, the tables in this section show the Branch's investment-linked liabilities in aggregate only, without any maturity analysis. This is consistent with AMP Life's management practice.*

[3] *The totals in the table above will not necessarily agree back to the totals in the Statement of financial position, as these maturity profiles are based on undiscounted cash flows and the Statement of financial position is based on discounted cash flows.*

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

19. FINANCIAL INSTRUMENTS AND FINANCIAL RISK DISCLOSURES (continued)

(c) Credit risk

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

The Branch manages credit risk through an Investment Management Agreement with AMP Capital Investors (New Zealand) Limited who are responsible for managing the investment assets of the Branch in accordance with an approved Risk Management Statement. The Agreement is updated as required and sets out the assessment and determination of what constitutes credit risk for the Branch and has set exposure limits (or benchmarks) for each counterparty, allowable credit ratings for fixed interest investments and benchmark asset allocations by investment sector. Compliance with the Agreement is monitored through the NZ ALCO.

Maximum exposure to credit risk

The Group's maximum exposure to credit risk without taking account of any collateral or other credit enhancements as of 31 December 2009 was $744.20m (2008: $1,201.2m).

Management of credit risk concentration

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

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

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

Credit exposure by credit rating

The following tables provides information regarding the credit risk exposures of the Group at 31 December 2009 according to the credit ratings of the counterparties.

	2009 **$000**	*2008* *$000*
AAA	**162,221**	*210,282*
AA	**748,847**	*964,450*
A	**142,262**	*81,969*
BBB	**29,305**	*25,024*
Below BBB	**-**	*-*
Unrated	**698**	*1,610*
Total financial assets with credit risk exposure [1]	**1,083,333**	*1,283,335*
Other assets [2]	**1,562,895**	*1,660,634*
Total assets	**2,646,228**	*2,943,969*

Footnote:

[1] *Balance mainly comprises interest bearing securities and cash equivalent*

[2] *Balance includes all other financial and non financial assets with no credit risk exposure*

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

19. FINANCIAL INSTRUMENTS AND FINANCIAL RISK DISCLOSURES (continued)

(c) Credit risk (continued)

The figures in the above two tables exclude investment linked business where the liability to the policyholder is linked to the performance and value of the assets that back those liabilities, on the basis the shareholder does not have any direct exposure to any credit risk in respect of these assets.

Past due but not impaired financial assets of the Branch

The following table provides an aged analysis of the Branch that are past due as at reporting date but not impaired:

2009 - Consolidated	**Less than 30 days $000**	**31 to 60 days $000**	**61 to 90 days $000**	**More than 91 days $000**	**Total $000**
Other receivables - other entities	2,700	970	43	113	3,826
Total[1]	**2,700**	**970**	**43**	**113**	**3,826**

2008 - Consolidated	*Less than 30 days $000*	*31 to 60 days $000*	*61 to 90 days $000*	*More than 91 days $000*	*Total $000*
Other receivables - other entities	*8,644*	*3,548*	*1,531*	*3,043*	*16,766*
Total[1]	*8,644*	*3,548*	*1,531*	*3,043*	*16,766*

2009 - Parent	**Less than 30 days $000**	**31 to 60 days $000**	**61 to 90 days $000**	**More than 91 days $000**	**Total $000**
Other receivables - other entities	2,143	742	-	-	2,885
Total[1]	**2,143**	**742**	**-**	**-**	**2,885**

2008 - Parent	*Less than 30 days $000*	*31 to 60 days $000*	*61 to 90 days $000*	*More than 91 days $000*	*Total $000*
Other receivables - other entities	*780*	*464*	*414*	*1,090*	*2,748*
Total[1]	*780*	*464*	*414*	*1,090*	*2,748*

Footnote:

[1] *For investment linked business, the liability to policyholders is linked to the performance and value of the assets that back those liabilities. The shareholder has no direct exposure to any credit risk in those assets. Therefore, the tables above do not show any past due financial assets that back investment linked business.*

(d) Derivative financial instruments

Derivative financial instruments are carried at fair value and recorded in the Statement of financial position as assets and liabilities. Asset and liability values on different transactions are only netted if the transactions are with the same counterparty and the cash flows will be settled on a net basis. Changes in values of derivative financial instruments are recognised in the Income statement.

The Branch uses derivative financial instruments including financial futures, forward foreign exchange contracts, exchange traded and other options and forward rate agreements to hedge the impact of market movements on the value of assets in the investment portfolios, and to effect a change in the asset mix of investment portfolios. Derivative financial instruments are held for risk and asset management purposes within mandates, and not for the purpose of speculation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

19. FINANCIAL INSTRUMENTS AND FINANCIAL RISK DISCLOSURES (continued)

(e) Fair value measures

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

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

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

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 are they based on available market data. Unobservable inputs are determined based on the best information available, which might include the Group's own data, reflecting the Group's own assumptions about the assumptions that market participants would use in pricing the asset or liability. Valuation techniques are used to the extent that observable inputs are not available, and include estimates about the timing of cashflows, discount rates and other inputs.

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

31 December 2009 - Parent	Level 1	Level 2	Level 3	Total fair value
	$000	$000	$000	$000
Assets				
Equity securities	-	93,239	31,614	124,853
Debt securities	-	57,029	-	57,029
Property securities	-	427	12,491	12,918
Other financial assets	-	67,370	-	67,370
Total financial assets	-	218,065	44,105	262,170
Liabilities				
Other financial liabilities	-	51,841	-	51,841
Investment contract liabilities	-	16,516	120,356	136,872
Total financial liabilities	-	68,357	120,356	188,713

31 December 2009 - Consolidated	Level 1	Level 2	Level 3	Total fair value
	$000	$000	$000	$000
Assets				
Equity securities	20,116	851,607	35,042	906,765
Debt securities	-	693,223	-	693,223
Property securities	-	347,693	14,078	361,771
Other financial assets	78,191	82,104	-	160,295
Total financial assets	98,307	1,974,627	49,120	2,122,054
Liabilities				
Other financial liabilities	3,111	62,130	-	65,241
Investment contract liabilities	-	16,516	120,356	136,872
Total financial liabilities	3,111	78,646	120,356	202,113

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

19. FINANCIAL INSTRUMENTS AND FINANCIAL RISK DISCLOSURES (continued)

(e) Fair value measures (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 period:

2009 - Parent

	At 1 January 2009	Total gains/(losses) in income statement	Total gains/(losses) in other comprehensive income	Purchases	Sales	Net transfers in/(out)	At 31 December 2009	Total gain or (loss) for the period included in profit or loss for assets held at 31 December 2009
	$000	$000	$000	$000	$000	$000	$000	$000
Assets								
Equity securities	38,284	(6,670)	-	-	-	-	31,614	(6,670)
Property securities	15,901	(3,311)	-	155	(254)	-	12,491	(2,668)
Total financial assets	54,185	(9,981)	-	155	(254)	-	44,105	(9,338)
Liabilities								
Investment contract liabilities	124,819	(9,791)	-	(4,614)	18,868	-	120,356	(10,142)
Total financial liabilities	124,819	(9,791)	-	(4,614)	18,868	-	120,356	(10,142)

2009 - Consolidated

	At 1 January 2009	Total gains/(losses) in income statement	Total gains/(losses) in other comprehensive income	Purchases	Sales	Net transfers in/(out)	At 31 December 2009	Total gain or (loss) for the period included in profit or loss for assets held at 31 December 2009
	$000	$000	$000	$000	$000	$000	$000	$000
Assets								
Equity securities	42,024	(6,982)	-	-	-	-	35,042	(6,982)
Property securities	17,219	(3,715)	-	828	(254)	-	14,078	(3,072)
Total financial assets	59,243	(10,697)	-	828	(254)	-	49,120	(10,054)
Liabilities								
Investment contract liabilities	124,819	(9,791)	-	(4,614)	18,868	-	120,356	(10,142)
Total financial liabilities	124,819	(9,791)	-	(4,614)	18,868	-	120,356	(10,142)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

19. FINANCIAL INSTRUMENTS AND FINANCIAL RISK DISCLOSURES (continued)

(e) Fair value measures (continued)

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

2009 - Parent	Carrying amount $000	Effect of reasonably possible alternative assumptions (+/-) $000	
Assets			
Equity securities	31,614	2,828	(2,684)
Total financial assets	31,614	2,828	(2,684)

2009 - Consolidated	Carrying amount $000	Effect of reasonably possible alternative assumptions (+/-) $000	
Assets			
Equity securities	35,042	2,948	(2,811)
Total financial assets	35,042	2,948	(2,811)

In order to determine reasonably possible alternative assumptions, earnings multiples applied in the valuation of the securities were adjusted.

20. CAPITAL MANAGEMENT

The Branch's capital comprises reserves and retained earnings.

The Branch's capital is managed within the broader framework of the AMP Group capital management strategy, which itself forms part of the AMP Group's strategic planning process.

The AMP Group holds capital to protect customers, creditors and shareholders against unexpected losses to a level that is consistent with the AMP Group's risk appetite. Capital adequacy is assessed in reference to both regulatory and ratings capital and the AMP Group targets a level of capital resources to satisfy these measures, whilst attempting to optimise the mix of capital resources to minimise the cost of capital and maximise shareholder value.

Regulatory capital

AMP Life is subject to externally imposed regulatory capital requirements. Specifically, AMP Life must comply with the following requirements: solvency, capital adequacy and management capital requirements as specified under the Life Act and APRA Life Insurance Prudential Standards.

Ratings capital

The AMP Group's capital management strategy is framed against an objective of maintaining 'A' range credit ratings. AMP Life targets a level of gearing, interest coverage and capital in line with rating agency guidelines to maintain its credit and financial strength rating of AA with Standard and Poor's and Aa2 with Moody's Investor Services.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

21. SUPERANNUATION SCHEME LIABILITY AND COMMITMENTS

The following tables summarise the components of the net amounts recognised in the Income statement and the net amounts recognised in the Statement of financial position for the superannuation plan of a controlled entity. As noted in note 2(ff), certain controlled entities are participating employers within the AMP (New Zealand) Staff Superannuation Plan *and the figures below represent the Branch's share of the total plan.*

Commencing 2008 the Branch's share is determined using information on the actual liability owed to individual members of the plan. As a result, the Branch recognises 96% of the total plan.

	Consolidated	
	2009	*2008*
	$000	*$000*
(a) Defined benefit income		
Current service cost	**(21)**	*281*
Interest cost	**(999)**	*1,480*
Expected return on plan assets	**1,273**	*(1,610)*
Contributions tax	**125**	*75*
Total defined benefit income	**378**	*226*
(b) Amounts recognised in the Statement of comprehensive income (SOCI)		
Immediate recognition of loss	**(2,953)**	*(11,111)*
Total recognised via the SOCI	**(2,953)**	*(11,111)*
Cumulative amount of income recognised via SOCI at start of the period	**(6,891)**	*4,220*
Cumulative amount of income recognised via SOCI at end of the period	**(9,844)**	*(6,891)*
Actual return on Plan assets	**2,813**	*(6,688)*
(c) Movements in defined benefit obligation		
Balance at the beginning of the period	**29,860**	*36,043*
Current service cost	**21**	*281*
Interest cost	**999**	*1,480*
Contributions by plan participants	**43**	*70*
Actuarial gains and losses	**3,519**	*(1,156)*
Benefits paid	**(2,436)**	*(20,190)*
Adjustment reflecting current enrolment information	**-**	*13,332*
Balance at the end of the period	**32,006**	*29,860*
(d) Movement in fair value of plan assets		
Balance at beginning of the period	**21,452**	*35,220*
Expected return on plan assets	**1,273**	*1,610*
Actuarial gains and losses	**1,540**	*(8,601)*
Contributions by the employer	**622**	*11*
Contributions by plan participants	**43**	*70*
Benefit paid	**(2,436)**	*(20,190)*
Adjustment reflecting current enrolment information	**-**	*13,332*
Balance at the end of the period	**22,494**	*21,452*

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

21. SUPERANNUATION SCHEME LIABILITY AND COMMITMENTS (continued)

	Consolidated 2009 $000	Consolidated 2008 $000
(e) Defined benefit deficit		
Present value of wholly funded defined benefit obligations	(32,006)	(29,860)
Less: Fair value of plan assets	22,494	21,452
Contributions tax	(4,685)	(4,142)
Net defined benefit deficit recognised in the Statement of financial position	(14,197)	(12,550)
(f) Movement in net defined benefit deficit		
Deficit at the beginning of the period	(12,550)	(1,230)
Plus: Total income (expense) recognised in income	378	(226)
Plus: Employer contributions	928	17
Plus: Actuarial losses recognised in other comprehensive income	(2,953)	(11,111)
Deficit at the end of the period	(14,197)	(12,550)

(g) Historical analysis of defined deficit (benefit) surplus	2009 $000	2008 $000	2007 $000	2006 $000
Present value of wholly funded defined benefit obligations	32,006	29,860	36,043	37,421
Less: Fair value of plan assets	22,494	21,452	35,220	37,838
Net defined deficit (benefit) surplus recognised in the Statement of financial position	(9,512)	(8,408)	823	(417)
Actuarial gains and (losses) arising on plan liabilities	1,189	2,010	11	(2,004)
Actuarial gains and (losses) arising on plan assets	(1,540)	(8,601)	(1,088)	3,078

	2010 $000
Expected Contributions	
Financial year ending 31 December	1,514

This is based on the latest information from the external actuaries, Mercer (N.Z.) Limited in their report of 15 December 2009.

Fair Value of Plan Assets

The fair value of Plan assets includes no amounts relating to:

- any of the Employer's own financial instruments*
- any property occupied by, or other assets used by, the Employer

*More than 90% of the Plan assets are invested in AMP investment products.

The expected return on assets assumption is determined by weighting the expected long term return for each class by the target allocation of assets to each asset class. The returns used for each asset class are net of investment tax and investment fees.

(h) Principal actuarial assumptions at reporting date

The following table sets out the principal actuarial assumptions used as at the reporting date in measuring the defined-benefit obligations of the defined-benefit fund:

	2009 %	2008 %
Discount rate	4.20	3.40
Expected rate of return on assets (after tax and expenses)	6.25	5.25
Inflation increases	0.75	0.75
Future pension increases	2.30	1.00

Pensioner mortality is based on the NZ Life table 2005-2007 rated down two years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

21. SUPERANNUATION SCHEME LIABILITY AND COMMITMENTS (continued)

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

At the dates of the most recent financial reports of the plan, the deficit measured as the difference between the net market value of plan assets and the accrued benefits of the plans was $9.5m (2008: $8.4m) for the defined-benefit fund.

Funding methods and current recommendations

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

(j) Allocation of assets

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

	2009	*2008*
The percentage invested in each asset class at the balance sheet date:		
Equity	**66%**	*55%*
Fixed Income	**18%**	*19%*
Property	**13%**	*17%*
Cash	**3%**	*9%*

(k) Defined contribution schemes

Certain controlled entities of the Branch made contributions of $1.9m (2008: $2.2m) to other defined contribution schemes.

22. CONTROLLED ENTITY HOLDINGS

Details of investments in significant controlled entities are as follows:

			% Holdings	
NAME OF COMPANY	**COUNTRY OF INCORPORATION**	**Share type**	**2009**	*2008*
Allmarg Corporation Limited	New Zealand	Ord, Pref	**100**	*100*
AMP Capital Investments Limited[1]	New Zealand	Ord A & B, Z, Pref	**-**	*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, Z, Pref	**100**	*100*
AMP Capital Investments No. 11 Limited	New Zealand	Ord A & B	**100**	*100*
AMP Capital Investments No. 14 Limited	New Zealand	Ord A & B	**100**	*100*
AMP Custodial Investments No. 1 Limited[1]	New Zealand	Ord A & B, Pref	**-**	*100*
AMP Life (NZ) Investments Holdings Limited	New Zealand	Ord	**100**	*100*
AMP Life (NZ) Investments Limited	New Zealand	Ord	**100**	*100*
AMP Services (NZ) Limited	New Zealand	Ord	**100**	*100*
AMP/ERGO Mortgage and Savings Limited	New Zealand	Ord	**100**	*100*
AMP Investments World Index Fund[2]	New Zealand	Ord	**n/a**	*58*
AMP Equity Fund[2]	New Zealand	Ord	**n/a**	*55*
ERGO Personal Financial Services Limited	New Zealand	Ord	**100**	*100*
Arthur Ellis & Co Limited	New Zealand	Ord	**100**	*100*
Donaghys Limited	New Zealand	Ord	**50**	*50*
Roost 2007 Limited	New Zealand	Ord	**100**	*100*

Footnote:

[1] *AMP Capital Investments Limited and AMP Custodial Investments No. 1 Limited were amalgamated into AMP Capital Investments No. 11 during 2009.*

[2] *AMP Investments World Index Fund and AMP Equity Fund became Associated entities in during 2009.*

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

23. INVESTMENTS IN ASSOCIATED ENTITIES

Details of significant investments in associated entities are as follows:

NAME OF COMPANY	PRINCIPAL ACTIVITY	Ownership interest 2009 %	Ownership interest 2008 %	Carrying amount 2009 $000	Carrying amount 2008 $000
Parent					
AMP Pencarrow Private Capital Joint Venture Fund	Investment vehicle	34	34	31,614	38,284
Other	Various	-	various	-	100
Total investments in associated entities				31,614	38,384
Consolidated					
AMP Pencarrow Private Capital Joint Venture Fund	Investment vehicle	34	34	31,614	38,284
Eastern Equities Corporation Limited	Retail	-	49	-	1,899
Kiwi Kats Limited	Tourism	49	49	-	-
Zeacom Group Limited	Computer Technology	26	26	3,428	3,740
Other	Various	-	various	-	100
Total investments in associated entities				35,042	44,023

NAME OF UNIT TRUSTS AND OTHER ENTITIES	PRINCIPAL ACTIVITY	Ownership interest 2009 %	Ownership interest 2008 %	Carrying amount 2009 $000	Carrying amount 2008 $000
Parent and Consolidated					
AMP Investments World Index Fund[1]	Passive International Equities	31	-	108,310	-
AMP Equity Fund[1]	Equity Investment	47	-	145,450	-
AMP NZ Property Portfolio	Property Investment	38	38	347,266	396,712
AIGE AIF Strategic Equity Fund	Equity Investment	23	-	111,261	
Total investments in associated unit trusts and other entities				712,287	396,712

Footnote:
[1] *AMP Investments World Index Fund and AMP Equity Fund were controlled in 2008.*

24. LEASING AND OTHER COMMITMENTS

	Consolidated 2009 $000	Consolidated 2008 $000	Parent 2009 $000	Parent 2008 $000
Operating lease commitments (non-cancellable)				
Due within one year	5,109	4,872	-	-
Due within one year to five years	13,463	16,644	-	-
Due later than five years	9,052	9,863	-	-
Total operating lease commitments	27,624	31,379	-	-

The above leases are primarily in respect of properties from which the Branch and its controlled entities operate. These leases have an average life of between 4 and 10 years with renewal terms included in the contracts at the option of the lessee. There are no significant restrictions placed upon the lessee by entering into these. The total of future minimum sublease payments expected to be received under non-cancellable subleases at the end of the reporting period is $1m (2008:$1m)

25. CONTINGENT LIABILITIES AND COMMITMENTS

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 in the AMP group.

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 in a dispute, this information is not disclosed in this note.

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

Commitments

The Branch has an amount of $5.3m (2008:$5.3m) uncalled capital in the AMP Pencarrow Fund.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

26. RELATED PARTY DISCLOSURES

The Branch is a branch of AMP Life Limited which is incorporated in New South Wales, Australia. The Branch transacts with other entities within the AMP group of companies and other related parties in the normal course of its business.

(a) Key management personnel (KMP) details

Key management personnel are defined as General Managers of the Branch and Directors of AMP Services (NZ) Limited. The following individuals held office during the year:

Name	Position
Jack Regan	Managing Director
Simon John Pennington	Chief Financial Officer, Director
Therese Mary Singleton	Executive Legal Counsel, Director
Heather Waugh	General Manager, Tech Solutions
Jeff Ruscoe	General Manager, Distribution Services and Operations
Lee Tonitto	General Manager, Strategy and Direction
Blair Vernon	General Manager, Marketing and Distribution
Brent Sincock	General Manager, People and Performance
Jane Anderson	General Manager, Public Affairs (resigned 02 January 2009)
Allan Hopson	General Manager, Marketing (resigned 14 October 2009)
David Chote	General Manager, Distribution (resigned 26 October 2009)

(b) Remuneration of key management personnel

Remuneration details for these individuals are as follows:

	Short term benefits	Post employment benefits	Termination benefits	Other	Total
Key management personnel					
2009	**2,769**	***272***	***150***	***241***	***3,432***
2008	*3,693*	*291*	*418*	*358*	*4,670*

(c) Transactions with key related parties

Transactions with related parties are made at arms length and on normal commercial terms. Outstanding balances at 31 December 2009 and 31 December 2008 are unsecured, non interest bearing and settlement occurs in cash or through inter-company accounts as necessary.

The Branch purchases administrative services from AMP Services (NZ) Limited on a fee for service basis (2009: $72.4m, 2008: $70.5m) . Services purchased include product distribution, marketing, payroll, personnel, computing and accounting services. This amount is eliminated on consolidation of the New Zealand Group.

The Branch receives administrative services from AMP Services Limited in Australia and investment services from AMP Capital Investors (New Zealand) Limited (AMP Capital) on a normal commercial basis (2009: $2.8m, 2008: $8.7m). AMP Capital is a related entity of the Branch and manages the investment assets of the policyholder fund, and the shareholder fund. AMP Capital is also the responsible entity of a number of the controlled and associated unit trusts detailed in notes 22 and 23. Investment management services provided by AMP Capital to the Branch are charged at normal commercial rates.

The Group receives administrative services from AMP Services Limited (Australia) (2009: $8.1m, 2008: $6.6m) and investment services from AMP Capital (2009: $8.1m, 2008: $10.3m) on a normal commerical basis.

The following table provides the total amount of significant transactions which the New Zealand Group 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 $000	Service, management and other fees paid to related parties $000	Amounts owed by related parties $000	Amounts owed to related parties $000
AMP Services Limited (Australia)	**2009**	-	**8,131**	-	**1,169**
	2008	-	*6,625*	-	*1,238*
AMP Capital Investors (New Zealand) Limited	**2009**	**259**	**8,113**		**3,911**
	2008	*459*	*10,322*	-	*7,596*
AMP Life Limited Australia Statutory Fund 1 Limited	**2009**	-	-	***13,449***	***2***
	2008	-	-	-	-
AMP Capital Investors Limited	**2009**	-	-	-	***61***
	2008	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

26. RELATED PARTY DISCLOSURES (continued)

No provision for bad debts relating to related party receivables has been raised (2008: nil). An assessment is undertaken each financial year examining the financial position of related parties and the market in which they operate. Provisions for doubtful debts are then raised if necessary.

Disclosures in respect of closing balances outstanding at year-end and transactions with related parties entered into during the relevant year are provided throughout the notes to the financial statements where significant.

27. EVENTS OCCURRING AFTER REPORTING DATE

At the date of this report, the Directors are not aware of any matter or circumstance that has arisen since the end of the period which has significantly affected or may significantly affect the operations of the consolidated entity, the results of its operations or its state of affairs, which is not already reflected in this report.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

Actuary's Statement

I certify that in my opinion:

(a) other than in respect of deferred tax balances (see note 2(q)) the policy liabilities and solvency of AMP Life Limited (New Zealand) Branch have been determined using methods and assumptions consistent with the actuarial standards and guidelines issued by the New Zealand Society of Actuaries.

(b) proper records, based on accurate data, have been kept by AMP Life Limited from which its New Zealand Branch policy liabilities and solvency, have been able to be properly determined.

(c) I am satisfied as to the accuracy of the data used in the valuations in the financial statements and in the tables in notes 15 and 16.

I have also ascertained from the Appointed Actuary of AMP Life Limited (Mr R Mangano) that the allocation and distribution of the profits of the AMP Life Limited Statutory Fund No. 1 New Zealand Branch has been made in accordance with Divisions 5 and 6 of Part 4 of the Australian Life Insurance Act 1995 and the constitution of AMP Life Limited.

Wendy Little
Head of Actuarial, FNZSA, FIA, BSc (Hons)
Auckland
New Zealand
18 March 2010

ERNST & YOUNG

Chartered Accountants

Auditor's Report

To the Shareholders of AMP Life Limited (New Zealand) Branch

We have audited the financial statements on pages 1 to 55. The financial statements provide information about the past financial performance of the New Zealand branch of the company and its subsidiaries and their financial position as at 31 December 2009. This information is stated in accordance with the accounting policies set out on pages 6 to 18.

This report is made solely to the company's shareholders, as a body, in accordance with Section 19(3) of the Financial Reporting Act 1993. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the New Zealand branch of the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Directors' Responsibilities

The directors are responsible for the preparation of financial statements which comply with generally accepted accounting practice in New Zealand and give a true and fair view of the financial position of the New Zealand branch of the company and its subsidiaries as at 31 December 2009 and of their financial performance and cash flows for the year ended on that date.

Auditor's Responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the directors and report our opinion to you.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the circumstances of the New Zealand branch of the company and its subsidiaries, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than our capacity as auditor we have no relationship with, or interest in, the New Zealand branch of the company or any of its subsidiaries.

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the New Zealand branch of the company as far as appears from our examination of those records; and
- the financial statements on pages 1 to 55:
  - comply with generally accepted accounting practice in New Zealand; and
  - give a true and fair view of the financial position of the New Zealand branch of the company and its subsidiaries as at 31 December 2009 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 18 March 2010 and our unqualified opinion is expressed as at that date.

Ernst & Young

Auckland

AMP Life Limited ABN 84 079 300 379

Annual Report for the year ended 31 December 2009

AMP Life Limited ABN 84 079 300 379

Annual Report
for the year ended 31 December 2009

Contents

Registered Office:
Level 24, 33 Alfred Street
Sydney NSW 2000 Australia

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

The directors present their report on AMP Life Limited for the financial year ended 31 December 2009.

AMP Life Limited ('AMP Life' or 'the company') 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 Level 24, 33 Alfred Street, Sydney, NSW 2000.

Directors
The directors of AMP Life during the year ended 31 December 2009 and up to the date of this report are shown below. Directors were in office for this entire period except where stated otherwise:

Richard John Grellman	Chairman	
Craig William Dunn	Managing Director and Chief Executive Officer	
Catherine Brenner	Non-Executive Director	Appointed: 01/05/2009
Meredith Hellicar	Non-Executive Director	Left: 23/04/2009
Ian William Laughlin	Non-Executive Director	
Craig Duncan Meller	Director	
John Leonard Palmer	Non-Executive Director	
Rosanne Philippa O'Loghlen Meo	Non-Executive Director	Left: 14/08/2009
Peter Roger Shergold	Non-Executive Director	

Principal activities
AMP Life manufactures and distributes a range of financial products and services, primarily through one of the largest financial planning networks in the Australian and New Zealand market. These products and services include superannuation, investments, retirement savings and 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 result for the year ended 31 December 2009 was a net profit after tax attributable to the shareholder of AMP Life of $529 million, compared to $469 million net profit after tax for the previous year.

Dividends
Details of the dividends 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 of the company during this financial year.

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

Events occurring subsequent to the end of the financial year
No matter or circumstance has arisen since the end of the financial year that has significantly affected or may significantly affect the entity's operations in future financial years, the results of those operations in future financial years, or the entity's state of affairs in future financial years that has not already been disclosed in this financial report.

Auditors' independence
We have obtained an independence declaration from our auditors, Ernst & Young, a copy of which is attached to this report and forms part of the Directors' report for the year ended 31 December 2009.

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

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

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.

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.

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 Group 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 with each director pursuant to which AMPGH agrees to indemnify, to the extent permitted by law, the director against any liability arising out of:

- The conduct of the business of the company; and
- The discharge of the director's duties as a director of the company.

Rounding

The company is an entity of the kind referred to in the Australian Securities and Investments Commission (ASIC) Class Order 98/100 and, in accordance with that order, amounts in this Directors' report and the accompanying Financial report have been rounded off to the nearest million Australian dollars, unless stated to be otherwise.

Signed in accordance with a resolution of the directors.

(signature)	*(signature)*
RICHARD GRELLMAN	CRAIG MELLER
(name)	*(name)*
Director	Director

Sydney
18 March 2010

Ernst & Young

Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
www.ey.com/au

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

In relation to our audit of the financial report of AMP Life Limited for the financial year ended 31 December 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

David Jewell
Partner
18 March 2010

Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
www.ey.com/au

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

In relation to our audit of the financial report of AMP Life Limited for the financial year ended 31 December 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Andrew Price
Partner
18 March 2010

AMP Life Limited

Statement of comprehensive income

for the year ended 31 December 2009

	Note	2009 $m	2008 $m
Income and expenses of policyholders and the shareholder[1]			
Life insurance premium and related revenue	16(a)	1,049	994
Fee revenue	2(a)	862	970
Other revenue	2(b)	-	2
Investment gains and (losses)	2(c)	7,042	(12,619)
Insurance claims and related expenses	16(b)	(1,251)	(1,337)
Operating expenses	3(a)	(1,241)	(1,352)
Finance costs	3(b)	(5)	(103)
Change in life insurance contract liabilities	16(e)	641	1,009
Change in investment contract liabilities	17(g)	(5,951)	11,392
Profit (loss) before income tax		**1,146**	**(1,044)**
Income tax (expense) and credit[1]	4(a)	(617)	1,513
Profit attributable to the shareholder of AMP Life Limited		**529**	**469**
Other comprehensive income recognised in reserves			
Exchange differences on translation of foreign operations			
- exchange gains (losses)		(8)	(8)
Total comprehensive income attributable to the shareholder of AMP Life Limited		**521**	**461**

Footnote:

1 Income and expenses, including tax, include amounts attributable to the shareholder and policyholders. 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 lines "change in investment contract liabilities" and "change in life insurance contract liabilities".

Statement of financial position

as at 31 December 2009

	Note	2009 $m	2008 $m
Assets			
Cash and cash equivalents		1,864	1,846
Receivables	5	836	1,006
Equity securities	6	25,488	20,152
Debt securities	6	18,868	20,514
Property securities	6	7,384	7,486
Other financial assets	6	12,522	10,347
Investment property	7	1,603	1,749
Property, plant and equipment	8	31	40
Deferred tax assets	4(c)	325	698
Other assets	9	3	2
Intangibles	10	517	517
Investments in controlled entities	6	1,427	1,253
Total assets of policyholders and the shareholder		**70,868**	**65,610**
Liabilities			
Payables	11	674	653
Current tax liabilities		94	349
Provisions	12	18	20
Borrowings	13	701	614
Deferred tax liabilities	4(d)	544	404
Other financial liabilities		475	388
Life insurance contract liabilities	16	18,380	19,250
Investment contract liabilities	17	47,239	41,510
Total liabilities of policyholders and the shareholder		**68,125**	**63,188**
Net assets of AMP Life Limited		**2,743**	**2,422**
Equity			
Contributed equity	15	1,091	1,091
Reserves		(32)	(24)
Retained earnings		1,684	1,355
Total equity of AMP Life Limited		**2,743**	**2,422**

Statement of changes in equity

for the year ended 31 December 2009

2009	Contributed equity $m	Foreign currency translation reserve $m	Retained earnings $m	Total equity $m
Balance at the beginning of the period	1,091	(24)	1,355	2,422
Total comprehensive income	-	(8)	529	521
Dividends paid	-	-	(200)	(200)
Balance at the end of the period	**1,091**	**(32)**	**1,684**	**2,743**

2008	Contributed equity $m	Foreign currency translation reserve $m	Retained earnings $m	Total equity $m
Balance at the beginning of the period	1,091	(16)	1,521	2,596
Total comprehensive income	-	(8)	469	461
Dividends paid	-	-	(635)	(635)
Balance at the end of the period	**1,091**	**(24)**	**1,355**	**2,422**

Cash flow statement

for the year ended 31 December 2009

	Note	2009 $m	2008 $m
Cash flows from operating activities			
Cash receipts in the course of operations		10,283	12,434
Interest and other items of a similar nature received		616	930
Dividends received		205	685
Distributions received		608	737
Cash payments in the course of operations		(11,112)	(12,584)
Finance costs		20	(104)
Income tax paid		(131)	(674)
Cash flows from operating activities	20(a)	**489**	**1,424**
Cash flows from investing activities			
Net proceeds from sale of/(payments to acquire):			
- investment property		(5)	-
- equity securities/ unit trusts		(2,119)	(1,462)
- interest bearing securities		976	1,569
- loans		(236)	(128)
- other investments		85	380
Cash flows (used in) / from investing activities		**(1,299)**	**359**
Cash flows from financing activities			
Proceeds from borrowings		396	229
Repayment of borrowings		(1)	(1,087)
Net movement in deposits from customers		(12)	196
Dividends paid	14	(200)	(635)
Cash flows (used in) / from financing activities		**183**	**(1,297)**
Net increase (decrease) in cash		**(628)**	**486**
Balance at the beginning of the period		5,202	4,717
Effects of exchange rate changes on the Statement of financial position of cash held in foreign currencies		(1)	(1)
Cash and cash equivalents at end of year	20(b)	**4,573**	**5,202**

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to the current year and the comparative period unless otherwise stated. Where necessary, comparative information has been reclassified to be consistent with current period disclosures. This financial report includes financial statements for AMP Life Limited (hereafter referred to as *AMP Life* or *the company*) 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*.

The Financial report complies with Australian accounting standards and International financial reporting standards (IFRS) as issued by the International Accounting Standards Board.

AMP Life is a registered life insurance entity. The assets and liabilities arising from investment contracts and life insurance contracts are predominantly measured on the basis of fair value. Subject to the exceptions noted in the accounting policies below, other assets and liabilities in this financial report are also measured on a fair value basis.

Assets and liabilities have been presented on the face of the Statement of financial position in decreasing order of liquidity and do not distinguish between current and non-current items. The majority of the assets of AMP Life are investment assets held to back investment contract and life insurance liabilities. Although the amount of those assets which may be realised and those liabilities which may be settled within 12 months of the reporting date is not always known, estimates have been provided in Note 16(f) (for life insurance and investment contracts). However, as positive net cash flows in any one period are expected to cover these anticipated settlements, and as the investment assets are managed as a portfolio to achieve long-term gains, the assets backing the insurance and investment contract liabilities are considered to be non-current for statutory financial reporting purposes. Details of other amounts expected to be recovered or settled (a) no more than 12 months after the reporting date, and (b) more than 12 months after the reporting date, have been provided in footnotes to the relevant notes.

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

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

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

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

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

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

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

A number of new Accounting standards have been issued but not yet effective during 2009. AMP Life has not elected to early adopt any new Standards or amendments.

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

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

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

1. Summary of significant accounting policies (continued)

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

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

(b) Accounting for wealth management and insurance business
The accounting treatment of certain transactions in this financial report varies depending on the nature of the contract underlying the transactions. The two major contract classifications relevant to the wealth management and insurance business of AMP Life are:
- investment contracts
- 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* and life insurance contract and investment contract liabilities are collectively referred to as *policy liabilities.*

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

Under accounting standards such contracts are defined as *life investment contracts* and described as *investment contracts* throughout this financial report.

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

Accounting standards define such contracts as *life insurance contracts.*

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

As life insurance contract liabilities are measured as described in Note 1(u) and investment contract liabilities are measured at fair value, per Note 1(t), assets backing such liabilities are measured at fair value, to the extent permitted under accounting standards. Realised and unrealised gains and losses arising from changes in the fair value are recognised in the Statement of comprehensive income, to the extent permitted under accounting standards. The accounting policies for individual asset classes, and any restrictions on application of fair value, are described below.

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

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

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

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

1. Summary of significant accounting policies (continued)

(e) Equity securities

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

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

Investments in associates

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

(f) Debt securities

Debt securities are financial assets and are initially recognised at fair value. Initial fair value is determined as the purchase cost of the asset exclusive of any transaction costs.

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

(g) Property securities

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

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

The accounting policies for directly held investment property are described in Note 1(j).

(h) Other financial assets

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

Investments in joint ventures and partnerships

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

Cash trusts and diversified trusts

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

(i) Investments in controlled entities

Investments in controlled entities that are held to back investment contract and life insurance contract liabilities are measured at fair value to the extent permitted under accounting standards. Investments in controlled entities that are not held to back investment contract and insurance contract liabilities are measured at cost less any accumulated impairment losses, unless they are managed and internally reported on a fair value basis, in which case they are designated on initial recognition, and subsequently measured, at fair value.

1. Summary of significant accounting policies (continued)

(j) Investment property
Investment property is held to earn revenue from rentals and/or for the purposes of capital appreciation. Investment property includes all directly held freehold and leasehold properties but excludes owner-occupied properties.

Investment property is initially measured at cost, including transaction costs, and is subsequently measured at fair value. Any gains or losses arising from changes in fair value are recognised in the Statement of comprehensive income in the period in which they arise.

Fair value represents the amount at which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction. Fair value is determined by independent registered valuers applying 'comparable sales analysis' and the 'capitalised income approach' by reference to annual net market income, comparable capitalisation rates and other property-specific adjustments as well as 'discounted cash flow analysis' where the expected net cash flows are discounted to their present value using a market determined risk adjusted discount rate. There is no reduction for realisation costs in the value of investment property.

All property valuations are undertaken on a rolling annual basis. The valuation schedule may be altered when a property is undergoing or being appraised for redevelopment, refurbishment or sale; is experiencing other changes in asset or tenant profiles which may significantly impact value; or when there have been significant changes in the property market such as updates to comparable property sales which may have an impact on the individual asset values.

(k) Property, 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.

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

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

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

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

(m) Impairment of assets
Assets measured at fair value, where changes in value are reflected in the Statement of comprehensive income, are not subject to impairment testing. As a result, all financial assets and investment properties are not subject to impairment testing. Other assets such as property, plant and equipment, goodwill, intangibles and borrowings are subject to impairment testing.

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

An impairment loss is recognised in the Statement of comprehensive income to the extent that the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value (including realisation costs) and its value in use.

(n) Taxes
Income tax for investment contracts and life insurance contracts business
The income tax expense recognised in the Statement of comprehensive income reflects tax imposed on the shareholder as well as policyholders. Investment contract and life insurance contract liabilities are established net 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 Australian Taxation Office in relation to contributions tax arising in those funds. The amounts paid are not classified as income tax expense.

Income tax for other business
The income tax expense for all other business is the tax payable on taxable income for the current period, based on the income tax rate for each jurisdiction and adjusted for changes in deferred tax assets and liabilities attributable to:
- temporary differences between the tax bases of assets and liabilities and their Statement of financial position carrying amounts; and
- unused tax losses.

1. Summary of significant accounting policies (continued)

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

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

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

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

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

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

Goods and services tax
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 that are input taxed for GST purposes or where the GST incurred is not recoverable from the relevant tax authorities. In such circumstances, the GST paid is recognised as part of the cost of acquisition of the assets or as part of the particular expense.

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

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

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

(p) Provisions
Provisions are recognised when:
- 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.

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

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

1. Summary of significant accounting policies (continued)

(r) Derivatives and hedging
AMP Life is exposed to changes in interest and foreign exchange rates. 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. AMP Life does not hold a derivative trading portfolio.

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

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

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

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

(t) Investment contract liabilities
Investment contracts consist of a financial instrument and an investment management services element, both of which are measured at fair value. With the exception of fixed retirement-income policies, the resulting liability to policyholders is closely linked to the performance and value of the assets (after tax) that back those liabilities. The fair value of such liabilities is therefore the same as the post tax fair value of the assets backing them.

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

(u) Life insurance contract liabilities
The financial reporting methodology used to determine life insurance contract liabilities is referred to as *Margin on Services* (MoS).

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

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

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

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

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

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

1. Summary of significant accounting policies (continued)

Profit allocated to participating policyholders is recognised in the 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 shareholders.

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

(i) Investment income (net of tax and investment expenses) on retained earnings in respect of discretionary participating business is allocated between policyholders and shareholders in proportion to the balances of policyholders' and shareholders' retained earnings, being 80:20.
(ii) Other MoS profits arising from discretionary participating business (excluding the additional tax attributable to shareholders in respect of Australian superannuation business) are allocated 80% to policyholders and 20% to shareholders, with the following exceptions:
  - The profit arising from New Zealand corporate superannuation business is apportioned such that shareholders are allocated 15% of the profit allocated to policyholders.
  - The profit arising in respect of Preservation Superannuation Account business is allocated 92.5% to policyholders and 7.5% to shareholders.

(iii) Additional tax on taxable income to shareholders in respect of Australian superannuation business is allocated to shareholders only.
(iv) All profits arising from non-participating business, including net investment returns on shareholder capital and retained earnings in life statutory funds (excluding retained earnings dealt with in (i) above) are allocated to shareholders.

Allocation of expenses within the life statutory funds
All operating expenses relating to the life insurance contract and investment contract activities are apportioned between acquisition, maintenance and investment management expenses. Expenses that are directly attributable to an individual life insurance contract, investment contract or product are allocated directly to a particular expense category, fund, class of business and product line as appropriate.

Where expenses are not directly attributable, they are appropriately apportioned, according to detailed expense analysis, with due regard for the objective in incurring that expense and the outcome achieved. The apportionment basis has been made in accordance with Actuarial Standards and on an equitable basis to the different classes of business in accordance with the *Life Act*.

The costs apportioned to life insurance contracts are included in the determination of margin described above.

Investment management expenses of the life statutory funds are classified as other operating expenses. See Note 1(bb).

(v) Issued capital

Issued capital in respect of ordinary shares is recognised as the fair value of consideration received by the parent entity. Incremental costs directly attributable to the issue of certain new shares are recognised in equity as a deduction, net of tax, from the proceeds.

(w) Foreign currency transactions

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

The presentation currency of this Financial Report, and the functional currency of the parent entity, is Australian dollars.

Transactions and balances
Income and expense items denominated in a currency other than the functional currency are translated at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the 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 controlled entities
Where the functional currency of a controlled entity is not the presentational currency, the transactions and balances of that entity are translated as follows:

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

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

1. Summary of significant accounting policies (continued)

(x) Insurance premium and related revenue
Life insurance contracts
Life insurance contract premiums are separated into their revenue and deposit components. Premium amounts earned by bearing insurance risks are recognised as revenue. Other premium amounts received, which have 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:
- fee and other revenue, see Note 1(y).
- amounts credited directly to investment contract liabilities, see Note 1(t).

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

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

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

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

(z) Investment gains or losses
Dividend and interest income is recognised in the Statement of comprehensive income on an accruals basis when AMP Life obtains control of the right to receive the revenue.

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

(aa) Insurance claims and related expense
Life insurance contracts
Life insurance contract claims are separated into their expense and withdrawal components. The component that relates to the bearing of risks is treated as an expense. Other claim amounts, that reflect withdrawals of invested funds, are recognised as a decrease in life insurance contract liabilities. Claims are recognised when the liability to the policyholder under the contract has been established or upon notification of the insured event, depending on the type of claim.

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

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

Expenses of controlled entities of the life statutory funds represent the business costs of those entities and are consolidated into the results of the AMP Life Group.

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

(cc) Finance costs
Finance costs include:
(i) borrowing costs:
  - interest on bank overdraft and borrowings;
  - finance charges in relation to finance leases;

(ii) exchange differences arising from foreign currency borrowings (to the extent that they are regarded as an adjustment to interest costs);
(iii) foreign exchange gains and losses and other financing related amounts.

Borrowing costs are recognised as expenses when incurred.

2. Revenue and investment income

	2009 $m	2008 $m
(a) Fee revenue		
Investment contract fees	797	878
Investment management fees		
- related entities	18	45
Service fees		
- related entities	47	47
Total fee revenue	**862**	**970**
(b) Other revenue		
Other revenue	-	2
Total other revenue	**-**	**2**
(c) Investment gains and losses		
Interest revenue		
- related entities	86	92
- other entities	523	835
Dividends and distributions		
- related entities	1,396	3,484
- associated entities	39	72
- other entities	523	886
Rental income	147	144
Net realised and unrealised gains / (losses)	4,306	(18,153)
Other investment income	22	21
Total investment gains and (losses)	**7,042**	**(12,619)**

3. Expenses

	2009 $m	2008 $m
(a) Operating expenses		
Commission expense	(304)	(327)
Investment management expenses		
- related entities	(190)	(218)
- other entities	(17)	(26)
Fees and commission expenses	**(511)**	**(571)**
Occupancy and property maintenance expenses	**(39)**	**(55)**
Service fee expense		
- related entities	(622)	(660)
Information technology and communication	(2)	(3)
Professional fees	(2)	(2)
Other expenses	(65)	(61)
Other operating expenses	**(691)**	**(726)**
Total operating expenses	**(1,241)**	**(1,352)**

	2009 $m	2008 $m
(b) Finance costs		
Interest expense on borrowings		
- related entities	-	(6)
- other entities	(2)	(59)
Other finance costs	(3)	(38)
Total finance costs	**(5)**	**(103)**

4. Income tax

	2009 $m	2008 $m
(a) Analysis of income tax credit (expense)		
Current tax	(26)	(478)
(Decrease) / Increase in deferred tax assets	(339)	619
(Increase) / Decrease in deferred tax liabilities	(257)	1,241
Over provided in previous years	5	131
Income tax (expense) / credit	**(617)**	**1,513**

(b) Relationship between income tax expense and accounting profit
The table below provides a reconciliation of the differences between prima facie tax, calculated as 30% of the profit before income tax for the period, and the actual income tax expense recognised in the Statement of comprehensive income for the period. 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 applicable to both 2009 and 2008 is 30% for Australia and New Zealand. There are certain differences between the amounts of income and expenses recognised in the financial report and the amounts recognised for income tax purposes.

Income tax attributable to policyholders is based on investment income allocated to policyholders less expenses deductible against that investment income. The impact of the tax is charged against life insurance contract liabilities and investment contract liabilities. A number of different tax rate regimes apply to policyholders. In Australia, certain classes of policyholder life insurance income and superannuation earnings are taxed at 15%, and certain classes of income on some annuity business are tax exempt. Rates applicable to New Zealand life insurance business range between 30–33%.

	2009 $m	2008 $m
Profit/(loss) before income tax per statement of comprehensive income	1,146	(1,044)
Policyholder tax credit / (expense) recognised as a change in policy liabilities in determining profit before income tax	(441)	1,494
Profit before income tax excluding policyholder tax	**705**	**450**
Prima facie tax at the rate of 30% (2008: 30%)	(212)	(135)
Tax effect of differences between recognition of statement of comprehensive income items for accounting and those deductible/assessable in calculating taxable income:		
Shareholder impact of par-business tax treatment	37	30
Non-deductible expenses	(17)	(14)
Non-taxable income	16	7
Tax offsets and credits	3	8
Other items	(8)	(8)
Over provided in previous years after excluding amounts attributable to policyholders	5	131
Income tax (expense) / credit attributable to shareholders	(176)	19
Income tax (expense) / credit attributable to policyholders	(441)	1,494
Income tax (expense) / credit per statement of comprehensive income	**(617)**	**1,513**

4. Income tax (continued)

	2009 $m	2008 $m
(c) Analysis of deferred tax asset		
Provisions	-	1
Expenditure deductible in future years	13	-
Unrealised movements on borrowings and derivatives	(3)	-
Losses available for offset against future taxable income	185	40
Unrealised investment losses in the statutory funds	77	590
Other	53	67
Total deferred tax assets	**325**	**698**
(d) Analysis of deferred tax liability		
Unrealised investment gains	412	270
Deferred tax on New Zealand life insurance policy liabilities	101	96
Other	31	38
Total deferred tax liability	**544**	**404**

5. Receivables

	2009 $m	2008 $m
Investment income and sales proceeds receivable	142	186
Life insurance contract premiums receivable	284	283
Reinsurance and other recoveries receivable	4	4
Reinsurers' share of life insurance contract liabilities	44	54
Current tax assets	210	245
Other receivables		
- related entities	142	217
- other entities	10	17
Total receivables[1]	**836**	**1,006**

Footnotes:
1 $4m (2008: $9m) of total receivables is expected to be realised 12 months or more from reporting date.

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

	2009 $m	2008 $m
Equity securities		
Directly held		
- associated entities	193	232
- other entities	10,860	7,717
Held via unit trusts		
- related entities[1]	12,563	10,423
- associated entities	1,600	1,313
- other entities	272	467
Total equity securities[3]	**25,488**	**20,152**
Debt securities		
Interest bearing securities directly held	8,307	10,292
Interest bearing securities held via unit trusts		
- related entities	8,554	8,144
- other entities	221	216
Loans		
- related entities	1,383	1,603
- other entities	403	259
Total debt securities[3]	**18,868**	**20,514**
Property securities		
Held via unit trusts		
- related entities	5,649	6,118
- associated entities	822	540
- other entities	913	828
Total property securities[3]	**7,384**	**7,486**
Other financial assets		
Cash securities held via unit trusts	3	12
Other financial assets[2]	12,519	10,335
Total other financial assets[3]	**12,522**	**10,347**
Shareholder fund investments in controlled entities[1]	**1,427**	**1,253**

Footnotes:

1 Investments in controlled entities held by the AMP Life statutory funds are measured at fair value. Those held by the shareholder fund are measured at cost (less impairment).

2 *Other financial assets* category consists mainly of investments in balanced trusts. The remaining balance is made up of derivative financial assets and investments held via vehicles *such as joint ventures and partnerships.*

3 All equity, debt and property securities and other financial assets are designated at fair value through profit or loss.

7. Investment property

	2009 $m	2008 $m
Investment property		
Directly held	1,603	1,749
Total investment property[1]	**1,603**	**1,749**
Movements in investment property		
Balance at the beginning of the period	1,749	1,782
Additions		
- subsequent expenditure recognised in carrying amount	77	57
Disposals	(76)	(58)
Net (loss) from fair value adjustments	(147)	(32)
Balance at the end of the period	**1,603**	**1,749**

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

8. Property, plant and equipment

2009	Leasehold Improvements $m	Plant & Equipment $m	Total $m
Property, plant and equipment			
Gross carrying amount	63	65	128
Less: accumulated depreciation and impairment losses	(50)	(47)	(97)
Property, plant and equipment at written down value	**13**	**18**	**31**
Movements in property, plant and equipment			
Balance at the beginning of the period	19	21	40
Additions			
- through direct acquisitions	-	5	5
Disposals	-	(2)	(2)
Depreciation expense for the period	(6)	(6)	(12)
Balance at the end of the period	**13**	**18**	**31**

2008	Leasehold Improvements $m	Plant & Equipment $m	Total $m
Property, plant and equipment			
Gross carrying amount	63	62	125
Less: accumulated depreciation and impairment losses	(44)	(41)	(85)
Property, plant and equipment at written down value	**19**	**21**	**40**
Movements in property, plant and equipment			
Balance at the beginning of the period	23	23	46
Additions			
- through direct acquisitions	-	8	8
Disposals	-	(1)	(1)
Depreciation expense for the period	(4)	(9)	(13)
Balance at the end of the period	**19**	**21**	**40**

9. Other assets

	2009 $m	2008 $m
Other assets		
Prepayments	3	2
Total other assets	**3**	**2**

Footnotes:
1 All other assets are current.

10. Intangible assets

2009	Goodwill $m	Total $m
Intangibles		
Gross carrying amount	517	517
Less: accumulated amortisation and / or impairment losses	-	-
Intangibles at written down value	**517**	**517**

2008	Goodwill $m	Total $m
Intangibles		
Gross carrying amount	517	517
Less: accumulated amortisation and / or impairment losses	-	-
Intangibles at written down value	**517**	**517**

Impairment testing

Goodwill attributable to the shareholder
Goodwill of $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 new business and the benefits of cost synergies obtained as a result of the integration of the business into AMP Life.

Under IFRS transition rules, the amortised cost value of $517 million at 1 January 2004 was deemed to be the value carried forward and tested annually for impairment. Contemporary Wealth Management (CWM), Contemporary Wealth Protection (CWP) and Mature are deemed to be the cash-generating units for the purposes of impairment testing, as follows:

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

The key financial indicators considered when testing goodwill for impairment include estimates of future cash flows, relevant product profit margins and the embedded value of the businesses. The embedded value for internal key performance indicators uses a risk discount rate of the annualised 10 year bond yield of 5.7% in Australia (31 December 2008: 4.0%) and 6.2% in New Zealand (31 December 2008: 3.7%) with a 3% margin (31 December 2008: 3%). With the exception of the application of this risk discount rate, assumptions applied in estimating the embedded value are consistent with the best estimate assumptions used in calculating the policy liabilities of AMP Life. See Note 1(u) and Note 16 for more details.

In each cash-generating unit, the surplus discounted present value of future profits (being embedded value less shareholder capital), is significantly higher than the goodwill held and there has been no impairment recognised at 31 December 2009.

11. Payables

	2009 $m	2008 $m
Payables		
Investment purchases payable	23	72
Life insurance and investment contracts in process of settlement	172	212
Accrued expenses	28	20
Other payables		
- related entities	153	195
- other entities	298	154
Total payables[1]	**674**	**653**

Footnote:
1 All payables are current.

12. Provisions

	2009 $m	2008 $m
Provisions		
Systems and other project expenditures	18	20
Total provisions[1]	**18**	**20**

	2009 $m	2008 $m
Movements in provisions		
Balance at the beginning of the period	20	14
Additional provisions recognised	18	11
Reductions from remeasurement or settlement without cost	(6)	(5)
Payments/other sacrifices of economic benefits	(14)	-
Balance at the end of the period	**18**	**20**

Footnotes:
1 All provisions are current.

13. Borrowings

	2009 $m	2008 $m
Borrowings		
Deposits		
- other entities	154	167
Other loans		
- related parties	547	447
Total borrowings[1]	**701**	**614**

Footnote:
1 All borrowings are current.

14. Dividends

	2009 $m	2008 $m
Dividends paid during the period		
Unfranked dividend of $17.55 (31 December 2008: $55.73) per ordinary share	(200)	(635)
Total dividends paid	**(200)**	**(635)**

15. Contributed equity

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.

	2009 $m	2008 $m
Contributed equity		
Balance at the beginning of the period	1,091	1,091
11,393,668 (31 December 2008: 11,393,668) ordinary shares fully paid		
Total balance of contributed equity at the end of the period	**1,091**	**1,091**

16. Life insurance contracts

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

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

16. Life insurance contracts (continued)

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

Footnotes:

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

2 *New Zealand insurance contract liability calculations at 31 December 2009 no longer include any deferred tax component due to a change in the New Zealand tax act.*

16. Life insurance contracts (continued)

	Note	Parent 2009 $m	Parent 2008 $m
(e) Reconciliation of changes in life insurance contract liabilities			
Total life insurance contract liabilities at the beginning of the period		19,250	20,635
Change in life insurance contract liabilities recognised in the statement of comprehensive income		(641)	(1,009)
Premiums recognised as an increase in life insurance contract liabilities	16(a)	854	1,029
Claims recognised as a decrease in life insurance contract liabilities	16(b)	(1,024)	(1,339)
Change in reinsurers' share of life insurance contract liabilities		(10)	11
Foreign exchange adjustment		(49)	(77)
Total life insurance contract liabilities at the end of the period	16(d)	**18,380**	**19,250**

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

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

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

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

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

Business Type		Basis	31 December 2009 Australia	31 December 2009 New Zealand	31 December 2008 Australia	31 December 2008 New Zealand
Retail risk		10 year government bond rate	5.7%	6.2%	4.0%	4.7%
Group risk	Outstanding claims	2 year government bond rate	4.6%	4.3%	2.8%	n/a
Life annuities	Non-CPI	Zero coupon inter-bank swap curve	4.1% - 6.5%	2.7% - 6.6%	3.2% - 4.4%	4.2% - 5.4%
	CPI	Commonwealth Indexed Bond curve + 20 bps	1.9% - 3.1%	3.0%	2.2% - 2.7%	3.8%

16. Life insurance contracts (continued)

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

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

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

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

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

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

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

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

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

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

16. Life insurance contracts (continued)

(iii) Future participating benefits (continued)

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

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

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

Crediting rates (investment account)

Australia	3.3% - 8.9% (1.5% - 4.8%)
New Zealand	3.3% - 4.2% (2.8% - 3.6%)

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

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

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

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

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

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

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

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

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

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

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

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

16. Life insurance contracts (continued)

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

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

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

Typical mortality assumptions, in aggregate, are as follows:

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

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

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

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

The Actuarial tables used were as follows:

IA95-97	A mortality table developed by the Institute of Actuaries of Australia based on Australian insured lives experience from 1995–1997.
IM80* / IF80*	IM80 and IF80 are mortality tables developed by the Institute of Actuaries and the Faculty of Actuaries based on United Kingdom annuitant lives experience from 1979–1982. The tables refer to male and female lives respectively and incorporate factors that allow for mortality improvements since the date of the investigation. IM80* and IF80* are these published tables amended for some specific AMP experience.
CIDA85	A disability table developed by the Society of Actuaries based on North American disability income experience from 1973–1979.

16. Life insurance contracts (continued)

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

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

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

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

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

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

(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.

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

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

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. Financial risks that impact AMP Life are covered in note 18.

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

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

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

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

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

Terms and conditions of life insurance contracts

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

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

16. Life insurance contracts (continued)

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

	Up to 1 Year $m	1 to 5 Years $m	Over 5 Years $m	Total $m
31 December 2009	1,129	3,120	5,741	9,990
31 December 2008	1,156	3,143	5,978	10,277

17. Other life insurance and investment contracts disclosures

	2009 $m	2008 $m
(a) Analysis of life insurance and investment contract profit		
Components of profit related to life insurance and investment contract liabilities:		
- Planned margins of revenues over expenses released	399	405
- Profits arising from difference between actual and assumed experience[1]	14	35
- Capitalised (losses) reversals	-	(1)
Profit related to life insurance and investment contract liabilities	**413**	**439**
Attributable to:		
- Life insurance contracts	321	313
- Investment contracts	92	126
Investment earnings on assets in excess of life insurance and investment contract liabilities	**62**	**(15)**

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

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

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

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

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

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

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

The Appointed Actuary of AMP Life has confirmed that the available assets of each life statutory fund have exceeded the solvency reserve required at all times during the reporting period. Across all the life statutory funds, the excess assets, expressed as a percentage of the solvency reserve, at 31 December 2009 were 76% (31 December 2008 – 65%), i.e. (C-B) as a percentage of B in the table below.

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

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

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

Distribution of retained profits, including shareholder's *Life Act* capital, is limited by prudential capital requirements of the *Life Act*, the detailed provisions of which are specified by actuarial standards. The solvency standard prescribes a minimum capital requirement, the *solvency requirement*, for each statutory fund of the company. The figures below are shown net of reinsurance on a basis consistent with the calculation of these ratios in the annual returns to APRA. The solvency requirements are as follows:

2009		No 1 Statutory fund $m	No 2 Statutory fund $m	No 3 Statutory fund $m	Total Statutory Funds $m
Solvency requirement					
Net Minimum Termination Value (MTV)		18,570	43,842	768	63,180
Adjusted Other liabilities		2,006	795	(25)	2,776
Solvency reserve	B	2,178	221	3	2,402
Total solvency requirement	**A**	**22,754**	**44,858**	**746**	**68,358**
Assets available for solvency					
Net assets		1,508	330	6	1,844
Liability for Unvested Policy Owner Benefits		1,344	-	-	1,344
Excess of net policy liabilities (including policy owner bonuses) over MTV		957	93	2	1,053
Total assets available for solvency	**C**	**3,809**	**423**	**8**	**4,240**
Solvency Reserve %	**B/(A-B)*100**	**10.6%**	**0.5%**	**0.4%**	**3.6%**
Coverage of Solvency Reserve	**C/B**	**1.7**	**1.9**	**2.7**	**1.8**

2008		No 1 Statutory fund $m	No 2 Statutory fund $m	No 3 Statutory fund $m	Total Statutory Funds $m
Solvency requirement					
Net Minimum Termination Value (MTV)		19,384	37,939	764	58,087
Adjusted Other liabilities		2,282	1,417	117	3,816
Solvency reserve	B	2,410	160	4	2,574
Total solvency requirement	**A**	**24,076**	**39,516**	**885**	**64,477**
Assets available for solvency					
Net assets		1,236	285	6	1,527
Liability for Unvested Policy Owner Benefits		1,190	-	-	1,190
Excess of net policy liabilities (including policy owner bonuses) over MTV		1,499	24	3	1,526
Total assets available for solvency	**C**	**3,925**	**309**	**9**	**4,243**
Solvency Reserve %	**B/(A-B)*100**	**11.1%**	**0.4%**	**0.4%**	**4.2%**
Coverage of Solvency Reserve	**C/B**	**1.6**	**1.9**	**2.3**	**1.6**

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

(e) Actuarial information
Mr Rocco Mangano, as the Appointed Actuary of AMP Life, is satisfied as to the accuracy of the data used in the valuations in the Financial report and in the tables in this Note and Note 16.

Other than in respect of the treatment of tax on deferred acquisition costs within the New Zealand branch of statutory fund 1 in 2008 (see below), the policy liabilities (being the sum of the life insurance contract and investment contract liabilities, including any asset or liability arising in respect of the management services element of an investment contract) and solvency reserves have been determined at the reporting date in accordance with the *Life Act*.

As at 31 December 2009, the policy liabilities (being the sum of the life insurance contract and investment contract liabilities, including any asset or liability arising in respect of the management services element of an investment contract) and solvency reserves have been determined at the reporting date in accordance with the *Life Act*.

For accounting purposes at 31 December 2008, an amount of $96m was removed from the value of life insurance contract liabilities calculated in accordance with the *Life Act* and included within deferred tax liabilities in order to recognise separately the amount of deferred tax implicitly embedded in the policy liability calculation. This adjustment related only to New Zealand risk business where there were differences between accounting profit and the amount assessable for tax. In 2009, the process for determining New Zealand risk business policy liabilities for *Life Act* purposes was changed so as to calculate the liability on a before tax basis and, accordingly, an adjustment was not required for the current year.

(f) Amounts expected to be recovered or settled no more than 12 months after the reporting date
Based on assumptions as to likely withdrawal patterns of the various product groups, it is estimated that approximately $9,763 million (2008: $9,406 million) of policy liabilities may be settled within 12 months of the reporting date.

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

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

(g) Disaggregated information (continued)

(i) Income statement by statutory fund and shareholders' fund

2009	No 1 Statutory Fund $m	No 2 Statutory Fund $m	No 3 Statutory Fund $m	Share-holders' Fund $m	Total $m
Income and expenses of policyholders and the shareholder					
Insurance premium and related revenue	1,049	-	-	-	1,049
Fee revenue	46	758	12	46	862
Other revenue	-	-	-	-	-
Investment gains and (losses)	614	6,277	123	28	7,042
Insurance claims and related expenses	(1,251)	-	-	-	(1,251)
Operating expenses	(582)	(652)	(7)	-	(1,241)
Finance costs	12	(16)	(1)	-	(5)
Change in life insurance contract liabilities	641	-	-	-	641
Change in investment contract liabilities	(114)	(5,754)	(83)	-	(5,951)
Profit / (loss) before income tax	**415**	**613**	**44**	**74**	**1,146**
Income tax (expense) / credit	(63)	(499)	(35)	(20)	(617)
Net profit for the year	**352**	**114**	**9**	**54**	**529**

2008	No 1 Statutory Fund $m	No 2 Statutory Fund $m	No 3 Statutory Fund $m	Share-holders' Fund $m	Total $m
Income and expenses of policyholders and the shareholder					
Insurance premium and related revenue	994	-	-	-	994
Fee revenue	54	854	15	47	970
Other revenue	2	-	-	-	2
Investment gains and (losses)	254	(12,630)	(266)	23	(12,619)
Insurance claims and related expenses	(1,337)	-	-	-	(1,337)
Operating expenses	(600)	(745)	(9)	2	(1,352)
Finance costs	(73)	(21)	(3)	(6)	(103)
Change in life insurance contract liabilities	1,009	-	-	-	1,009
Change in investment contract liabilities	(147)	11,349	190	-	11,392
Profit before income tax	**156**	**(1,193)**	**(73)**	**66**	**(1,044)**
Income tax (expense) / credit	126	1,322	86	(21)	1,513
Net profit for the year	**282**	**129**	**13**	**45**	**469**

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

(g) Disaggregated information (continued)

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

2009	No 1 Statutory Fund $m	No 2 Statutory Fund $m	No 3 Statutory Fund $m	Share-holders' Fund $m	Elimina-tions $m	Total $m
Assets						
Equity securities	5,337	19,699	452	-	-	25,488
Debt securities	11,939	6,431	210	323	(35)	18,868
Property securities	2,095	5,199	90	-	-	7,384
Other financial assets	875	11,644	3	-	-	12,522
Investment property	122	1,481	-	-	-	1,603
Investments in controlled entities	1,169	231	3	24	-	1,427
Other assets	2,529	442	31	574	-	3,576
Total assets of policyholders and the shareholder	**24,066**	**45,127**	**789**	**921**	**(35)**	**70,868**
Liabilities						
Life insurance contract liabilities	18,380	-	-	-	-	18,380
Investment contract liabilities	2,535	43,935	769	-	-	47,239
Other liabilities	1,645	862	14	20	(35)	2,506
Total liabilities of policyholders and the shareholder	**22,560**	**44,797**	**783**	**20**	**(35)**	**68,125**
Net assets of AMP Life Limited	**1,506**	**330**	**6**	**901**	**-**	**2,743**
Equity						
Contributed equity	303	285	-	503	-	1,091
Reserves	(19)	-	-	(13)	-	(32)
Retained earnings	1,222	45	6	411	-	1,684
Total equity of AMP Life Limited	**1,506**	**330**	**6**	**901**	**-**	**2,743**

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)

2008	No 1 Statutory Fund $m	No 2 Statutory Fund $m	No 3 Statutory Fund $m	Share-holders' Fund $m	Elimin-ations $m	Total $m
Assets						
Equity securities	4,931	14,840	381	-	-	20,152
Debt securities	12,931	6,985	370	263	(35)	20,514
Property securities	2,315	5,086	85	-	-	7,486
Other financial assets	1,120	9,225	2	-	-	10,347
Investment property	147	1,602	-	-	-	1,749
Investments in controlled entities	979	244	3	27	-	1,253
Other assets	2,591	852	48	618	-	4,109
Total assets of policyholders and the shareholder	**25,014**	**38,834**	**889**	**908**	**(35)**	**65,610**
Liabilities						
Life insurance contract liabilities	19,250	-	-	-	-	19,250
Investment contract liabilities	2,780	37,963	767	-	-	41,510
Other liabilities	1,748	586	116	13	(35)	2,428
Total liabilities of policyholders and the shareholder	**23,778**	**38,549**	**883**	**13**	**(35)**	**63,188**
Net assets of AMP Life Limited	**1,236**	**285**	**6**	**895**	**-**	**2,422**
Equity						
Contributed equity	303	285	-	503	-	1,091
Reserves	(9)	-	-	(15)	-	(24)
Retained earnings	942	-	6	407	-	1,355
Total equity of AMP Life Limited	**1,236**	**285**	**6**	**895**	**-**	**2,422**

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

(g) Disaggregated information (continued)

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

2009	No 1 Statutory Fund $m	No 2 Statutory Fund $m	No 3 Statutory Fund $m	Share-holders' Fund $m	Total $m
Opening retained earnings	942	-	6	407	1,355
Net profit for the year	352	114	9	54	529
Transfers between statutory and shareholders' funds	(72)	(69)	(9)	150	-
Transfers between statutory funds	-	-	-	-	-
Dividends paid	-	-	-	(200)	(200)
Closing retained earnings	**1,222**	**45**	**6**	**411**	**1,684**

2008	No 1 Statutory Fund $m	No 2 Statutory Fund $m	No 3 Statutory Fund $m	Share-holders' Fund $m	Total $m
Opening retained earnings	407	-	8	1,106	1,521
Net profit for the year	282	129	13	45	469
Transfers between statutory and shareholders' funds	210	(86)	(15)	(109)	-
Transfers between statutory funds	43	(43)	-	-	-
Dividends paid	-	-	-	(635)	(635)
Closing retained earnings	**942**	**-**	**6**	**407**	**1,355**

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

(g) Disaggregated information (continued)

(iv) Income statement by non-investment linked and investment linked

2009	Non-Investment Linked $m	Investment Linked $m	Total Statutory Funds $m	Share-holders' Fund $m	Total $m
Income and expenses of policyholders and the shareholder					
Insurance premium and related revenue	1,049	-	1,049	-	1,049
Fee revenue	43	773	816	46	862
Other revenue	-	-	-	-	-
Investment gains and (losses)	601	6,413	7,014	28	7,042
Insurance claims and related expenses	(1,251)	-	(1,251)	-	(1,251)
Operating expenses	(582)	(660)	(1,241)	-	(1,241)
Finance costs	12	(16)	(5)	-	(5)
Change in life insurance contract liabilities	641	-	641	-	641
Change in investment contract liabilities	(102)	(5,849)	(5,951)	-	(5,951)
Profit / (loss) before income tax	**411**	**661**	**1,072**	**74**	**1,146**
Income tax (expense) / credit	(60)	(537)	(597)	(20)	(617)
Net profit for the year	**351**	**124**	**475**	**54**	**529**

2008	Non-Investment Linked $m	Investment Linked $m	Total Statutory Funds $m	Share-holders' Fund $m	Total $m
Income and expenses of policyholders and the shareholder					
Insurance premium and related revenue	994	-	994	-	994
Fee revenue	51	872	923	47	970
Other revenue	2	-	2	-	2
Investment gains and (losses)	278	(12,920)	(12,642)	23	(12,619)
Insurance claims and related expenses	(1,337)	-	(1,337)	-	(1,337)
Operating expenses	(598)	(756)	(1,354)	2	(1,352)
Finance costs	(73)	(24)	(97)	(6)	(103)
Change in life insurance contract liabilities	1,009	-	1,009	-	1,009
Change in investment contract liabilities	(171)	11,563	11,392	-	11,392
Profit before income tax	**155**	**(1,265)**	**(1,110)**	**66**	**(1,044)**
Income tax (expense) / credit	126	1,408	1,534	(21)	1,513
Net profit for the year	**281**	**143**	**424**	**45**	**469**

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

(g) Disaggregated information (continued)

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

2009	Non-Investment Linked $m	Investment Linked $m	Total Statutory Funds $m	Share-holders' Fund $m	Elim $m	Total $m
Assets						
Equity securities	5,267	20,221	25,488	-	-	25,488
Debt securities	11,870	6,710	18,580	323	(35)	18,868
Property securities	2,084	5,300	7,384	-	-	7,384
Other financial assets	872	11,650	12,522	-	-	12,522
Investment property	122	1,481	1,603	-	-	1,603
Investments in controlled entities	1,168	235	1,403	24	-	1,427
Other assets	2,595	407	3,002	574	-	3,576
Total assets of policyholders and the shareholder	**23,978**	**46,004**	**69,982**	**921**	**(35)**	**70,868**
Liabilities						
Life insurance contract liabilities	18,380	-	18,380	-	-	18,380
Investment contract liabilities	2,424	44,815	47,239	-	-	47,239
Other liabilities	1,668	853	2,521	20	(35)	2,506
Total liabilities of policyholders and the shareholder	**22,472**	**45,668**	**68,140**	**20**	**(35)**	**68,125**
Net assets of AMP Life Limited	**1,506**	**336**	**1,842**	**901**	**-**	**2,743**
Equity						
Contributed equity	303	285	588	503	-	1,091
Reserves	(16)	(3)	(19)	(13)	-	(32)
Retained earnings	1,219	54	1,273	411	-	1,684
Total equity of AMP Life Limited	**1,506**	**336**	**1,842**	**901**	**-**	**2,743**

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

(g) Disaggregated information (continued)

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

2008	Non-Investment Linked $m	Investment Linked $m	Total Statutory Funds $m	Share-holders' Fund $m	Elim $m	Total $m
Assets						
Equity securities	4,867	15,285	20,152	-	-	20,152
Debt securities	12,862	7,424	20,286	263	(35)	20,514
Property securities	2,301	5,185	7,486	-	-	7,486
Other financial assets	1,108	9,239	10,347	-	-	10,347
Investment property	147	1,602	1,749	-	-	1,749
Investments in controlled entities	979	247	1,226	27	-	1,253
Other assets	2,619	872	3,491	618	-	4,109
Total assets of policyholders and the shareholder	**24,883**	**39,854**	**64,737**	**908**	**(35)**	**65,610**
Liabilities						
Life insurance contract liabilities	19,250	-	19,250	-	-	19,250
Investment contract liabilities	2,660	38,850	41,510	-	-	41,510
Other liabilities	1,739	711	2,450	13	(35)	2,428
Total liabilities of policyholders and the shareholder	**23,649**	**39,561**	**63,210**	**13**	**(35)**	**63,188**
Net assets of AMP Life Limited	**1,234**	**293**	**1,527**	**895**	**-**	**2,422**
Equity						
Contributed equity	303	285	588	503	-	1,091
Reserves	(7)	(2)	(9)	(15)	-	(24)
Retained earnings	938	10	948	407	-	1,355
Total equity of AMP Life Limited	**1,234**	**293**	**1,527**	**895**	-	**2,422**

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

(g) Disaggregated information (continued)

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

2009	Non-Investment Linked $m	Investment Linked $m	Total Statutory Funds $m	Shareholders' Fund $m	Total $m
Opening retained earnings	938	10	948	407	1,355
Net profit for the year	351	124	475	54	529
Transfers between statutory and shareholders' funds	(72)	(78)	(150)	150	-
Transfers between statutory funds	-	-	-	-	-
Dividends paid	-	-	-	(200)	(200)
Closing retained earnings	**1,217**	**56**	**1,273**	**411**	**1,684**

2008	Non-Investment Linked $m	Investment Linked $m	Total Statutory Funds $m	Shareholders' Fund $m	Total $m
Opening retained earnings	412	3	415	1,106	1,521
Net profit for the year	281	143	424	45	469
Transfers between statutory and shareholders' funds	211	(102)	109	(109)	-
Transfers between statutory funds	34	(34)	-	-	-
Dividends paid	-	-	-	(635)	(635)
Closing retained earnings	**938**	**10**	**948**	**407**	**1,355**

18. Risk management and financial instruments disclosures

Financial Risk Management Objectives
The AMP Life's risk management is carried out in accordance with the policies set by the AMP Limited Board for management of the risks within the AMP Group.

The principal objective of the AMP group's Financial Risk Management (FRM) strategy is to establish a robust structure for the determination of risk appetite and the measuring, monitoring, reporting and escalation of financial risks. The AMP group seeks to manage financial risks to maximise the return on shareholder capital, while ensuring that the AMP group remains solvent, and there is sufficient cash flow available to execute the operational strategy set by the AMP Limited Board of Directors (the Board).

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

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

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

The Audit Committees
The AMP Life Limited Audit Committee (AMP Life AC) is responsible for ensuring the existence of effective financial risk management policies and procedures, and oversight of the execution of the FRM Policy.

AMP Life Asset and Liability Committee
The AMP Life Asset and Liability Committee (Life ALCO) oversees and monitors the management of all financial risks, other than pricing and product risks, for both the shareholder's fund and the statutory funds of AMP Life. In relation to asset and liability management within statutory fund 1, Life ALCO reviews and recommends changes in asset mixes for participating business and provides advice in relation to bonus and crediting rates. In relation to capital management, Life ALCO oversees and monitors the regulatory capital position of the AMP Life statutory funds, provides advice to the AMP Life Board in relation to half yearly transfers from the AMP Life statutory funds, provides recommendations to the AMP Life Board in relation to capital management initiatives within the AMP Life statutory funds, and convenes meetings of the AMP Life Surplus Management Committee in advance of any trigger points being reached.

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

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

Controlled Operating Entity Boards
The directors and boards of various AMP Limited operating controlled entities have the responsibility of setting the risk appetite for that particular subsidiary whilst complying with Board approved risk appetite. The AMP Life operating controlled entities are also responsible for: approving, where relevant, policyholders asset and liability strategy, for approval of allocated subsidiary shareholder capital investment; and for reporting to the AMP Life AC and Life ALCO on financial risks.

Appointed Actuary
The Appointed Actuary is responsible for reporting to the AMP Life Board, AMP Life AC, Life ALCO and APRA on the financial condition of AMP Life, including solvency, capital adequacy and target surplus. The Appointed Actuary is also responsible for giving advice to AMP Life on the distribution of profits, premium rates, charges, policy conditions and reinsurance arrangements. The *Life Insurance Act 1995* also imposes obligations on the Appointed Actuary to bring to the attention of the company, or in some circumstances, APRA, any matter that the Appointed Actuary thinks requires action to be taken to avoid prejudice to the interests of policyholders.

18. Risk management and financial instruments disclosures (continued)

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

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

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

(a) Market risk
Market risk is the risk of loss arising from movements in market variables including observable variables such as interest rates, exchange rates and equity markets, and indirectly observable variables such as volatilities and correlations. Market risk in AMP Life primarily arises from the management of insurance contracts and from non-trading market risk positions arising from the Statement of financial position and capital management activities.

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

The sensitivity is required to show the impact of a reasonably possible change in market rate (it is not intended to illustrate a remote, worst case or stress test scenario) over the period to the subsequent reporting date.

(i) Interest rate risk
Interest rate risk is the risk of adverse impact to AMP Life's earnings and capital arising from movements in interest rates, including changes in the absolute levels of interest rates, the shape of the yield curve, the margin between different yield curves and the volatility of interest rates.

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

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

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

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

Interest rate risk sensitivity analysis
The following table demonstrates the impact of a 100 basis point change in Australian and International interest rates, with all other variables held constant, on AMP Life's shareholder profit after tax and equity. It is assumed that all underlying exposures and related hedges are included in the sensitivity analysis, that the 100 basis point change occurs as at the reporting date (31 December 2009 and 2008) and there are concurrent movements in interest rates and parallel shifts in the yield curves.

	31 December 2009		31 December 2008	
Change in variables	**Impact on profit after tax**	**Impact on equity**	**Impact on profit after tax**	**Impact on equity**
	$m	**$m**	**$m**	**$m**
+ 100 basis points	(30)	(30)	(24)	(24)
- 100 basis points	31	31	25	25

The categories of risks faced and methods used for deriving sensitivity information and significant variables have not changed from previous periods.

18. Risk management and financial instruments disclosures (continued)

(ii) Currency risk
Losses in value may result from translating AMP Life's capital invested in overseas operations into Australian dollars at reporting date (translation risk) or from adverse foreign currency exchange rate movements on specific cash flow transactions (transaction risk).

Subject to materiality considerations, AMP Life:
- does not hedge the capital invested in overseas operations, thereby accepting the foreign currency translation risk on invested capital;
- hedges individual investment assets backing shareholder capital, with the exception of the international equities portfolio attributable to shareholders within the life statutory 80:20 funds; and
- hedges expected foreign currency receipts and payments once the value and timing of the expected cash flow is known.

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

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

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

(iii) Equity price risk
Equity price risk is the risk that the fair value of equities will decrease as a result of changes in levels of equity indices and the value of individual stocks. AMP Life holds all of its equities at fair value through profit or loss.

Sensitivity analysis
The analysis below demonstrates the impact of a 10% movement in Australian and International equities. This sensitivity analysis has been performed to assess the direct risk of holding equity instruments; therefore any potential indirect impact on fees from AMP Life's investment linked business has not been included. It is assumed that the relevant change occurs as at the reporting date.

The risks faced and methods used for deriving sensitivity information and significant variables have not changed from previous periods.

(iv) Investment risk
Investment risk is the risk of volatility in AMP Life's net investment earnings and value that result in a reduced ability to implement corporate strategy. Investment earnings arise from AMP Life's investment of shareholder capital. Investment classes include equities, property and interest bearing instruments, so the management of investment risk encompasses equity price risk and interest rate risk. For the purposes of the FRM Policy, investment risk management involves decisions made regarding the allocation of investment assets across asset classes and/or markets and includes the management of risks within these asset classes. Investment risk management relates to the investment allocation decisions made by the AMP group in relation to the investment of shareholder capital.

The investment risk in the shareholders fund is managed by reference to the probability of loss relative to expected income over a one-year time horizon at a 90% confidence level (Profit at Risk). The loss tolerance over the discretionary investments in the shareholders fund is set at a relatively low level because AMP has sufficient equity market exposure in its businesses (e.g. through fees on Assets Under Management).

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

18. Risk management and financial instruments disclosures (continued)

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

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

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

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

Maturity profiles of undiscounted financial liabilities[1]

	Up to 1 Year $m	1 to 5 Years $m	More than 5 Years $m	No term $m	Investment - linked[2] $m	Total[3] $m
2009						
Payables	257	-	-	161	257	674
Borrowings[4]	229	-	-	154	318	701
Investment contract liabilities	579	1,166	1,467	-	44,815	48,027
Total undiscounted financial liabilities	**1,321**	**1,166**	**1,467**	**475**	**45,647**	**49,402**
2008						
Payables	112	16	10	194	321	653
Borrowings[4]	224	-	-	205	185	614
Investment contract liabilities	990	1,290	598	-	38,850	41,728
Total undiscounted financial liabilities	**1,326**	**1,306**	**608**	**399**	**39,356**	**42,995**

Footnotes:
1 The estimated net cash outflow profile of life insurance contract liabilities is disclosed in Note 16(i).
2 For investment linked business in AMP Life, the liability to policyholders is linked to the performance and value of the assets that back those liabilities. If all such policyholders claimed their funds, there may be some delays in settling this liability as assets are liquidated, but the shareholder (subject to comments in respect of redemption risk above) has no direct exposure to any liquidity risk as a result of investment linked contracts. As a result, the tables in this section show AMP Life's investment-linked liabilities in aggregate only, without any maturity analysis. This is consistent with AMP Life's management practice. A maturity profile for non-linked investment contracts, e.g term annuity, is provided above.

18. Risk management and financial instruments disclosures (continued)

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

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

Credit risk management is decentralised in business units within the AMP group; however, credit risk directly impacting shareholder capital is measured and managed by AMP Treasury by aggregating risk from credit exposures taken in business units as detailed below. In addition, group limits are allocated to business units to ensure that individual credit exposures do not aggregate across the group.

Credit risk on the invested fixed income portfolios in the AMP Life statutory funds is managed by the AMP Capital Investors Compliance and Business Risk team (AMP Capital B&CR) and reported to the fund managers, within specified credit criteria in the mandate approved by the AMP Life board. The shareholder portion of credit risk in AMP Life is reported to AMP Group ALCO by AMP Group Treasury.

Maximum exposure to credit risk
The AMP Life's maximum shareholder exposure to credit risk without taking account of any collateral or other credit enhancements as of 31 December 2009 was $10,451m (2008: $12,272m).

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

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

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

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

Credit exposure by credit rating
The following table provides information regarding the credit risk exposures of AMP Life at 31 December 2009 according to the credit ratings of the counterparties, where there is a direct risk to shareholder capital; these exposures are managed within limits set by the AMP group's FRM policy:

	2009 $m	2008 $m
AAA	3,647	5,204
AA	4,292	4,093
A	1,403	1,735
BBB	869	958
Below BBB	240	282
Total financial assets with credit risk exposure managed by Treasury	**10,451**	**12,272**
Financial assets with credit risk exposure not managed by Treasury[1]	38,521	35,539
Total financial assets with credit risk exposure	**48,972**	**47,811**

Footnotes:
1 Balance includes all other financial assets of the AMP Life, including investment linked business, where the liability to policyholder is linked to the performance and value of the assets that back those liabilities. As the shareholder has no direct exposure to any credit risk in respect of these assets the credit exposure is not actively managed by Treasury and has not been analysed in this section.

18. Risk management and financial instruments disclosures (continued)

Past due but not impaired financial assets
The following table provides an aged analysis of financial assets of AMP Life that are past due as at reporting period but not impaired:

	Past due but not impaired				
2009	**Less than 31 days $m**	**31 to 60 days $m**	**61 to 90 days $m**	**More than 91 days $m**	**Total $m**
Receivables					
- Reinsurance and other recoveries receivable	2	1	-	-	3
Total[1]	**2**	**1**	**-**	**-**	**3**

	Past due but not impaired				
2008	**Less than 31 days $m**	**31 to 60 days $m**	**61 to 90 days $m**	**More than 91 days $m**	**Total $m**
Receivables					
- Life and general insurance contract premiums receivables	28	-	-	-	28
- Reinsurance and other recoveries receivable	19	-	-	-	19
- Other receivables	15	-	-	-	15
Total[1]	**62**	**-**	**-**	**-**	**62**

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

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

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

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

(d) Derivative financial instruments
Derivative financial instruments are carried at fair value and recorded in the Statement of financial position as assets and liabilities. Asset and liability values on different transactions are only netted if the transactions are with the same counter party 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.

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.

18. Risk management and financial instruments disclosures (continued)

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

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

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

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 are they based on available market data. Unobservable inputs are determined based on the best information available, which might include the AMP group's own data, reflecting the AMP group's own assumptions about the assumptions that market participants would use in pricing the asset or liability. Valuation techniques are used to the extent that observable inputs are not available, and include estimates about the timing of cash flows, discount rates, earnings multiples and other inputs.

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

2009	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Assets				
Equity securities	10,914	14,258	316	25,488
Debt securities	-	18,546	322	18,868
Property securities	850	6,524	10	7,384
Other financial assets	362	12,160	-	12,522
Investments in controlled entities	-	1,404	-	1,404
Total financial assets	**12,126**	**52,892**	**648**	**65,666**
Liabilities				
Borrowings	-	701	-	701
Other financial liabilities	307	168	-	475
Investment contract liabilities	-	1,733	45,506	47,239
Total financial liabilities	**307**	**2,602**	**45,506**	**48,415**

18. Risk management and financial instruments disclosures (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:

2009	At 1 January 2009 $m	Total gains/(losses) in other comprehensive income $m	Purchases/ deposits $m	Sales/ with-drawals $m	Net transfers in/(out) $m	At 31 December 2009 $m	Total gains/(losses) for the period included in statement of comprehensive income for assets and liabilities held at 31 Dec 2009 $m
Assets							
Equity securities	383	(72)	6	(1)	-	316	(72)
Debt securities	329	20	48	(75)	-	322	20
Property securities	13	(3)	-	-	-	10	(2)
Total financial assets	**725**	**(55)**	**54**	**(76)**	**-**	**648**	**(54)**
Liabilities							
Investment contract liabilities	39,771	5,116	6,580	(5,961)	-	45,506	5,076
Total financial liabilities	**39,771**	**5,116**	**6,580**	**(5,961)**	**-**	**45,506**	**5,076**

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

2009	Carrying amount $m	Effect of reasonably possible alternative assumptions[1] (+) $m	(-) $m
Assets			
Equity securities	316	9	(9)
Financial assets	**316**	**9**	**(9)**
Liabilities			
Investment contract liabilities	45,506	(15)	15
Financial liabilities	**45,506**	**(15)**	**15**

Footnote:

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

19. Capital management

AMP Life's capital comprises contributed equity, reserves and retained earnings. These balances, and the movements in these balances, are disclosed in the Statement of changes in equity.

AMP Life manages its capital within the broader framework of the AMP Group capital management strategy, which itself forms part of the AMP Group's strategic planning process.

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

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

(i) Regulatory capital
AMP Life is an operating entity within the AMP group and is a regulated company. The AMP group of companies includes an authorised deposit-taking institution, a life insurance company (AMP Life) and approved superannuation trustees all regulated by APRA. A number of companies also hold Australian Financial Services Licences.

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

- AMP Life – Solvency, capital adequacy and management capital requirements as specified under the *Life Act* and APRA Life Insurance Prudential Standards.
- AMP Life and other controlled entities that hold an Australian Financial Services Licence (AFSL) – capital and liquidity requirements under the appropriate AFSL.

AMP Life as a regulated entity has at all times during the current and prior financial year complied with the externally imposed capital requirements to which it is subject.

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

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

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

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

20. Notes to the Cash flow statement

	2009 $m	2008 $m
(a) Reconciliation of the net profit after income tax to cash flows from operating activities		
Net profit for the year	529	469
Depreciation of operating assets	12	13
Net loss / (profit) on sale of investments and operating assets	2,682	(96)
(Increase) / decrease in investment asset values	(7,044)	17,855
Dividend and distribution income reinvested	(1,149)	(3,002)
Decrease / (increase) in receivables and other assets	42	(151)
Increase / (decrease) in net policy liabilities	4,859	(12,232)
Increase / (decrease) in income tax balances	258	(2,029)
Increase in other payables	300	597
Cash flows from operating activities	**489**	**1,424**

20. Notes to the Cash flow statement (continued)

	2009 $m	2008 $m
(b) Reconciliation of cash		
Cash on hand	(92)	(12)
Cash on deposit	1,956	1,858
Short term bills and notes (included in Debt securities)	2,709	3,356
Cash for the purposes of the cash flow statement	**4,573**	**5,202**

21. Investments in controlled entities

Details of significant investments in controlled entities are as follows:

Name of company	Country of incorporation	Share type	Footnote	% Holdings 2009	% Holdings 2008
1 York Street Holdings Pty Ltd	Australia	Ord	2	-	100
255 George Street Investment A Pty Ltd	Australia	Ord		100	100
255 George Street Investment B Pty Ltd	Australia	Ord		100	100
35 Ocean Keys Pty Limited	Australia	Ord		75	100
Abbey Capital Real Estate Pty Limited	Australia	Ord		100	100
Allmarg Corporation Limited	NZ	Ord, Pref		100	100
AMP ASAL Pty Ltd	Australia	Ord		100	100
AMP Capital Finance Mauritius Limited	Australia	Ord		63	-
AMP Capital Investments Limited	NZ	Ord A & B, Pref		100	100
AMP Capital Investments No. 2 Limited	NZ	Ord A & B, Pref		100	100
AMP Capital Investments No. 8 Limited	NZ	Ord A & B, Pref		100	100
AMP Capital Investments No 11 Limited	NZ	Ord A & B		100	100
AMP Capital Investments No. 14 Limited	NZ	Ord A & B		100	100
AMP Capital Investor Lifestyle Limited	Australia	Ord		52	52
AMP CMBS No. 1 Pty Limited	Australia	Ord		100	100
AMP CMBS No. 2 Pty Limited	Australia	Ord		100	100
AMP Custodial Investments No. 1 Limited	NZ	Ord A & B, Pref		100	100
AMP Finance Limited	Australia	Ord		100	100
AMP Financial Planning Pty Limited	Australia	Ord		100	100
AMP Life (NZ) Investments Holdings Limited	NZ	Ord		100	100
AMP Life (NZ) Investments Limited	NZ	Ord		100	100
AMP GBS Limited	Australia	Fixed		100	100
AMP GI Distribution Pty Limited	Australia	Ord		100	100
AMP Global Property Investments Pty Ltd	Australia	Ord		100	100
AMP Guardians Pty Limited	Australia	Ord	2	-	100
AMP Insurance Investment Holdings Pty Limited	Australia	Ord		100	100
AMP Investments Chile Limitada	Chile	Ord		100	100
AMP Personal Investment Services Limited	Australia	Ord		100	100
AMP Planner Register Company Pty Limited	Australia	Ord		100	100
AMP Private Wealth Management Pty Limited	Australia	Ord	1	100	-
AMP Property Investments (Qld) Pty. Ltd.	Australia	Ord		100	100
AMP Remuneration Reward Plans Nominees Pty. Limited	Australia	Ord		100	100
AMP Services (NZ) Limited	NZ	Ord		100	100
AMP Superannuation (NZ) Limited	NZ	Ord		100	100
AMP Superannuation Limited	Australia	Ord		100	100
AMP/ERGO Mortgage and Savings Limited	NZ	Ord		100	100
Arrive Wealth Management Limited	Australia	Ord		100	100
Arthur Ellis & Co. Limited	NZ	Ord		100	100
Arthur Ellis Limited	NZ	Ord		100	100
Australian Securities Administration Limited	Australia	Ord		100	100
Collins Place No. 2 Pty Ltd	Australia	Ord		100	100
Collins Place Pty Limited	Australia	Ord		100	100
Donaghys Australia Pty Limited	NZ	Ord		50	50
Donaghys Industries Limited	NZ	Ord		50	50
Donaghys International Limited	NZ	Ord		50	50
Donaghys Limited	NZ	Ord, Pref		50	50
Donaghys Pty Limited	NZ	Ord		50	50
ERGO Personal Financial Services Limited	NZ	Ord		100	100
Focus Property Services Pty Limited	Australia	Ord	3	98	98
Glendenning Pty Limited	Australia	Ord		100	100

21. Investments in controlled entities (continued)

Name of company	Country of incorporation	Share type	Footnote	% Holdings 2009	2008
Hillross Alliances Limited	Australia	Ord	1	100	-
Hillross Financial Services Limited	Australia	Ord		100	100
Hillross Wealth Management Centre Canberra Pty Limited	Australia	Ord	1	50	-
Hillross Wealth Management Centre Melbourne Pty Limited	Australia	Ord	1	50	-
Honeysuckle 231 Pty Limited	Australia	Ord	3	60	60
INSSA Pty Limited	Australia	Ord		100	100
Inversiones Mineras Los Andes Limitada	Chile	Ord		100	100
Investment Services Nominees Pty Limited	Australia	Ord	2	-	100
Jeminex Pty Limited	Australia	Ord		51	51
Kent Street Pty Limited	Australia	Ord		100	100
Knox City Shopping Centre Investments (No. 2) Pty Limited	Australia	Ord		100	100
Kramar Holdings Pty Limited	Australia	Ord		78	72
Mowla Pty. Ltd.	Australia	Ord		100	100
PHF No. 1 Management Pty Limited	Australia	Ord		100	100
PHF No. 1 Pty Limited	Australia	Ord		100	100
PHFT Finance Pty Limited	Australia	Ord		100	100
PremierOne Mortgage Advice Pty Limited	Australia	Ord		100	100
Principal Healthcare Finance No. 2 Pty Limited	Australia	Ord		100	100
Principal Healthcare Finance Pty Limited	Australia	Ord		100	100
Principal Healthcare Holdings Pty Limited	Australia	Ord		100	100
Priority One Financial Services Limited	Australia	Ord		100	100
Quay Asset Management Limited	Australia	Ord	2	-	100
Quay Mining (No. 2) Limited [formerly AMP (Bermuda) Limited]	Bermuda	Ord, Red Pref		100	100
Quay Mining Pty Limited	Australia	Ord		100	100
Roost 2007 Limited	NZ	Ord		100	100
Scrabster Bay Pty Limited	Australia	Ord		100	100
Shanghai AMP Property Co Ltd	Republic of China	Ord	3	81	81
SPP No. 1 (Alexandra Canal) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Cowes) Pty Limited	Australia	Ord		86	86
SPP No. 1 (H) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Mona Vale) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Mornington) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Newcastle) Pty Limited	Australia	Ord		86	86
SPP No. 1 (North Melbourne) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Pakenham) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Point Cook) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Q Stores) pty Limited	Australia	Ord		86	86
SPP No. 1 (Rosebery) Pty Limited	Australia	Ord		86	86
SPP No. 1 Holdings Pty Limited	Australia	Ord		86	86
SPP No. I (Hawthorn) Pty Limited	Australia	Ord		86	86
SPP No. I (Mt. Waverley Financing) Pty Limited	Australia	Ord		86	86
SPP No. I (Mt. Waverley) Pty Limited	Australia	Ord		86	86
SPP No. I (Port Melbourne) Pty Limited	Australia	Ord		86	86
SPP No. 3A Investments Pty Limited	Australia	Ord		100	100
The India Infrastructure Fund LLC	Mauritius	Red Pref		100	100
TOA Pty Ltd	Australia	Ord		100	100
United Equipment Holdings Pty Limited	Australia	Ord		60	59
Waterfront Place (No. 2) Pty. Ltd.	Australia	Ord		100	100
Waterfront Place (No. 3) Pty. Ltd.	Australia	Ord		100	100

Footnote:
1 Controlling interest acquired in 2009.
2 Controlling interest disposed in 2009.
3 Not audited by Ernst & Young.

21. Investments in controlled entities (continued)

Details of significant investments in controlled trusts are as follows:

Name of trust	Country of registration	Footnote	% Holdings 2009	% Holdings 2008
140 St Georges Terrace Trust	Australia		100	100
35 Ocean Keys Trust	Australia		75	75
ACPP Holding Trust	Australia		100	100
ACPP Industrial Trust	Australia		100	100
ACPP Office Trust	Australia		100	100
ACPP Retail Trust	Australia		100	100
Active Quant Share Fund	Australia		71	69
AHGI Martineau Fund	Australia		100	100
AHGI Martineau Galleries Fund	Australia		100	100
AMP Balanced Enhanced Equity	Australia		98	96
AMP Capital Asia ex-Japan Fund	Australia		90	84
AMP Capital Commodities C Class	Australia		100	100
AMP Capital Credit Strategies	Australia		94	90
AMP Capital Future Directions Asia ex Japan Fund	Australia		73	72
AMP Capital Future Directions Infrastructure Fund	Australia	1	96	-
AMP Capital Future Directions Opportunity Fund	Australia		96	100
AMP Capital Global TAA Fund	Australia		97	100
AMP Capital Investors Asian Equity Growth Fund	Australia		81	88
AMP Capital Investors Australian Equity Long Short Fund	Australia		100	100
AMP Capital Investors China Strategy Growth Fund	Australia		100	100
AMP Capital Investors External Fund Manager Balanced	Australia	2	-	100
AMP Capital Investors External Fund Manager Conservative	Australia	2	-	100
AMP Capital Investors External Fund Manager Infrastructure 1	Australia		97	98
AMP Capital Investors Infrastructure Fund 1	Australia		100	100
AMP Capital Investor Lifestyle Trust	Australia		52	52
AMP Capital Investor Sustainable External Alpha Fund	Australia	1	100	-
AMP Capital Macro Strategies	Australia		84	69
AMP Capital Mature Life Fund A	Australia		52	52
AMP Capital Mature Life Fund B	Australia		52	52
AMP Capital New Balanced Conservative Fund	Australia		100	100
AMP Capital Palms Trust	Australia		75	75
AMP Conservative Enhanced Equity Fund	Australia		86	91
AMP Infrastructure Fund 1	Australia		100	100
AMP Investments Australian Pacific Airports Fund	Australia		66	58
AMP Investments World Index Fund	NZ	2	-	58
AMP Liverpool Trust X	Australia		75	75

21. Investments in controlled entities (continued)

Name of trust	registration	Footnote	2009	2008
AMP Macquarie Holdings Trust	Australia		90	90
AMP Macquarie Trust	Australia		90	90
AMP Pacific Fair Trust	Australia		90	90
AMP Private Capital Trust No.4	Australia		100	100
AMP Private Capital Trust No.9	Australia		100	100
AMP Private Equity Fund IIIA	Australia		94	94
AMP Private Equity Fund IIIB	Australia		94	94
AMP UK Shopping Centre Fund	Australia		100	100
AMP US Property Trust	Australia		100	100
AMP Wholesale Office Fund	Australia		65	64
AMP Shopping Centre Fund (formerly AMP Wholesale Shopping Centre Trust No 1)	Australia		75	75
AMP Wholesale Shopping Centre Trust No 2	Australia		90	90
Asian Giants Infrastructure Fund	China	1	63	-
Australian Corporate Bond Fund	Australia		81	98
AWOF New Zealand Office Trust	NZ		65	64
Bayfair Trust NZ	NZ		75	75
Bourke Place Unit Trust	Australia	3	57	50
Casey Central Trust	Australia		75	75
Core Plus Strategies Fund	Australia		78	64
Crossroads Trust	Australia		100	100
Davidson Road Trust	Australia		100	100
Enhanced Index International Share Fund	Australia		86	90
Enhanced Index Share Fund	Australia		86	85
External Fund Manager Australian Share Fund 1	Australia		97	97
External Fund Manager Australian Share Fund 2	Australia		99	99
External Fund Manager Australian Share Fund 3	Australia		98	98
External Fund Manager Australian Share Fund 4	Australia		96	96
External Fund Manager Australian Share Fund 5	Australia		96	96
External Fund Manager Australian Share Fund 6	Australia		99	99
External Fund Manager Australian Share Fund 7	Australia		98	98
External Fund Manager Diversified Fund 2	Australia	2	-	90
External Fund Manager Diversified Fund 5	Australia	2	-	95
External Fund Manager Diversified Fund 6	Australia		91	92
External Fund Manager Fixed Interest Fund 2	Australia		97	98
External Fund Manager Fixed Interest Fund 3	Australia		98	98
External Fund Manager Fixed Interest Fund 4	Australia		94	94
External Fund Manager International Share Fund 1	Australia		98	98

21. Investments in controlled entities (continued)

Name of trust	registration	Footnote	2009	2008
External Fund Manager International Share Fund 3	Australia		97	97
External Fund Manager International Share Fund 4	Australia		99	99
External Fund Manager International Share Fund 5	Australia		96	96
External Fund Manager International Share Fund 6	Australia		99	99
External Fund Manager International Share Fund 7	Australia		96	98
External Fund Manager Listed Property Fund 1	Australia		96	96
Floating Rate Income Fund	Australia		84	84
Future Direction Australian Bond Fund	Australia		94	93
Future Directions Australian Share Fund	Australia		90	89
Future Directions Australian Share Fund 1	Australia		97	97
Future Directions Australian Share Fund 2	Australia		94	93
Future Directions Australian Share Fund 3	Australia		93	90
Future Directions Australian Small Company Fund	Australia		87	86
Future Directions Balanced Fund	Australia		97	97
Future Directions Conservative Fund	Australia		93	92
Future Directions Core International Share Fund 2	Australia		65	55
Future Directions Enhanced Index Global Property Securities Fund	Australia		100	100
Future Directions Enhanced Index International Bond Fund	Australia		91	100
Future Directions Enhanced Index International Share Fund	Australia		72	75
Future Directions Geared Australian Share Fund	Australia		91	89
Future Directions Global Property Securities Fund 1	Australia		94	94
Future Directions Growth Fund	Australia		93	92
Future Directions Hedged Credit International Share Fund 1	Australia		59	38
Future Directions High Growth Fund	Australia		93	92
Future Directions Infrastructure Trust	Australia		100	100
Future Directions International Bond Fund	Australia		94	93
Future Directions International Bond Fund 3	Australia		89	87
Future Directions International Share Fund	Australia		70	72
Future Directions International Share Fund 1	Australia		92	92
Future Directions International Share Fund 2	Australia		84	84
Future Directions International Share Fund 3	Australia		99	99
Future Directions International Share Fund 4	Australia		97	97
Future Directions Moderate Conservative Fund	Australia		93	91
Future Directions Private Equity Fund 1	Australia	1	100	-
Future Directions Property Fund	Australia	2	-	100
Future Directions Property Feeder Fund	Australia		95	95
Future Directions Total Return Fund	Australia		95	95
Global Credit Strategies Fund	Australia		97	93

21. Investments in controlled entities (continued)

Name of trust	registration	Footnote	2009	2008
Global Grow th Opportunities Fund	Australia		94	93
Hedged International Share Fund	Australia	2	-	79
International Bond Fund	Australia		94	90
International Share Fund	Australia	2	-	59
Kent Street Investment Trust	Australia		100	100
Kent Street Trust	Australia		100	100
Listed Property Trusts Fund	Australia		63	61
Loftus Street Trust	Australia		65	64
Macquarie Australian Enhanced	Australia	2	-	95
Macquarie Balanced Grow th	Australia		68	63
Macquarie Life Aust Enhanced Equity Fund	Australia		96	95
Managed Treasury Fund	Australia		77	79
Monash House Trust	Australia		100	100
Monash House Trust	Australia		75	75
Ocean Keys Trust	Australia		75	75
Principal Healthcare Holdings Trust	Australia		100	100
Responsible Investment Leaders Conservative Fund	Australia		91	92
Responsible Investment Leaders Grow th Fund	Australia		96	96
Responsible Investment Leaders High Grow th Fund	Australia		100	100
Riverside Plaza Trust	Australia		100	100
Royal Randw ick Trust	Australia		75	75
Select Property Portfolio No. 1	Australia		86	86
Sydney Cove Trust [formerly Highw ay Trust]	Australia		100	100
The Pinnacle Fund	Australia		99	99
The Glendenning Trust	Australia		100	100
Warringah Mall Trust	Australia		92	92
Wholesale Australian Bond Fund	Australia		92	94

Footnotes:
1 Trusts acquired in 2009
2 Trusts disposed of in 2009
3 Trust became controlled in 2009

22. Investments in associated entities

Details of significant investments in associated companies are as follows:

		Ownership interest		Carrying amount	
	Principal	2009	2008	2009	2008
Name of company	**activity[1]**	**%**	**%**	**$m**	**$m**
Gove Aluminium Finance	Aluminium smelting	30%	30%	157	187
AMP Pencarrow Private Capital	Private equity manager	48%	48%	36	45
Total investments in associated companies				**193**	**232**

Footnote:
1 In the course of normal operating investment activities, the life statutory funds hold investments in various operating businesses. Investments in associated entities reflect investments where the life statutory funds hold between a 20% and 50% equity interest.

Details of significant investments in associated unit trusts are as follows:

			Ownership interest		Carrying amount	
	Principal		2009	2008	2009	2008
Name of trust	**activity**	**Footnote**	**%**	**%**	**$m**	**$m**
AMP China Growth Fund	Investment trusts		34%	38%	116	94
AMP Equity Trust	Investment trusts		36%	34%	253	186
AMP Small Company Trust	Investment trusts		37%	31%	98	49
Global Property Securities Fund	Investment trusts		37%	25%	499	149
Infrastructure Equity Fund	Investment trusts		29%	26%	114	120
Property Income Fund	Investment trusts		27%	29%	199	261
Responsible Investments Leader Balanced Fund	Investment trusts		30%	38%	234	188
Strategic Infrastructure Trust Europe 1	Investment trusts		37%	32%	71	83
Strategic Infrastructure Trust Europe 2	Investment trusts		37%	32%	71	83
Substainable Future Australia Share Fund	Investment trusts		47%	49%	666	487
Value Plus Australia Share Fund	Investment trusts		25%	23%	87	61
Others (each less than $50m)	Investment trusts		Various		247	235
Investments in associated unit trusts					**2,655**	**1,996**

23. Contingent liabilities and forward investments

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 in the AMP group.

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 in a dispute, this information is not disclosed in this note.

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

Forward investments

	2009 $m	2008 $m
Forward investments - callable at any time		
Uncalled capital on shares in relation to[1]:		
- controlled entities	57	-
- associated entities	6	6
- other entities	73	76
Uncalled capital on units in relation to[1]:		
- controlled entities	9	83
- associated unit trusts	20	14
- other unit trusts	32	14
Commitment to acquire debt securities from:		
- controlled unit Trusts[2]	185	-
Total forward investments	**382**	**193**

Footnote:

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

2 Commitment to acquire debt securities from controlled unit trust is a commitment entered into by the Company to acquire particular debt securities at nominal value from a controlled trust at the option of the trust.

24. 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:

Richard John Grellman	Chairman	
Craig William Dunn	Managing Director and Chief Executive Officer	
Catherine Brenner	Non-Executive Director	Appointed: 01/05/2009
Meredith Hellicar	Non-Executive Director	Left: 23/04/2009
Ian William Laughlin	Non-Executive Director	
Craig Duncan Meller	Director	
John Leonard Palmer	Non-Executive Director	
Rosanne Philippa O'Loghlen Meo	Non-Executive Director	Left: 14/08/2009
Peter Roger Shergold	Non-Executive Director	

24. Related party disclosures (continued)

(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 Benefits $	Share Based Payments $	Other Long Term Benefits $	Termination benefits $	Total $
2009	6,284,497	76,606	-	-	2,179,000	**8,540,103**
2008	4,732,294	72,598	1,864,232	-	-	**6,669,124**

(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:

- the purchase of AMP insurance and investment products
- financial investment services.

Information about such transactions does not have the potential to affect adversely decisions about the allocation of scarce resources made by users of this Financial report, or the discharge of accountability by the specified executives or specified directors.

(d) Other related party transactions
AMP controlled entities provide management services to associated unit trusts at normal commercial rates. Shares and other financial securities have been traded between AMP and respective trusts at market value. AMP controlled entities provide management services to operating trusts with fees determined on a cost recovery basis. Interests held in associated entities (including percentage ownership) are set out in Note 22.

25. Auditors' 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.

	2009 $'000	2008 $'000
Amounts paid or payable to the auditors of AMP Life Limited for:		
Auditing the financial statements of AMP Life Limited and its controlled entities	1,344	1,604
Total amounts received or due and receivable by the auditors of AMP Life Limited[1]	**1,344**	**1,604**

Footnotes:
1 Periodically, the AMP Life Group gains control, through the investing activity of the AMP Life statutory funds, of entities whose incumbent auditor is an audit firm other than Ernst & Young. These immaterial additional audit fees paid to non-Ernst & Young audit firms are not included in this note.

26. Events occurring after reporting date

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

Directors' declaration

for the year ended 31 December 2009

In accordance with a resolution of the Directors of AMP Life Limited, we state for the purposes of Section 295(4) of *the Corporations Act 2001* that, in the opinion of the Directors:

(a) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(b) the financial statements and notes are in accordance with the *Corporations Act 2001*, including Section 296 (compliance with accounting standards) and Section 297 (true and fair view)

(signature)	(signature)
RICHARD GRELLMAN	CRAIG MELLER
(name)	(name)
Director	Director

Sydney
18 March 2010

Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
www.ey.com/au

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 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 our 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, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have met 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.

Auditor's Opinion

In our opinion:

1. 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 financial position of AMP Life Limited at 31 December 2009 and of its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Ernst & Young

Ernst & Young

Andrew Price
Partner
Sydney
18 March 2010

ERNST & YOUNG

Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
www.ey.com/au

AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION AUSTRALIAN FINANCIAL SERVICES LICENSEE AUDIT REPORT - FORM FS71

Scope

This report has been prepared for AMP Life Limited, (Licensee) licence number 233671 in order to meet its obligation to lodge this report with Australian Securities and Investments Commission (ASIC) in accordance with Section 989B(3) of the Corporations Act 2001 (Act) for the financial year ending 31 December 2009. This report contains the information and matters required by the regulations referred to in subsection 989B(3) of the Act. We disclaim any assumption of responsibility for any reliance on this report to any person other than the Licensee, who may only rely on this report for the purpose for which it was prepared, ASIC or a person who has received our written consent to use the report.

Internal procedures

To the extent of its obligations under the Act, the Licensee is responsible for establishing and maintaining effective internal controls in relation to compliance with the requirements of the Act.

Because of the inherent limitations of any internal control structure it is possible that errors or irregularities may occur and not be detected. We have not audited the overall internal control structure and no opinion is expressed as to its effectiveness. An audit is not designed to detect all weaknesses in control procedures or all instances of non-compliance with the Act or the financial conditions of the Licence as it is not performed continuously throughout the period and the tests performed are on a sample basis having regard to the nature and size of the Licensee.

Our procedures have been conducted in accordance with Australian Auditing Standards, and accordingly included such tests and procedures that we considered necessary in the circumstances.

Any projection of the evaluation of internal control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

Opinion

We have performed audit and review procedures (as applicable) in accordance with Australian auditing standards in order to report to the Licensee and the Australian Securities & Investments Commission (ASIC) in relation to the financial year referred to above as follows:

1. Except as stated at paragraph 7, in our opinion:

   The Income Statement and Balance Sheet and notes thereto (financial statements) to which the Form FS70 signed by the Licensee on 18 March 2010 and initialled by me for identification relates:

   a. give a true and fair view of the financial performance and financial position of the Licensee; and

b. the Licensee is a reporting entity and the financial statements are included in a general purpose financial report that complies with Accounting Standards in Australia and the Corporations Regulations 2001 and other mandatory financial reporting requirements in Australia.

2. Nothing has come to our attention that causes us to believe that the statements at paragraphs 6, 7 and 8 of the Form FS70 are not true.

3. Except as stated at paragraph 7, in our opinion the Licensee was a body regulated by the Australian Prudential Regulation Authority at the end of the financial year.

4. Except as stated at paragraph 7, in our opinion, the controls used by the Licensee to comply with:

   a. Divisions 2, 3, 4, 5 and 6 of Part 7.8 of the Act; and

   b. Division 7 of Part 7.8 of the Act other than section 991A; are effective.

5. Except as stated at paragraph 7, in our opinion, the Licensee has operated and controlled each account required by sections 981B and 982B of the Act in accordance with those sections.

6. In our opinion, we have received from the Licensee all necessary records, information and explanations for the purposes of this report.

7. The following are exceptions from the statements at paragraph 1 to 6:

   Nil.

Statement

During the performance of our duties as auditors of the AFS licensee, we have not become aware of any matters referred to in subsection 990K(2) of the Act during or since the financial year, that we have not previously reported to ASIC, other than the matters detailed below.

Nil

Andrew Price
Partner

Ernst & Young

Ernst & Young
ABN: 75 288 172 749

Date: 18 March 2010

ASIC registered agent number
lodging party or agent name
office, level, building name **or** *PO Box no.*
street number and name
suburb / city state/territory postcode
telephone ( )
facsimile ( )
DX number suburb / city

ASS. REQ-A
CASH. REQ-P
PROC.

Australian Securities & Investments Commission

Australian financial services licensee

profit and loss statement and balance sheet

form **FS70**

Corporations Act 2001
989B(2)

AFS licensee details

Provide the following details
AFS licensee name AMP LIFE LIMITED
AFS licence number 233671
auditor name ERNST & YOUNG

Body corporates only
Are you lodging this form as a disclosing entity? ☐ Yes ☒ No

PART 1

Summary results

1. Financial year (d/m/y) 01/01/2009 to 31/12/2009

for financial year

2. (a) **Total Revenue including tax benefit** $8,953m

(b) **Total Expenses including tax expense** $8,424m

(c) **Net Profit After Tax (a)-(b)** $529m

as at end of the financial year

3. (a) **Total Equity** $2,743m

(b) **Total Liabilities** $68,125m

Certification

4. Except as stated in paragraph 4A the licensee certifies that the profit and loss statement (Statement of Financial Performance) and balance sheet (Statement of Financial Position) and notes to the Statement of Financial Performance and Statement of Financial Position of the licensee ("financial statements") set out at paragraph 9 and summarised above:

(a) give a true and fair view of the matters stated in the financial statements;

(b) if the licensee is a reporting entity, the financial statements are included in a general purpose financial report that complies with all Australian Accounting Standards and Urgent Issues Group abstracts ("the Accounting Pronouncements") and if the licensee is not a reporting entity, the financial statements are prepared in accordance with all of the recognition and measurement requirements of the Accounting Pronouncements, and in accordance with the disclosure requirements of those of the Accounting Pronouncements that apply to non-reporting entities subject to any treatment in the financial statements required in order to give a true and fair view that is not in compliance with Australian Accounting Standards or Urgent Issues Group abstracts, the effect of which is quantified in notes to the financial statements;

(c) if the licensee is a body corporate, the board or other governing body of the licensee has resolved to the effect of (a) and (b),

4A. *Where the licensee is a natural person, if noted in the financial statements, the licensee may exclude from the financial statements and notes thereto the revenue and expenses that do not relate to any business of the licensee or all the revenue and expenses that do not relate to a financial services business of the licensee.*

5. The licensee certifies that during the financial year it has complied with all the financial requirements under its licence and the requirements relating to trigger points, except as has been disclosed in writing to ASIC.

Money and property

6. The licensee has received money to which Subdivision A of Division 2 of Part 7.8 applies; ☐ Yes ☐ No

7. The licensee has received property to which Division 3 of Part 7.8 applies; ☐ Yes ☐ No

8. The licensee has received a loan to which Subdivisions B of Division 2 of Part 7.8 applies; ☐ Yes ☐ No

Financial Statements

9. (Attach the Financial Statements)

Signature

This form must be signed (please refer to Guide for details on eligible signatories)

print name RICHARD GRELLMAN capacity DIRECTOR - CHAIR

print entity name AMP LIFE LIMITED

sign here [signature] date 18/3/10

PART 2

Certification

The audit report in the form of Form FS 71 lodged with this form is a true copy of the auditor's report on the financial statements under section 989B(3).

Qualification

Is there an audit qualification of financial statements?	☐ Yes	☑ No ASP
Is there an emphasis of matter on financial statements?	☐ Yes	☑ No ASP
Are there any exceptions on FS71?	☐ Yes	☑ No ASP
If yes, nominate the paragraphs to which the exceptions relate		
Paragraph 1	☐ Yes	☐ No
Paragraph 3	☐ Yes	☐ No
Paragraph 4	☐ Yes	☐ No
Paragraph 5	☐ Yes	☐ No
Paragraph 6	☐ Yes	☐ No

Signature

This form must be signed (please refer to Guide for details on eligible signatories)

print name RICHARD GRELLMAN capacity DIRECTOR - CHAIR

print entity name AMP LIFE LIMITED

sign here [signature] date 18/3/10

AMP Life Limited
Statutory Fund No.1
ABN 84 079 300 379

Annual Financial Report for the Year Ended 31 December 2009

Registered Office:
Level 24, 33 Alfred Street
Sydney NSW 2000 Australia

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

AMP LIFE LIMITED STATUTORY FUND NO.1
ABN 84 079 300 379

CONTENTS

DIRECTORS' REPORT

For the year ended 31 December 2009

The Directors present their report on the consolidated entity consisting of AMP Life Limited Statutory Fund No.1 (AMP Life SF1) and the entities it controlled at the end of or during the year ended 31 December 2009.

AMP Life Limited (the Company) 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 Level 24, 33 Alfred Street, Sydney, NSW 2000.

Directors

The names of the directors of the company in office during the financial year and until the date of this report are:

Catherine Brenner (appointed 1 May 2009)
Craig Dunn
Richard Grellman
Meredith Hellicar (resigned 23 April 2009)
Ian Laughlin
Craig Meller
Roseanne Meo (resigned 14 August 2009)
John Palmer
Peter Shergold

Principal activities

AMP Life SF1 manufactures and distributes a range of financial products and services, primarily through one of the largest financial planning networks in the Australian and New Zealand market. These products and services include financial planning advice, superannuation, investments, retirement savings and income protection, life insurance. There have been no significant changes in the nature of these activities during the year.

Review of operations and results

AMP Life SF1's consolidated net profit after tax attributable to shareholders is $352 million (2008: $237 million).

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of AMP Life SF1 during this financial year.

Likely developments

In the opinion of the directors, disclosure of further information about likely developments in the business is commercially sensitive and would be likely to result in unreasonable prejudice to the economic entity.

Events occurring subsequent to the end of the financial year

No matter or circumstance has arisen since the end of the financial year that has significantly affected or may significantly affect the operations of the economic entity's operations in future financial years, the results of those operations in future years, or the entity's state of affairs in future financial years that has not already been disclosed in this financial report.

Auditors' independence

We have obtained an independence declaration from our auditors, Ernst and Young, a copy of which is attached to this report and forms part of the Directors Report for the year ended 31 December 2009.

Environmental regulation

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

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

As an investor, AMP Life Limited 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.

Duty of 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 AMP Life SF1, the economic entity, gives priority to the interests of the policyholders over the interests of the shareholder.

DIRECTORS' REPORT

For the year ended 31 December 2009

Indemnification and insurance of directors and officers

Under its constitution, AMP Life Limited 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 Limited Group against liability incurred in their capacity as an employee unless approved by the Board of AMP Limited. No such indemnities have been provided either during or since the end of the financial year.

During the financial year, the AMP Limited Group agreed to insure all the officers of the Company against certain liabilities as permitted by the *Corporations Act 2001*. 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 with each director pursuant to which AMPGH agrees to indemnify, to the extent permitted by law, the director against any liability arising out of:

- The conduct of the business of the company; and
- The discharge of the director's duties as a director of the Company.

Rounding

The Company is an entity of the kind referred to in the Australian Securities and Investments Commission (ASIC) Class Order 98/100 and, in accordance with that order, amounts in this Directors' Report and the accompanying financial report have been rounded off to the nearest million Australian dollars, unless stated to be otherwise.

Signed in accordance with a resolution of the Directors.

.... (signature)	.... (signature)
I. LAUGHLIN	R. GRELLMAN
(name)	(name)
Director	Director

Sydney
06 May 2010

DIRECTORS' REPORT

For the year ended 31 December 2009

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

INCOME STATEMENT

For the year ended 31 December 2009

		Consolidated		Parent	
		2009	*2008*	**2009**	*2008*
	Note	**A$M**	*A$M*	**A$M**	*A$M*
Income and expenses of policyholders, shareholder, external unitholders and minority interests					
Life insurance premium and related revenue	*3(a), 14(a)*	**1,049**	*994*	**1,049**	*994*
Fee and other revenue	*3(b)*	**49**	*56*	**46**	*56*
Investment gains and losses	*3(c)*	**553**	*254*	**614**	*254*
Life insurance claims and related expenses	*4(a), 14(b)*	**(1,251)**	*(1,337)*	**(1,251)**	*(1,337)*
Operating expenses	*4(b)*	**(630)**	*(583)*	**(583)**	*(599)*
Finance costs	*4(c)*	**24**	*(103)*	**12**	*(73)*
Change in investment contract liabilities		**(113)**	*(148)*	**(113)**	*(148)*
Change in life insurance contract liabilities	*14(e)*	**641**	*1,009*	**641**	*1,009*
Movement in external unitholders' liabilities		**107**	*1*	**-**	*-*
Profit before income tax		**429**	*143*	**415**	*156*
Income tax (expense) / credit	*5(a)*	**(63)**	*50*	**(63)**	*126*
Net profit after income tax		**366**	*193*	**352**	*282*
(Profit) / loss attributable to minority interests in controlled companies		**(14)**	*44*	**-**	*-*
Net profit after income tax attributable to the shareholder of AMP Life Limited		**352**	*237*	**352**	*282*

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

		Consolidated		Parent	
		2009	*2008*	**2009**	*2008*
	Note	**A$M**	*A$M*	**A$M**	*A$M*
Profit		**366**	*193*	**352**	*282*
Other comprehensive income recognised in retained earnings					
Other gains / (losses)		-	-	-	-
Income tax thereon		-	-	-	-
		-	-	-	-
Other comprehensive income recognised in reserves					
Other losses		**(10)**	*(9)*	**(10)**	*(5)*
Income tax thereon		-	-	-	-
		(10)	*(9)*	**(10)**	*(5)*
Total comprehensive income		**356**	*184*	**342**	*277*
Total comprehensive (income) / loss attributable to minority interests		**(14)**	*44*	-	-
Total comprehensive income attributable to the shareholder of AMP Life Limited		**342**	*228*	**342**	*277*

STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

		Consolidated		Parent	
		2009	*2008*	**2009**	*2008*
	Note	**A$M**	*A$M*	**A$M**	*A$M*
Assets					
Cash and cash equivalents		**2,151**	*1,926*	**1,807**	*1,791*
Receivables	*6*	**580**	*792*	**520**	*745*
Equity securities	*7*	**6,237**	*5,510*	**5,525**	*4,931*
Debt securities	*7*	**10,504**	*11,954*	**11,938**	*12,896*
Property securities	*7*	**1,460**	*1,638*	**2,095**	*2,315*
Other financial assets	*7*	**2,488**	*2,818*	**875**	*1,120*
Investment property	*8*	**1,341**	*1,474*	**122**	*147*
Property, plant and equipment	*9*	**34**	*43*	**31**	*40*
Other assets	*10*	**17**	*20*	**1**	*1*
Current tax assets		**109**	*-*	**109**	*-*
Deferred tax assets	*5(c)*	**61**	*74*	**61**	*74*
Investments in controlled entities	*7*	**-**	*-*	**981**	*979*
Total assets of policyholders, shareholder, external unitholders and minority interests		**24,982**	*26,249*	**24,065**	*25,039*
Liabilities					
Payables	*11*	**274**	*445*	**277**	*406*
Provisions	*12*	**4**	*27*	**1**	*9*
Borrowings	*13*	**533**	*552*	**415**	*392*
Current tax liabilities		**51**	*243*	**49**	*241*
Deferred tax liabilities	*5(d)*	**351**	*375*	**351**	*373*
Other financial liabilities		**480**	*418*	**453**	*351*
Other liabilities		**100**	*1*	**99**	*-*
Investment contract liabilities		**2,534**	*2,781*	**2,534**	*2,781*
Life insurance contract liabilities	*14(e)*	**18,380**	*19,250*	**18,380**	*19,250*
External unitholders' liabilities		**738**	*904*	**-**	*-*
Total liabilities of policyholders, shareholder, external unitholders and minority interests		**23,445**	*24,996*	**22,559**	*23,803*
Net assets of shareholder and minority interests		**1,537**	*1,253*	**1,506**	*1,236*
Equity					
Contributed equity		**303**	*303*	**303**	*303*
Reserves		**(19)**	*(9)*	**(19)**	*(9)*
Retained earnings	*15(i)*	**1,222**	*942*	**1,222**	*942*
Total equity attributable to the shareholder		**1,506**	*1,236*	**1,506**	*1,236*
Minority interests		**31**	*17*	**-**	*-*
Total equity of shareholder and minority interests		**1,537**	*1,253*	**1,506**	*1,236*

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

Consolidated

	Equity attributable to the shareholder of AMP Life Limited				Minority interest	Total equity
	Contributed equity	Reserves	Retained earnings	Total shareholder equity		
	A$M	A$M	A$M	A$M	A$M	A$M
31 December 2009						
Balance at the beginning of the period	303	(9)	942	1,236	17	1,253
Total comprehensive income	-	(10)	352	342	14	356
Transfer to Shareholder Fund	-	-	(72)	(72)	-	(72)
Balance at the end of the period	**303**	**(19)**	**1,222**	**1,506**	**31**	**1,537**
31 December 2008						
Balance at the beginning of the period	*365*	*-*	*452*	*817*	*61*	*878*
Total comprehensive income	*-*	*(9)*	*237*	*228*	*(44)*	*184*
Transfer (to) / from Shareholder Fund	*(62)*	*-*	*253*	*191*	*-*	*191*
Balance at the end of the period	*303*	*(9)*	*942*	*1,236*	*17*	*1,253*

Parent

	Contributed equity	Reserves	Retained earnings	Total shareholder equity
	A$M	A$M	A$M	A$M
31 December 2009				
Balance at the beginning of the period	303	(9)	942	1,236
Total comprehensive income	-	(10)	352	342
Transfer (to) Shareholder Fund	-	-	(72)	(72)
Balance at the end of the period	**303**	**(19)**	**1,222**	**1,506**
31 December 2008				
Balance at the beginning of the period	*365*	*(4)*	*407*	*768*
Total comprehensive income	*-*	*(5)*	*282*	*277*
Transfer (to) / from Shareholder Fund	*(62)*	*-*	*253*	*191*
Balance at the end of the period	*303*	*(9)*	*942*	*1,236*

STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

		Consolidated		Parent	
		2009	*2008*	**2009**	*2008*
	Note	**A$M**	*A$M*	**A$M**	*A$M*
Cash flows from operating activities					
Cash receipts in the course of operations		**2,262**	*2,311*	**2,204**	*2,255*
Interest and other items of a similar nature received		**626**	*811*	**556**	*762*
Dividends received		**584**	*1,167*	**454**	*1,017*
Cash payments in the course of operations		**(3,444)**	*(2,871)*	**(3,281)**	*(2,328)*
Finance costs		**24**	*(103)*	**12**	*(73)*
Income tax paid		**(375)**	*(372)*	**(373)**	*(339)*
Cash flows from operating activities	*18(a)*	**(323)**	*943*	**(428)**	*1,294*
Cash flows from investing activities					
Net proceeds from sale of/(payments to acquire):					
-equity securities/unit trusts		**1,309**	*(207)*	**1,052**	*(415)*
-interest-bearing securities		**(517)**	*779*	**(583)**	*862*
-loans		**(148)**	*84*	**(151)**	*(733)*
-controlled and associated companies		**-**	*-*	**180**	*262*
-investment properties, plant and equipment		**(5)**	*(302)*	**(5)**	*46*
Cash flows from investing activities		**639**	*354*	**493**	*22*
Cash flows from financing activities					
Net (repayment of)/proceeds from borrowings		**(19)**	*(113)*	**23**	*(85)*
Transfer (to)/from Shareholders' Fund		**(72)**	*182*	**(72)**	*186*
Cash flows from financing activities		**(91)**	*69*	**(49)**	*101*
Net increase in cash		**225**	*1,366*	**16**	*1,417*
Balance at the beginning of the period		**1,926**	*560*	**1,791**	*374*
Cash and cash equivalents at end of the period	*18(b)*	**2,151**	*1,926*	**1,807**	*1,791*

Notes to the Financial Statements

For the year ended 31 December 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the special purpose financial statements are set out below. These policies have been consistently applied to the current and prior year, unless otherwise stated. The financial statements include separate financial statements for AMP Life Limited Statutory Fund No.1 ('the parent') as an individual entity and for the consolidated entity, which consists of the parent and all entities controlled by the parent during the year and at the reporting date ('consolidated').

(a) Basis of preparation

AMP Life Limited Statutory Fund No.1 ('AMP Life SF1' or 'Statutory Fund') is one of three Statutory Funds which together with a Shareholder's Fund make up AMP Life Limited, a company incorporated in New South Wales and registered under the Australian Life Insurance Act 1995 (Life Act). These financial statements are prepared on an ongoing basis and for the purpose of lodgment with the New Zealand Companies Office in accordance with Section 9A(3) of the New Zealand Financial Reporting Act 1993. They are for the year ended 31 December 2009 and were authorised by the Board of AMP Life Limited on 06 May 2010. They have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), Urgent Issues Group Interpretations and the *Corporations Act 2001* as required by AASB114. Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements comply with International Financial Reporting Standards (IFRS).

The AMP Life SF1 life insurance operations are conducted as required by the Life Act and are reported in isolation of the other Statutory Funds and Shareholders Fund of AMP Life Limited (i.e inter-fund transactions and balances are not eliminated). The life insurance operations consist of both non investment-linked and investment-linked business. For policy contracts that include elements of multiple statutory funds, only the components relating to Statutory Fund No.1 are reported in these financial statements

Investment-linked business is business in which the benefit amount of contracts issued is directly linked to the market value of investment assets held within the Statutory Fund in which the policy resides. Whilst the underlying assets are registered in the name of AMP Life Limited and the investment-linked policy owner has no direct access to the specific assets, the contractual arrangements are such that the investment-linked policy owners bears the risks and rewards of the investment performance of the underlying assets. AMP Life SF1 derives fee income from the administration of the investment-linked funds.

Non-investment-linked business is business where the insured benefit of an issued contract is not directly linked to the market value of the investments held. These benefits are payable on death, or occurrence of an insured event such as injury, illness or disability. The financial risk of the occurrence of the event which crystallises the payment of the insured benefit is borne by AMP Life SF1.

AMP Life SF1 is predominantly a life insurance and wealth-management business. As described in note 1(c) below, the assets, liabilities, revenues and expenses arising from investment contracts and life insurance contracts are measured predominantly on the basis of fair value. Subject to the exceptions noted in the accounting policies below, other assets and liabilities in these financial statements are also measured on a fair value basis.

Assets and liabilities have been presented on the face of the balance sheet in decreasing order of liquidity and do not distinguish between current and non-current items. The majority of the assets of AMP Life SF1 are investment assets held to back investment contract and life insurance contract liabilities. Although the amount of those liabilities which may be realised and those liabilities which may be settled within 12 months of the balance sheet date is not always known, estimates have been provided in note 15(f). However, as positive net cash flows in any one period are expected to cover these anticipated settlements, and as the investment assets are managed as a portfolio to achieve long-term gains, the assets backing the insurance and investment contract liabilities are considered to be non-current for statutory financial reporting purposes. Details of other amounts expected to be recovered or settled (a) no more than 12 months after the reporting date, and (b) more than 12 months after the reporting date, have been provided in footnotes to the relevant notes.

Changes in accounting policies

Since 1 January 2009, AMP Life SF1 has adopted a number of Australian accounting standards and Interpretations which are mandatory for annual periods beginning on or after 1 January 2009. Adoption of these Standards and Interpretations has not had any material effect on the financial position or performance of AMP Life SF1.

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

- AASB 101 (Revised) "Presentation of Financial Statements". This revised standard introduces a number of amendments that may impact the presentation of the company's primary financial statements and notes thereto. The revised standard includes presentation changes for the "Statement of comprehensive income" (previously the "Statement of recognised income and expenses"), the addition of the "Statement of changes in equity" and the "Balance sheet" is now called the "Statement of financial position". The revised standard does not impact the measurement or recognition of amounts disclosed in the financial statements.

- AASB 9 "Amendments to Accounting Standards – Improving Disclosures about Financial Instruments". The amended standard requires enhanced disclosures of fair value measurements, liquidity risk and various other disclosures relating to financial instruments. This standard did not impact the measurement or recognition of amounts disclosed in the financial statements.

There have been no other changes in accounting policies.

Notes to the Financial Statements

For the year ended 31 December 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Australian accounting standards issued but not yet effective

A number of new Accounting standards have been issued but not yet effective during 2009. AMP Life SF1 has not elected to early adopt any new Standards or amendments. The new Accounting standards that are expected to have a material impact on the financial position or performance of AMP Life are:

- AASB 3 (Revised) "Business Combinations" and AASB 127 (Revised) "Consolidated and Separate Financial Statements". These revised standards introduce significant changes to accounting for business combinations including any internal restructures meeting the definition of a business combination. These changes will only impact accounting for business combinations that occur after the revised accounting standards become applicable on 1 January 2010.

- AASB 9 "Financial Instruments: Classification and Measurement". This standard makes significant changes to the way that financial assets are classified for the purpose of determining their measurement basis and also to the amounts relating to fair value changes which are to be taken directly to equity. The standard is mandatory for adoption by AMP Life in the year ending 31 December 2013. The financial impact to AMP Life SF1 of adopting this standard has not yet been quantified.

Accounting judgments and estimates

In the course of its operations, AMP Life SF1 applies judgments and makes estimates that affect the amounts recognised in the financial report. Estimates are based on a combination of historical experience and expectations of future events that are believed to be reasonable at the time. The key areas of estimation are in respect of the valuation of:

- life insurance contract liabilities (see notes 1(v), 14 and 15);
- investment contract liabilities (see note 1(u) and note 15); and
- unlisted securities (see notes 1(g), (h) and (i)).

There are no judgements made by AMP Life SF1, other than those applied in respect of the estimates above, that have a significant impact on the amounts recognised in the financial report.

(b) Principles of consolidation

These financial statements consolidate the financial information of all controlled entities. Control is determined as the power to govern the financial and operating policies of an entity or business so as to obtain benefits from its activities. In certain cases an entity or business may be controlled even though AMP Life SF1 does not own more than half of the voting power. In these cases control has been determined based on AMP Life SF1's power to obtain benefits from the entity or business.

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

The business conducts its wealth management and life insurance business (see note 1(c) below) through separate Statutory Funds, including AMP Life SF1. AMP Life SF1 includes controlling interests in unit trusts and companies. The total amounts of each underlying asset, liability, income and expense of these controlled entities are recognised in the consolidated financial statements.

When a controlled unit trust is consolidated, the share of the unitholder liability attributable to AMP Life SF1 is eliminated but amounts due to external unitholders remain as liabilities in the consolidated balance sheet.

The share of the net assets of controlled companies attributable to minority interests is disclosed separately on the balance sheet. In the income statement, the net profit or loss of the controlled entities relating to minority interests is removed before determining the net profit or loss attributable to shareholders of AMP Life Limited.

Controlled entities that are acquired are accounted for using the purchase method of accounting. Information from the financial statements of controlled entities is included from the date the parent entity obtains control until such time as control ceases. Where AMP Life SF1 ceases to control an entity, the consolidated financial statements include the results for the part of the reporting period during which the parent entity had control.

All inter-company balances and transactions are eliminated in full, including unrealised profits arising from intra-group transactions. However consolidated information expressly excludes cross holdings in the other Statutory Funds and Shareholders Fund of AMP Life Limited. The consideration for acquisitions or disposals of unit trusts reflects the fair value of the investment assets at the date of the transactions after taking into account minority interests.

(c) Accounting for wealth management and insurance business

The accounting treatment of certain transactions in these financial statements 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 AMP Life SF1 are:

- investment contracts
- life insurance contracts

For the purposes of these financial statements, holders of investment contracts or life insurance contracts are collectively and individually referred to as *policyholders* and life insurance contract and investment contract liabilities are collectively referred to as *policy liabilities*.

Notes to the Financial Statements

For the year ended 31 December 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Accounting for wealth management and insurance business (continued)

Investment contracts
The majority of the business of AMP Life SF1 relates to wealth management products such as savings, investment-linked and retirement income policies. The nature of this business is that AMP Life SF1 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.

Accounting standards define such contracts as *life investment contracts* and these are referred to as *investment contracts* throughout these financial statements.

Life insurance contracts
AMP Life SF1 also issues contracts that transfer significant insurance risk from the policyholder, covering death, disability or longevity of the insured. In addition, there are some policies that are similar to investment contracts, but the timing of the vesting of the profit attributable to the policyholder is at the discretion of AMP Life SF1. These policies are referred to as discretionary participating contracts.

Accounting standards define such contracts as *life insurance contracts.*

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

As life insurance contract liabilities are measured as described in note 1(v) and investment contract liabilities are measured at fair value, per note 1(u), assets backing such liabilities are measured at fair value, to the extent permitted under accounting standards. Realised and unrealised gains and losses arising from changes in the fair value are recognised in the Income statement, to the extent permitted under accounting standards. The accounting policies for individual asset classes, and any restrictions on application of fair value, are described below.

All assets that back investment contract and life insurance contract liabilities are included within AMP Life SF1 and, as such, are separately identifiable.

Assets not backing investment and insurance contract liabilities
To ensure consistency across AMP Life SF1, and except where specifically stated otherwise, all financial assets and all non-financial assets, including those not backing investment or insurance contract liabilities, are recognised at fair value to the extent permitted under accounting standards. Similarly, adjustments to the value of such assets are recognised in the Income statement when the corresponding accounting standards allow such treatment. The accounting policy for the parent entity's investments in controlled entities is set out in note 1(k).

(d) Accounting mismatches

Accounting mismatches may arise from some of the AMP Life SF1 transactions because the recognition and measurement criteria differ from the recognition and measurement criteria for the policy liability in respect of the same transactions. These mismatches result in policyholder asset movements impacting the net profit after income tax to the shareholder and increase volatility of the reported profit. Accounting mismatches primarily arise in respect of gains and losses on investments in controlled entities of AMP Life SF1.

The majority of the AMP Life SF1 investments are held through controlling interests in a number of separate entities and those investments are measured at fair value. These investment assets are held on behalf of policyholders, and, as a result, the Statutory Fund also recognise a corresponding liability to the policyholder.

The principles of consolidation described in Notes 1(b) require the underlying net assets of the controlled entities to be recognised in the consolidated financial statements. There are instances where the fair value of the investment is based on earning multiples of the underlying entities rather than the fair value of the underlying assets and, as a result, a different value is recognised on consolidation.

However, the policy liability based on the earning multiple value, and related Income statement change in the liability, remain upon consolidation, resulting in an accounting mismatch.

(e) Cash and cash equivalents

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

(f) Receivables

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

Notes to the Financial Statements

For the year ended 31 December 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Equity securities

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

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

Investments in associates

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

(h) Debt securities

Debt securities are financial assets and are initially recognised at fair value. Initial fair value is determined as the purchase cost of the asset exclusive of any transaction costs.

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

(i) Property securities

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

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

The accounting policies for directly held investment property is described in note 1(l).

(j) Other financial assets

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

Investments in joint ventures and partnerships

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

Cash trusts and diversified trusts

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

(k) Investments in controlled entities

Investments in controlled entities which are held to back investment contract and life insurance contract liabilities are measured at fair value to the extent permitted under accounting standards. Investments in controlled entities that are not held to back investment contract and insurance contract liabilities are measured at cost less any accumulated impairment losses, unless they are managed and internally reported on a fair value basis, in which case they are designated on initial recognition, and subsequently measured, at fair value.

(l) Investment property

Investment property is held to earn revenue from rentals and/or for the purposes of capital appreciation. Investment property includes all directly held freehold and leasehold properties but excludes owner occupied property. See note 1(m) below.

Investment property is initially measured at cost, including transaction costs, and is subsequently measured at fair value. Any gains or losses arising from changes in fair value are recognised in the Income statement in the period in which they arise.

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

Notes to the Financial Statements

For the year ended 31 December 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Property, plant and equipment

Property, 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.

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 SF1 and the cost of the item can be reliably measured.

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

(n) Impairment of assets

Assets measured at fair value, where changes in value are reflected in the Income statement, are not subject to impairment testing. As a result, all financial assets and investment properties are not subject to impairment testing. Other assets such as property, plant and equipment, borrowings and amounts receivable are subject to impairment testing.

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

An impairment loss is recognised in the Income statement to the extent that the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value (including realisation costs) and its value in use.

(o) Taxes

Income tax for investment contracts and life insurance contracts business

The income tax expense recognised in the Income statement reflects tax imposed on shareholders as well as policyholders. Investment contract and life insurance contract liabilities are established net of the policyholders' share of any current tax payable and deferred tax balances of the AMP Life SF1.

Arrangements made with some superannuation funds result in AMP Life SF1 making payments to the Australian Taxation Office in relation to contributions tax arising in those funds. The amounts paid are not classified as income tax expense.

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

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

Deferred tax

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

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

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

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

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

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

Goods and services tax

AMP Life SF1 operates across a number of tax jurisdictions and offers products and services which may be subject to various forms of goods and services tax (GST) imposed by local tax authorities.

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Payables

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

(q) Provisions

Provisions are recognised when:

- AMP Life SF1 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 SF1 expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

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

(r) Borrowings

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

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

All of the borrowings of controlled entities are subsequently measured at fair value with movements recognised in the Income statement.

(s) Derivatives and hedging

AMP Life SF1 is exposed to changes in interest and foreign exchange rates. To mitigate the risks arising from these exposures, AMP Life SF1 uses derivative financial instruments such as cross-currency and interest-rate swaps, forward rate agreements, futures, and options and foreign currency contracts. Derivative financial instruments are also used to gain exposure to various markets for assets and liability management purposes. AMP Life SF1 does not hold a derivative trading portfolio.

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

Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by AMP Life SF1 is the current bid price and the quoted market price for financial liabilities is the current offer price.

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

(t) Recognition and derecognition of financial instruments

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

(u) Investment contract liabilities

Investment contracts consist of a financial instrument and an investment management services element, both of which are measured at fair value. With the exception of fixed retirement-income policies, the resulting liability to policyholders is closely linked to the performance and value of the assets (after tax) that back those liabilities. The fair value of such liabilities is therefore the same as the post tax fair value of these assets backing them (subject to the impact of the accounting mismatch items. See note 1(d)).

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

Notes to the Financial Statements

For the year ended 31 December 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

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

(ii) Other MoS profits arising from discretionary participating business (excluding the additional tax attributable to shareholders in respect of Australian superannuation business) are allocated 80% to policyholders and 20% to shareholders, with the following exceptions:
- The profit arising from New Zealand corporate superannuation business is apportioned such that shareholders are allocated 15% of the profit allocated to policyholders.
- The profit arising in respect of Preservation Superannuation Account business is allocated 92.5% to policyholders and 7.5% to shareholders.

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

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

Allocation of expenses within the Statutory Fund
All operating expenses relating to the life insurance contract and investment contract activities are apportioned between acquisition, maintenance and investment management expenses. Expenses that are directly attributable to an individual life insurance contract, 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.

Costs are charged to participating policyholders based on service fee set at the inception of the policy and subsequently indexed to reflect inflation.

The costs apportioned to life insurance contracts are included in the determination of margin described above.

Investment management expenses of AMP Life SF1 are classified as other operating expenses. See Note 1 (bb).

Notes to the Financial Statements

For the year ended 31 December 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Foreign currency transactions

Functional and presentation currency

Items included in the financial statements in each of the AMP Life SF1 group entities are measured using the currency of the primary economic environment in which that entity operates (the functional currency).

The presentation currency of these financial statements, and the functional currency of the parent entity, is Australian dollars.

Transactions and balances

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

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

Translation of controlled entities

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

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

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

(x) Insurance premium and related revenue

Life insurance contracts

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

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

Investment contracts

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

- fees and other revenue. See note 1(y).
- amounts credited directly to investment contract liabilities. See note 1(u).

(y) Fee and other revenue

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

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

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

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

(z) Investment gains or losses

Dividend and interest income is recognised in the Income statement on an accruals basis when AMP Life SF1 obtains control of the right to receive the revenue.

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

Notes to the Financial Statements

For the year ended 31 December 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(aa) Insurance claims and related expense

Life insurance contracts

Life insurance contract claims are separated into their expense and withdrawal components. The component that relates to the bearing of risks is treated as an expense. Other claim amounts, that reflect withdrawals of invested funds, are recognised as a decrease in life insurance contract liabilities. Claims are recognised when the liability to the policyholder under the 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(u).

(bb) Operating expenses

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

Expenses of controlled entities of the Statutory Fund represent the business costs of those entities and are consolidated into the results of AMP Life SF1.

The majority of investment contracts issued result in commissions and other payments to external services and advice providers. Where the amount paid equates to a fee charged to policyholders for the provision of advice, the amount is expensed either at inception or over the period of the contract consistent with the basis for recognising the fee revenue on the respective contracts. See note 1(y).

(cc) Finance costs

Finance costs include borrowing costs; interest on bank overdraft and borrowings; finance charges in relation to finance leases; exchange differences arising from foreign currency borrowings (to the extent that they are regarded as an adjustment to interest costs); and foreign exchange gains and losses and other financing related amounts. Borrowing costs are recognised as expenses when incurred.

Notes to the Financial Statements

For the year ended 31 December 2009

2. AUDITORS' REMUNERATION

	Consolidated 2009 A$M	2008 A$M	Parent 2009 A$M	2008 A$M
Amounts received or due and receivable by Auditors of the entity for:				
- Audit services	1	1	1	1
- Other services	-	-	-	-
Total Auditors' remuneration	1	1	1	1

All auditors' remuneration payable to the auditors of AMP Life SF1 for the audit of the controlled companies within AMP Life SF1 is settled by a related entity. Certain controlled property and private equity funds within AMP Life SF1 incur auditors' remuneration directly.

3. REVENUE AND INVESTMENT INCOME

	Note	Consolidated 2009 A$M	2008 A$M	Parent 2009 A$M	2008 A$M
(a) Life Insurance premium and related revenue					
Life insurance contract premium and related revenue	14(a)	1,049	994	1,049	994
Total life insurance premium and related revenue		1,049	994	1,049	994
(b) Fee and other revenue					
Investment management and origination fees					
- related entities		1	9	6	18
- other entities		36	30	40	36
Service fees					
- related entities		-	-	-	1
Other revenue [1]		12	17	-	1
Total fee and other revenue		49	56	46	56
(c) Investment gains and losses					
Interest					
- related entities		71	82	74	88
- other entities		552	719	517	671
Dividends and distributions					
- related entities		344	818	265	737
- associated entities		28	22	18	24
- other entities		220	336	183	247
Rental income					
- other entities		109	110	9	12
Net realised and unrealised losses		(781)	(1,837)	(458)	(1,530)
Other investment income		10	4	6	5
Total investment gains and losses		553	254	614	254

Footnote:

[1] Consolidated other revenue includes trading revenue of operating businesses in which AMP Life SF1 holds a controlling equity interest.

Notes to the Financial Statements

For the year ended 31 December 2009

4. EXPENSES

		Consolidated		Parent	
		2009	*2008*	**2009**	*2008*
	Note	**A$M**	*A$M*	**A$M**	*A$M*
(a) Life insurance claims and related expenses					
Life insurance contract claims and related expenses	*14(b)*	**1,251**	*1,337*	**1,251**	*1,337*
Total life insurance claims and related expenses		**1,251**	*1,337*	**1,251**	*1,337*
(b) Operating expenses					
Commission expense		**145**	*154*	**145**	*154*
Investment management fees					
- related entities		**57**	*62*	**51**	*54*
- other entities		**15**	*19*	**12**	*18*
Service fee expense					
- related entities		**343**	*318*	**343**	*318*
- other entities		**-**	*4*	**-**	*4*
Depreciation		**12**	*14*	**12**	*13*
Other expenses [1]		**58**	*12*	**20**	*38*
Total operating expenses		**630**	*583*	**583**	*599*
(c) Finance costs					
Interest expense on borrowings		**7**	*55*	**(10)**	*36*
Other finance costs		**(31)**	*48*	**(2)**	*37*
Total finance costs		**(24)**	*103*	**(12)**	*73*

Footnote:

[1] Consolidated other expenses includes trading expenses of operating businesses in which AMP Life SF1 holds a controlling equity interest.

Notes to the Financial Statements

For the year ended 31 December 2009

5. INCOME TAX

	Consolidated 2009 A$M	Consolidated 2008 A$M	Parent 2009 A$M	Parent 2008 A$M
(a) Analysis of income tax (expense) / credit				
Current tax expense	**(32)**	*(499)*	**(33)**	*(424)*
Net (increase) / decrease in deferred tax asset	**(14)**	*2*	**(14)**	*2*
Net (increase) / decrease in deferred tax liabilities	**(45)**	*420*	**(47)**	*421*
Over provided in previous years	**28**	*127*	**31**	*127*
Income tax (expense) / credit	**(63)**	*50*	**(63)**	*126*

(b) Relationship between income tax expense and accounting profit

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

In respect of income tax expense attributable to shareholders, the tax rate that applied in both 2009 and 2008 was 30% for Australia and New Zealand. There are certain differences between the amounts of income and expenses recognised in the financial statements and the amounts recognised for income tax purposes.

Income tax attributable to policyholders is based on investment income allocated to policyholders less expenses deductible against that investment income. The impact of the tax is charged against life insurance contract liabilities and investment contract liabilities. A number of different tax rate regimes apply to policyholders. In Australia, certain classes of policyholder life insurance income and superannuation earnings are taxed at 15%, and certain classes of income on some annuity business are tax exempt. Rates applicable to New Zealand life insurance business range between 30% - 33%.

	Consolidated 2009 A$M	Consolidated 2008 A$M	Parent 2009 A$M	Parent 2008 A$M
Profit before income tax per Income statement	**429**	*143*	**415**	*156*
Policyholder tax recognised as a charge to policyholders in determining profit before income tax	**35**	*22*	**35**	*22*
Profit before income tax excluding tax charged to policyholders	**464**	*165*	**450**	*178*
Prima facie tax at 30% (2008: 30%)	**(139)**	*(50)*	**(135)**	*(54)*
Tax effect of differences between recognition of Income statement items for accounting and those deductible/assessable in calculating taxable income:				
Non deductible / assessable items	**48**	*(11)*	**32**	*41*
Under/(over) provision in previous years	**10**	*126*	**10**	*127*
Other	**(17)**	*(37)*	**(5)**	*(10)*
Income tax (expense) / credit attributable to shareholders	**(98)**	*28*	**(98)**	*104*
Income tax expense attributable to policyholders	**35**	*22*	**35**	*22*
Income tax (expense) / credit per Income statement	**(63)**	*50*	**(63)**	*126*
(c) Analysis of deferred tax asset				
Amounts recognised in income:				
- Provisions	**-**	*-*	**-**	*-*
- Other	**61**	*74*	**61**	*74*
Total deferred tax assets	**61**	*74*	**61**	*74*
(d) Analysis of deferred tax liability				
Amounts recognised in income:				
- Unrealised investment gains	**246**	*271*	**246**	*270*
- Other	**105**	*104*	**105**	*103*
Total deferred tax liability	**351**	*375*	**351**	*373*

Notes to the Financial Statements

For the year ended 31 December 2009

6. RECEIVABLES

	Consolidated 2009 A$M	2008 A$M	Parent 2009 A$M	2008 A$M
Reinsurers' share of life insurance contract liabilities	44	54	44	54
Investment income and sales proceeds receivable	61	77	58	74
Life insurance contract premiums receivable	284	283	284	283
Other receivables				
- related entities	125	320	110	289
- other entities	66	58	24	45
Total receivables[1]	580	792	520	745

Footnote:
[1] $44m of receivables are non current (2008: $54m).

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

	Consolidated 2009 A$M	2008 A$M	Parent 2009 A$M	2008 A$M
Equity securities				
Directly held				
- associated entities	193	323	190	154
- other entities	3,646	3,675	3,836	3,000
Held via unit trusts				
- related entities	-	-	456	1,305
- associated entities	1,104	736	659	161
- other entities	1,294	776	384	311
Total equity securities	6,237	5,510	5,525	4,931
Debt securities				
Interest-bearing securities directly held	8,400	10,147	7,595	9,116
Interest-bearing securities held via unit trusts				
- related entities	-	-	1,397	2,426
- associated entities	564	159	564	-
- other entities	876	1,133	876	182
Secured loans				
- related entities	-	-	35	-
- other entities	61	70	19	33
Unsecured loans				
- related entities	184	185	1,059	904
- other entities	419	260	393	235
Total debt securities	10,504	11,954	11,938	12,896
Property securities				
Held via unit trusts				
- related entities	-	-	961	2,066
- associated entities	939	1,059	658	91
- other entities	521	579	476	158
Total property securities	1,460	1,638	2,095	2,315
Other financial assets				
- Cash securities held via trusts	26	25	3	12
- Other financial assets [1]	2,462	2,793	872	1,108
Total other financial assets	2,488	2,818	875	1,120
Investments in controlled entities	-	-	981	979

Footnote:

[1] In the parent entity the *other financial assets* category consists mainly of investments in balanced trusts whose underlying assets are allocated to the appropriate equity, debt or property line item upon consolidation if they are controlled. The remaining balance is made up of derivative financial assets and investments held via vehicles such as joint ventures and partnerships.

Notes to the Financial Statements

For the year ended 31 December 2009

8. INVESTMENT PROPERTY

	Consolidated 2009 A$M	2008 A$M	Parent 2009 A$M	2008 A$M
Investment property				
Directly held	1,341	1,474	122	147
Total investment property	1,341	1,474	122	147
Movements in investment property				
Balance at the beginning of the period	1,474	1,205	147	179
Additions				
- through direct acquisition	-	345	-	-
- subsequent expenditure recognised in carrying amount	2	22	2	6
Disposals	(8)	(63)	(6)	(49)
Net (losses) / gains from fair value adjustments	(127)	(35)	(21)	11
Balance at the end of the period	1,341	1,474	122	147

9. PROPERTY, PLANT AND EQUIPMENT

2009 – Consolidated	**Leasehold Improvements A$M**	**Plant & Equipment A$M**	**Total A$M**
Property, plant and equipment			
Gross carrying amount	61	75	136
Less: accumulated depreciation and impairment losses	(48)	(54)	(102)
Property, plant and equipment at written down value	13	21	34
Movements in property, plant and equipment			
Balance at the beginning of the period	19	24	43
Additions			
- through direct acquisitions	-	5	5
Disposals	-	(2)	(2)
Depreciation expense for the period	(6)	(6)	(12)
Balance at the end of the period	13	21	34

2008 – Consolidated	Leasehold Improvements A$M	Plant & Equipment A$M	Total A$M
Property, plant and equipment			
Gross carrying amount	63	72	135
Less: accumulated depreciation and impairment losses	(44)	(48)	(92)
Property, plant and equipment at written down value	19	24	43
Movements in property, plant and equipment			
Balance at the beginning of the period	23	27	50
Additions			
- through direct acquisitions	-	8	8
Disposals	-	(1)	(1)
Depreciation expense for the period	(4)	(10)	(14)
Balance at the end of the period	19	24	43

Notes to the Financial Statements

For the year ended 31 December 2009

9. PROPERTY, PLANT AND EQUIPMENT (continued)

2009 – Parent	**Leasehold Improvements A$M**	**Plant & Equipment A$M**	**Total A$M**
Property, plant and equipment			
Gross carrying amount	**61**	**63**	**124**
Less: accumulated depreciation and impairment losses	**(48)**	**(45)**	**(93)**
Property, plant and equipment at written down value	**13**	**18**	**31**
Movements in property, plant and equipment			
Balance at the beginning of the period	**19**	**21**	**40**
Additions			
- through direct acquisitions	**-**	**5**	**5**
Disposals	**-**	**(2)**	**(2)**
Depreciation expense for the period	**(6)**	**(6)**	**(12)**
Balance at the end of the period	**13**	**18**	**31**

2008 – Parent	Leasehold Improvements A$M	Plant & Equipment A$M	Total A$M
Property, plant and equipment			
Gross carrying amount	*63*	*62*	*125*
Less: accumulated depreciation and impairment losses	*(44)*	*(41)*	*(85)*
Property, plant and equipment at written down value	*19*	*21*	*40*
Movements in property, plant and equipment			
Balance at the beginning of the period	*23*	*24*	*47*
Additions			
- through direct acquisitions	*-*	*7*	*7*
Disposals	*-*	*(1)*	*(1)*
Depreciation expense for the period	*(4)*	*(9)*	*(13)*
Balance at the end of the period	*19*	*21*	*40*

10. OTHER ASSETS

	Consolidated		**Parent**	
	2009 A$M	*2008 A$M*	**2009 A$M**	*2008 A$M*
Inventories	**10**	*12*	**-**	*-*
Prepayments	**2**	*1*	**1**	*1*
Other assets	**5**	*7*	**-**	*-*
Total other assets [1]	**17**	*20*	**1**	*1*

Footnote:

[1] All other assets are current (2008: 100% current).

Notes to the Financial Statements

For the year ended 31 December 2009

11. PAYABLES

	Consolidated		Parent	
	2009	*2008*	**2009**	*2008*
	A$M	*A$M*	**A$M**	*A$M*
Accrued expenses	**9**	*10*	**9**	*9*
Interest payable	**2**	*2*	**-**	*-*
Life insurance policies in process of settlement	**88**	*174*	**88**	*174*
Other payables				
- related entities	**-**	*12*	**11**	*12*
- other entities	**175**	*247*	**169**	*211*
Total payables [1]	**274**	*445*	**277**	*406*

Footnote:

[1] $0m of Consolidated payables balances are non current (2008: $9m). $10.1m of Parent balances are non current (2008: all current).

12. PROVISIONS

	Consolidated		Parent	
	2009	*2008*	**2009**	*2008*
	A$M	*A$M*	**A$M**	*A$M*
Provisions				
Systems and other project expenditure	**4**	*27*	**1**	*9*
Total provisions	**4**	*27*	**1**	*9*
Movements in provisions				
Balance at the beginning of the period	**27**	*14*	**9**	*14*
Additional provisions recognised	**17**	*67*	**2**	*1*
Payments / other sacrifices of economic benefits	**(40)**	*(54)*	**(10)**	*(6)*
Balance at the end of the period	**4**	*27*	**1**	*9*

13. BORROWINGS

	Consolidated		Parent	
	2009	*2008*	**2009**	*2008*
	A$M	*A$M*	**A$M**	*A$M*
Borrowings				
Bank loans	**3**	*6*	**-**	*-*
Deposits				
- other entities	**154**	*166*	**154**	*166*
Other loans				
- related entities	**170**	*173*	**261**	*226*
- other entities	**206**	*207*	**-**	*-*
Total borrowings[1]	**533**	*552*	**415**	*392*

[1] $206m of Consolidated borrowings are non current (2008: $195m non current). All Parent borrowings are current (2008: all current).

Notes to the Financial Statements

For the year ended 31 December 2009

14. LIFE INSURANCE CONTRACTS

	Note	**Consolidated and Parent 2009 A$M**	*Consolidated and Parent 2008 A$M*
(a) Analysis of life insurance contract premium and related revenue			
Total life insurance contract premiums received and receivable		**1,871**	*1,987*
Less: component recognised as a change in life insurance contract liabilities	*14(e)*	**(854)**	*(1,029)*
Life insurance contract premium revenue[1]		**1,017**	*958*
Reinsurance recoveries		**32**	*36*
Total life insurance contract premium and related revenue		**1,049**	*994*
(b) Analysis of life insurance contract claims and related expenses			
Total life insurance contract claims paid and payable		**(2,227)**	*(2,631)*
Less: component recognised as a change in life insurance contract liabilities	*14(e)*	**1,024**	*1,339*
Life insurance contract claims expenses		**(1,203)**	*(1,292)*
Outwards reinsurance expense		**(48)**	*(45)*
Total life insurance contract claims and related expenses		**(1,251)**	*(1,337)*
(c) Analysis of life insurance contract operating expenses			
Life insurance contract acquisition expenses			
- Commission		**(45)**	*(46)*
- Other		**(87)**	*(83)*
Life insurance contract maintenance expenses			
- Commission		**(85)**	*(76)*
- Other		**(268)**	*(276)*
Investment management expenses		**(39)**	*(45)*

Footnote:

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

Notes to the Financial Statements

For the year ended 31 December 2009

14. LIFE INSURANCE CONTRACTS (continued)

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

Footnote:

(1) For participating business, part of the assets in excess of the life insurance contract and other liabilities calculated under MoS are attributed to policyholders. Under the Life Insurance Act 1995, this is referred to as policyholder retained profits. For the purpose of reporting under accounting standards, this amount is referred to as Unvested life insurance contract holder benefits and is included within life insurance contract liabilities even though it is yet to be vested in specific policyholder entitlements.

(2) New Zealand insurance contract liability calculations at 31 December 2009 no longer include any deferred tax component due to a change in the New Zealand tax legislation.

	Note	Consolidated and Parent 2009 A$M	*Consolidated and Parent 2008 A$M*
(e) Reconciliation of changes in life insurance contract liabilities			
Total life insurance contract liabilities at the beginning of the period		**19,250**	*20,635*
Change in life insurance contract liabilities recognised in the Income statement		**(641)**	*(1,009)*
Premiums recognised as an increase in life insurance contract liabilities	*14(a)*	**854**	*1,029*
Claims recognised as a decrease in life insurance contract liabilities	*14(b)*	**(1,024)**	*(1,339)*
Change in reinsurers share of life insurance contract liabilities		**(10)**	*11*
Foreign exchange adjustment		**(49)**	*(77)*
Total life insurance contract liabilities at the end of the period	*14(d)*	**18,380**	*19,250*

Notes to the Financial Statements

For the year ended 31 December 2009

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

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

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

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

(i) Risk Free Discount rates

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

Business Type		Basis	**31 December 2009**		*31 December 2008*	
			Australia	**New Zealand**	*Australia*	*New Zealand*
Retail Risk		10 year government bond rate	**5.7%**	**6.2%**	*4.0%*	*4.7%*
Group Risk	Outstanding Claims	2 year government bond rate	**4.6%**	**4.3%**	*2.8%*	*n/a*
Life Annuities	Non-CPI	Zero coupon interbank swap curve	**4.1% - 6.5%**	**2.7% - 6.6%**	*3.2% - 4.4%*	*4.2% - 5.4%*
	CPI	Commonwealth Indexed Bond curve + 20 bp	**1.9% - 3.1%**	**3.0%**	*2.2% - 2.7%*	*3.8%*

(ii) Participating business discount rates

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2009

14. LIFE INSURANCE CONTRACTS (continued)

(f) Assumptions and methodology applied in the valuation of life insurance contract liabilities (continued)
The averages of the asset mixes assumed for the purpose of setting investment assumptions for participating business at the valuation date are as shown in the table below. These asset mixes are not necessarily the same as the actual asset mix at the valuation date as they reflect long-term assumptions.

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

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

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

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

- allowance for an appropriate degree of benefit smoothing
- reasonable expectations of policyholders
- equity between generations of policyholders applied across different classes and types of business
- ongoing solvency and capital adequacy.

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

Typical supportable bonus rates on major product lines are as follows:

Reversionary bonus	Bonus on sum insured	Bonus on existing bonuses
Australia	**0.9% - 1.3%** *(2008: 0.7% - 1.0%)*	**1.3% - 1.7%** *(2008: 1.0% - 1.6%)*
New Zealand	**0.7% - 1.0%** *(2008: 0.5% - 0.8%)*	**0.7% - 1.0%** *(2008: 0.5% - 0.8%)*

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

Crediting rates (investment account)

Australia	**3.3% - 8.9%** *(2008: 1.5% - 4.8%)*
New Zealand	**3.3% - 4.2%** *(2008: 2.8% - 3.6%)*

(iv) Future maintenance and investment expenses
Unit maintenance costs are based on budgeted expenses in the year following the balance sheet 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 AMP Life SF1 by service companies in the AMP Life Group. Unit costs vary by product line and class of business based on an apportionment which is supported by expense analyses.

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

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

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

The assumed annual inflation rates at the valuation date are:

	Australia	New Zealand
31 December 2009	**2.8% CPI, 3.0% Expenses**	**3.4% CPI,3 .0% Expenses**
31 December 2008	*1.5% CPI, 3.0% Expenses*	*1.0% CPI, 3.0% Expenses*

Notes to the Financial Statements

For the year ended 31 December 2009

14. LIFE INSURANCE CONTRACTS (continued)

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

(vi) Bases of taxation

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

(vii) Voluntary discontinuance

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

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

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

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

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

(viii) Surrender values

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

(ix) Mortality and morbidity

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

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

Typical mortality assumptions, in aggregate, are as follows:

	Conventional - % of IA95-97		**Term - % of IA95-97**		**FLS Risk - % of IA95-97**	
Risk products	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
Australia	80%	80%	63%	63%	63%	63%
New Zealand	78%	76%	63%	63%	63%	63%

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2009

14. LIFE INSURANCE CONTRACTS (continued)

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

The Actuarial tables used were:

IA95-97	A mortality table developed by the Institute of Actuaries of Australia based on Australian insured lives experience from 1995–1997.
IM80* / IF80*	IM80 and IF80 are mortality tables developed by the Institute of Actuaries and the Faculty of Actuaries based on United Kingdom annuitant lives experience from 1979–1982. The tables refer to male and female lives respectively and incorporate factors that allow for mortality improvements since the date of the investigation.
	IM80* and IF80* are these published tables amended for some specific AMP experience.
CIDA85	A disability table developed by the Society of Actuaries based on North American disability income experience from 1973–1979.

(x) Impact of changes in assumptions

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

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

The impact on future profit margins of changes in actuarial assumptions from 31 December 2008 to 31 December 2009 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 A$M	Change in life insurance contract liabilities A$M	Change in shareholder profit & equity A$M
Non-market related changes to discount rates	-	-	-
Mortality and morbidity	55	-	-
Discontinuance rates	(176)	-	-
Maintenance expenses	(20)	-	-
Other assumptions	(236)	-	-

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

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

Notes to the Financial Statements

For the year ended 31 December 2009

14. LIFE INSURANCE CONTRACTS (continued)

(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.

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

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

(h) Life insurance risk

The life insurance activities of AMP Life SF1 involve a number of non-financial risks concerned with the pricing, acceptance and management of the mortality, morbidity and longevity risks accepted from policyholders, often in conjunction with the provision of wealth-management products. Financial risks involved in AMP Life SF1 are covered in Note 16.

The design of products carrying insurance risk is managed to ensure that policy wording and promotional materials are clear, unambiguous and do not leave AMP Life SF1 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 SF1 and industry experience and specific product design features. The variability inherent in insurance risk is managed by having a large portfolio of individual risks, underwriting and use of reinsurance.

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

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

AMP Life SF1 reinsures (cedes) to specialist reinsurance companies a proportion of its portfolio or certain types of insurance risk. This serves primarily to:

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

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

Notes to the Financial Statements

For the year ended 31 December 2009

14. LIFE INSURANCE CONTRACTS (continued)

(h) Life insurance risk (continued)

Terms and conditions of life insurance contracts

The nature of the terms of the life insurance contracts written by AMP Life SF1 is such that certain external variables can be identified on which related cash flows for claim payments depend. The table below provides an overview of the key variables upon which the timing and uncertainty of future cash flows of the various life insurance contracts issued by AMP Life SF1 depend.

Type of contract	Detail of contract workings	Nature of compensation for claims	Key variables affecting future cash flows
Non-participating life insurance contracts with fixed and guaranteed terms (term life and disability)	These policies provide guaranteed benefits, which are paid on the death or ill-health, that are fixed and not at the discretion of AMP Life SF1.	Benefits, defined by the insurance contract, are not directly affected by the performance of underlying assets or the performance of any associated investment contracts as a whole.	Mortality, morbidity, lapses, expenses and market earning rates on assets backing the liabilities.
Life annuity contracts	In exchange for an initial single premium, these policies provide a guaranteed regular income for the life of the insured.	The amount of the guaranteed regular income is set at inception of the policy including any indexation.	Longevity, expenses and market earning rates on assets backing the liabilities.
Conventional life insurance contracts with discretionary participating benefits (endowment and whole of life)	These policies combine life insurance and savings. The policyholder pays a regular premium and receives the specified sum assured plus any accruing bonuses on death or maturity. The sum insured is specified at inception and guaranteed. Reversionary bonuses are added annually, which once added (vested) are guaranteed. A further terminal bonus may be added on death or maturity.	Operating profit arising from these contracts is allocated 80:20 between the policyholders and shareholders in accordance with the Life Act. The amount allocated to policyholders is held as an unvested policy liability until it is distributed to specific policyholders as bonuses.	Market earning rates on assets backing the liabilities, lapses, expenses and mortality.
Investment account contracts with discretionary participating features	The gross value of premiums received is invested in the investment account with fees and premiums for any associated insurance cover being deducted from the account balance. Interest is credited regularly.	The payment of the account balance is generally guaranteed, although it may be subject to certain penalties on early surrender or limited adjustment in adverse markets. Operating profit arising from these contracts is allocated between the policyholders and shareholders in accordance with the Life Act. The amount allocated to policyholders is held as an unvested policy liability until it is distributed to specific policyholders as interest credits.	Fees, lapses, expenses and market earning rates on the assets backing the liabilities.

(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 A$M	1 to 5 Years A$M	Over 5 Years A$M	Total A$M
31 December 2009	**1,129**	**3,120**	**5,741**	**9,990**
31 December 2008	*1,156*	*3,143*	*5,978*	*10,277*

Notes to the Financial Statements

For the year ended 31 December 2009

15. OTHER LIFE INSURANCE AND INVESTMENT CONTRACTS DISCLOSURES

	Consolidated and Parent 2009 A$M	*Consolidated and Parent 2008 A$M*
(a) Analysis of life insurance and investment contract profit		
Components of profit related to changes in life insurance and investment contract liabilities:		
- Planned margins of revenues over expenses released	**280**	*250*
- Profits arising from difference between actual and assumed experience	**22**	*68*
- Capitalised (losses) reversals	**-**	*(1)*
Profit related to change in life insurance and investment contract liabilities	**302**	*317*
Attributable to:		
- Life insurance contracts	**321**	*313*
- Investment contracts	**(19)**	*4*
Investment earnings on assets in excess of life insurance and investment contract liabilities	**50**	*(34)*

Accounting mismatches

As explained in note 1(d), accounting mismatches arise from some of the statutory funds' transactions because the recognition and measurement rules for certain policyholder assets differ from the recognition and measurement rules for the actual liability to policyholders in respect of the same assets.

These mismatches result in policyholder asset movements impacting the net profit after income tax attributable to shareholders and increase volatility of the reported profit. Accounting mismatches arise in respect of the gains and losses on investments in controlled entities of the Statutory Fund.

There were no accounting mismatches in 2009. 2008 consolidated profit included the reversal of a $45m gain recognised in 2007 relating to the treatment of indirect ownership interests.

(b) Restrictions on assets

Investments held in AMP Life SF1 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 statutory fund can only be used to meet the liabilities and expenses of that fund, to acquire investments to further the business of AMP Life SF1 or as distributions when solvency, capital adequacy and other regulatory requirements are met.

	Consolidated and Parent 2009 A$M	*Consolidated and Parent 2008 A$M*
(c) Capital guarantees		
Life insurance contracts with a discretionary participating feature		
- Amount of the liabilities that relate to guarantees	**14,082**	*14,308*
Investment linked contracts		
- Amount of the liabilities subject to investment performance guarantees	**2**	2
Other life insurance and investment contracts with a guaranteed termination value		
- Current termination value	**138**	*1,739*

Notes to the Financial Statements

For the year ended 31 December 2009

15. OTHER LIFE INSURANCE AND INVESTMENT CONTRACTS DISCLOSURES (continued)

(d) Solvency and capital adequacy

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

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

- solvency requirement
- capital adequacy requirement.

Solvency requirements

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

The Appointed Actuary of AMP Life Limited has confirmed that the available assets of AMP Life SF1 have exceeded the solvency reserve required at all times during the reporting period. The excess assets, expressed as a percentage of the solvency reserve, at 31 December 2009 were 75% (2008: 63%).

Capital adequacy requirements

The capital adequacy requirement is a separate requirement (usually higher) that must be satisfied for the life entity to be allowed to make distributions to its shareholders and to operate without regulatory intervention. Its purpose is to ensure, as far as practicable, that there is sufficient capital in AMP Life SF1 for the continued conduct of the life insurance business, including writing new business, in a way which is in the interests of policyholders and in accordance with the Life Act.

The Appointed Actuary of AMP Life Limited has confirmed that the available assets of AMP Life SF1 have exceeded the capital adequacy reserve required at all times during the reporting period. For this purpose, the capital adequacy reserve is defined as the solvency reserve, plus the difference between the capital adequacy requirement and the solvency requirement. The excess assets, expressed as a percentage of the capital adequacy reserve, as at 31 December 2009 was 33% (2008: 9%).

Notes to the Financial Statements

For the year ended 31 December 2009

15. OTHER LIFE INSURANCE AND INVESTMENT CONTRACTS DISCLOSURES (continued)

(d) Solvency and capital adequacy (continued)
Distribution of retained profits including shareholders' Life Act capital is limited by prudential capital requirements of the Life Act, the detailed provisions of which are specified by actuarial standards.

The Solvency Standard prescribes a minimum capital requirement, the solvency requirement, for the Statutory Fund. The solvency requirement, and ratios in respect of this requirement, is as follows:

		2009 A$M	*2008 A$M*
Solvency requirement			
- Minimum Termination Value – MTV		**18,570**	*19,384*
- Other liabilities		**2,006**	*2,282*
- Solvency reserve	**B**	**2,178**	*2,410*
Total solvency requirement	**A**	**22,754**	*24,076*
Assets available for solvency			
- Net assets		**1,508**	*1,236*
- Liability for unvested policy owner benefits		**1,344**	*1,190*
- Excess of net policy liabilities (including policy owner bonuses) over MTV		**957**	*1,499*
Total assets available for solvency	**C**	**3,809**	*3,925*
Solvency reserve %	**(B/(A-B))*100**	**10.6%**	*11.1%*
Coverage of solvency reserve	**C/B**	**1.7**	*1.6*
Excess assets over solvency reserve	**((C-B)/B)*100**	**75%**	*63%*

(e) Actuarial information
Mr. Rocco Mangano, as the Appointed Actuary of AMP Life, is satisfied as to the accuracy of the data used in the valuations in the Financial Report and in the tables in this Note and Note 14.

Other than in respect of the treatment of tax on deferred acquisition costs within the New Zealand branch of Statutory Fund 1 in 2008 (see below), the policy liabilities (being the sum of the life insurance contract and investment contract liabilities, including any asset or liability arising in respect of the management services element of an investment contract) and solvency reserves have been determined at the reporting date in accordance with the *Life Act*.

As at 31 December 2009, the policy liabilities (being the sum of the life insurance contract and investment contract liabilities, including any asset or liability arising in respect of the management services element of an investment contract) and solvency reserves have been determined at the reporting date in accordance with the *Life Act*.

For accounting purposes at 31 December 2008 an amount of $96m was removed from the life insurance contract liabilities calculated in accordance with the *Life Act* and included within deferred tax liabilities to recognise separately the amount of deferred tax implicitly embedded in the policy liability calculation. This adjustment related only to New Zealand risk business where there were differences between accounting profit and the amount assessable for tax. In 2009, the process for determining New Zealand risk business policy liabilities for *Life Act* purposes was changed so as to calculate the liability on a before tax basis and, accordingly, an adjustment was no required for the current year.

(f) Amounts expected to be recovered or settled no more than 12 months after the balance sheet date
Based on assumptions as to likely withdrawal patterns in the various product groups, it is estimated that approximately $2.9bn (2008: $3.3bn) of policy liabilities may be settled within 12 months of the balance sheet date.

Notes to the Financial Statements

For the year ended 31 December 2009

15. OTHER LIFE INSURANCE AND INVESTMENT CONTRACTS DISCLOSURES (continued)

(g) Disaggregated Income statement

	Non-Investment Linked 2009 A$M	Investment Linked 2009 A$M	Total Parent 2009 A$M
Income and expenses of policyholder, shareholders, external unitholders and minority interests			
Life insurance premium and related revenue	1,049	-	1,049
Fee and other revenue	42	4	46
Investment gains	601	13	614
Life insurance claims and related expenses	(1,251)	-	(1,251)
Operating expenses	(581)	(2)	(583)
Finance costs	12	-	12
Change in life insurance contract liabilities	(101)	(12)	(113)
Change in investment contract liabilities	641	-	641
Profit before income tax	412	3	415
Income tax expense	(60)	(3)	(63)
Net profit after income tax	352	-	352

	Non-Investment Linked *2008* *A$M*	Investment Linked *2008* *A$M*	Total Parent *2008* *A$M*
Income and expenses of policyholders, shareholder, external unitholders and minority interests			
Life insurance premium and related revenue	*994*	-	*994*
Fee and other revenue	*51*	*5*	*56*
Investment gains / (losses)	*279*	*(25)*	*254*
Life insurance claims and related expenses	*(1,337)*	-	*(1,337)*
Operating expenses	*(597)*	*(2)*	*(599)*
Finance costs	*(73)*	-	*(73)*
Change in life insurance contract liabilities	*1,009*	-	*1,009*
Change in investment contract liabilities	*(171)*	*23*	*(148)*
Profit before income tax	*155*	*1*	*156*
Income tax expense	*126*	-	*126*
Net profit after income tax	*281*	*1*	*282*

Notes to the Financial Statements

For the year ended 31 December 2009

15. OTHER LIFE INSURANCE AND INVESTMENT CONTRACTS DISCLOSURES (continued)

(h) Disaggregated Statement of financial position

	Non-Investment Linked 2009 A$M	Investment Linked 2009 A$M	Elimination 2009 A$M	Total Parent 2009 A$M
Assets				
Equity securities	5,455	70	-	5,525
Debt securities	11,904	69	(35)	11,938
Property securities	2,085	10	-	2,095
Other financial assets	872	3	-	875
Investment property	122	-	-	122
Investments in controlled entities	981	-	-	981
Other assets	2,657	(65)	(63)	2,529
Total assets of policyholders, shareholder, external unit holders and minority interests	24,076	87	(98)	24,065
Liabilities				
Life insurance contract liabilities	18,380	-	-	18,380
Investment contract liabilities	2,423	111	-	2,534
Other liabilities	1,767	(24)	(98)	1,645
Total liabilities of policyholders, shareholder, external unit holders and minority interests	22,570	87	(98)	22,559
Total equity attributable to shareholder	1,506	-	-	1,506

	Non-Investment Linked *2008 A$M*	Investment Linked *2008 A$M*	Elimination *2008 A$M*	Total Parent *2008 A$M*
Assets				
Equity securities	*4,867*	*64*	-	*4,931*
Debt securities	*12,862*	*69*	*(35)*	*12,896*
Property securities	*2,301*	*14*	-	*2,315*
Other financial assets	*1,108*	*12*	-	*1,120*
Investment property	*147*	-	-	*147*
Investments in controlled entities	*979*	-	-	*979*
Other assets	*2,579*	-	*72*	*2,651*
Total assets of policyholders, shareholder, external unit holders and minority interests	*24,843*	*159*	*37*	*25,039*
Liabilities				
Life insurance contract liabilities	*19,250*	-	-	*19,250*
Investment contract liabilities	*2,661*	*120*	-	*2,781*
Other liabilities	*1,703*	*39*	*30*	*1,772*
Total liabilities of policyholders, shareholder, external unit holders and minority interests	*23,614*	*159*	*30*	*23,803*
Total equity attributable to shareholder	*1,229*	-	*7*	*1,236*

Notes to the Financial Statements

For the year ended 31 December 2009

15. OTHER LIFE INSURANCE AND INVESTMENT CONTRACTS DISCLOSURES (continued)

(i) Disaggregated movement in retained earnings

	Non-Investment Linked 2009 A$M	Investment Linked 2009 A$M	Total Parent 2009 A$M	Total Consolidated 2009 A$M
Opening retained earnings	942	-	942	942
Net profit after tax for the year attributable to the shareholder	352	-	352	352
Transfers between Statutory and Shareholder Funds	(72)	-	(72)	(72)
Closing retained earnings	1,222	-	1,222	1,222

	Non-Investment Linked 2008 A$M	*Investment Linked 2008 A$M*	*Total Parent 2008 A$M*	*Total Consolidated 2008 A$M*
Opening retained earnings	407	-	407	452
Net profit after tax for the year attributable to the shareholder	281	1	282	237
Transfers between Statutory and Shareholder Funds	254	(1)	253	253
Closing retained earnings	942	-	942	942

16. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS DISCLOSURES

Financial Risk Management Objectives

The principal objective of the AMP group's Financial Risk Management (FRM) strategy is to establish a robust structure for the determination of risk appetite and the measuring, monitoring, reporting and escalation of financial risks. The AMP group seeks to manage financial risks to maximise the return on shareholder capital, while ensuring:

- that the AMP group remains solvent, and
- there is sufficient cash flow available to execute the operational strategy set by the AMP Limited Board of Directors (the Board).

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

Financial Risk Management Structure

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

The AMP Board

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

The Audit Committees

The AMP Limited Audit Committee (AMP AC) is responsible for ensuring the existence of effective financial risk management policies and procedures, and oversight of the execution of the FRM Policy. The AMP Life Limited Audit Committee (AMP Life AC) is delegated this responsibility for the elements specific to AMP Life.

AMP Life Asset and Liability Committee

The AMP Life Asset and Liability Committee (Group ALCO) oversees and monitors the management of all financial risks, other than pricing and product risks, for both the shareholder's fund and the statutory fund of AMP Life. In relation to asset and liability management within AMP Life SF1, Life ALCO reviews and recommends changes in asset mixes for participating business and provides advice in relation to bonus and crediting rate recommendations. In relation to capital management, Life ALCO oversees and monitors the regulatory and capital position of the AMP Life statutory funds; provides advice to the AMP Life Board in relation to half yearly transfers from the AMP Life statutory funds; provides recommendations to the AMP Life Board in relation to capital management initiatives within the AMP Life statutory funds; and convenes meetings of the AMP Life Surplus Management Committee if regulatory capital triggers are breached.

AMP Group Treasury

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

Notes to the Financial Statements

For the year ended 31 December 2009

16. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS DISCLOSURES (continued)

Internal Audit

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

Controlled Entity Boards

The directors and boards of various AMP Limited shareholder controlled entities have the responsibility of setting the risk appetite for that particular subsidiary whilst complying with AMP Board approved risk appetite. The AMP Life Board and shareholder controlled entity boards are also responsible for: approving, where relevant, policyholders asset and liability strategy, approval of allocated subsidiary shareholder capital investment; and reporting to the Amp AC, AMP Life AC and Group ALCO on financial risks.

Appointed Actuary

The Appointed Actuary is responsible for reporting to the AMP Life Board, AMP AC, AMP Life AC, Group ALCO, Life ALCO and APRA on the financial condition of AMP Life, including solvency, capital adequacy and target surplus. The Appointed Actuary is also responsible for giving advice to AMP Life on the distribution of profits, premium rates, charges, policy conditions and reinsurance arrangements. The *Life Act Insurance Act 1995* also imposes obligations on the Appointed Actuary to bring to the attention of the company, or in some circumstances APRA, any matter that the Appointed Actuary thinks requires action to be taken to avoid prejudice to the interests of policyholders.

Risks and mitigation

The AMP Life group's activities expose it to a variety of financial risks:

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

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

(a) Market risk

Market risk is the risk of loss arising from movements in market variables including observable variables such as interest rates, exchange rates and equity markets, and indirectly observable variables such as volatilities and correlations. Market risk in AMP SF1 primarily arises from the management of insurance contracts and from non-trading market risk positions arising from balance sheet and capital management activities.

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

The sensitivity is required to show the impact of a reasonably possible change in market rate (it is not intended to illustrate a remote, worst case or stress test scenario) over the period to the subsequent reporting date.

(i) Interest rate risk

Interest rate risk is the risk to AMP Life SF1's earnings and capital arising from movements in interest rates, including changes in the absolute levels of interest rates, the shape of the yield curve, the margin between different yield curves and the volatility of interest rates.

Investment assets of AMP Life SF1 comprise cash, equity securities, debt securities, property securities, other financial assets and investment property that are held to back investment contract liabilities, life insurance contract liabilities, retained profits and capital. A substantial portion of the interest-bearing financial assets therefore represents investments held in life insurance funds in respect of policyholders' interests.

Interest rate risk to the shareholder of AMP Life SF1 therefore arises in respect of financial assets and liabilities held in the shareholder fund and to the extent that there is an economic mismatch between the timing of payments to life insurance and investment contract holders and the duration of the assets held in the statutory funds to back these liabilities. Where the liability to the investment contract holder is directly linked to the value of the assets held to back that liability (i.e. investment-linked business), there is no residual interest rate exposure to the shareholder.

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

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

Notes to the Financial Statements

For the year ended 31 December 2009

16. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS DISCLOSURES (continued)

Interest rate risk sensitivity analysis

The following table demonstrates the impact of a 100 basis point change in Australian and international interest rates, with all other variables held constant, on AMP Life SF1's shareholder profit after tax and equity. It is assumed that all underlying exposures and related hedges are included in the sensitivity analysis, that the 100 basis point change occurs as at the reporting date (31 December 2009 and 2008) and there are concurrent movements in interest rates and parallel shifts in the yield curves.

	31st December 2009		31st December 2008	
Change in variables	**Impact on profit after tax A$M**	**Impact on equity A$M**	**Impact on profit after tax A$M**	**Impact on equity A$M**
+100 basis points	**(23)**	**(23)**	*(22)*	*(22)*
-100 basis points	**23**	**23**	*22*	*22*

The categories of risks faced and methods used for deriving sensitivity information and significant variables have not changed from previous periods.

(ii) Currency risk

Losses in value may result from translating AMP Life SF1's capital invested in overseas operations into Australian dollars at balance date (translation risk) or from adverse foreign currency exchange rate movements on specific cash flow transactions (transaction risk).

Subject to materiality discretions, AMP Life SF1:

- does not hedge the capital invested in overseas operations, thereby accepting the foreign currency translation risk on invested capital
- hedges individual investment assets backing shareholder capital, with the exception of the international equities portfolio
- hedges expected foreign currency receipts and payments once the value and timing of the expected cash flow is known

Currency risk sensitivity analysis

The analysis below demonstrates the impact of a 10% movement of currency rate against the Australian dollar with all other variables held constant, on the AMP SF1's shareholder profit after tax (due to changes in fair value of currency sensitive monetary assets and liabilities) and equity. It is assumed that the relevant change occurs as at the reporting date.

	31st December 2009		31st December 2008	
Change in variables	**Impact on profit after tax $m**	**Impact on equity $m**	**Impact on profit after tax $m**	**Impact on equity $m**
+10%	**1**	**1**	*1*	*1*
-10%	**(1)**	**(1)**	*(1)*	*(1)*

The risks faced and methods used for deriving sensitivity information and significant variables did not change from previous periods. There are no individually significant exposures to any particular currency.

(iii) Equity price risk

Equity price risk is the risk that the fair value of equities will decrease as a result of changes in levels of equity indices and the value of individual stocks. AMP Life SF1 holds all of its equities at fair value through profit or loss.

Sensitivity analysis

The analysis below demonstrates the impact of a 10% movement in Australian and International equities. This sensitivity analysis has been performed to assess the direct risk of holding equity instruments, therefore any potential indirect impact on fees from AMP group's investment linked business has not been included. It is assumed that the relevant change occurs as at the reporting date.

(iv) Investment risk

Investment risk is the risk of volatility in AMP Life SF1's net investment earnings and value that result in a reduced ability to implement corporate strategy. Investment earnings arise from AMP Life SF1's investment of shareholder capital. Investment classes include equities, property and interest bearing instruments, so the management of investment risk encompasses equity price risk and interest rate risk. For the purposes of the FRM Policy, investment risk management involves decisions made regarding the allocation of investment assets across asset classes and/or markets and includes the management of risks within these asset classes. Investment risk management relates to the investment allocation decisions made by the AMP Life group in relation to the investment of shareholder capital.

Notes to the Financial Statements

For the year ended 31 December 2009

16. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS DISCLOSURES (continued)

(iv) Investment risk(continued)

	31st December 2009		31st December 2008	
	Impact on profit after tax	Impact on equity	Impact on profit after tax	Impact on equity
Change in variables	**$m**	**$m**	**$m**	**$m**
10% increase in Australian equities	5	5	*11*	*11*
10% increase in international equities	1	1	5	5
10% decrease in Australian equities	(5)	(5)	*(11)*	*(11)*
10% decrease in International equities	(1)	(1)	*(5)*	*(5)*

The risks faced and methods used for deriving sensitivity information and significant variables have not changed from previous periods.

(b) Liquidity and re-financing risk

Liquidity risk is the risk that AMP Life SF1 will not be able to meet its debt obligations, or other cash outflows, as they fall due, because of lack of liquid assets or access to adequate funding on acceptable terms. Refinancing risk, a sub-set of liquidity risk, is the risk that the maturity profile of debt makes it difficult to refinance (or rollover) maturing debt, or that it creates an excessive exposure to potentially unfavourable market conditions at any given time.

To ensure that AMP Life SF1 has sufficient funds available on a timely basis, in the form of cash, liquid assets, borrowing capacity and un-drawn committed funding facilities to meet its liquidity requirements, AMP Group Treasury maintains a defined surplus of cash plus projected cash inflows over projected outflows in a going concern scenario, while meeting regulatory requirements and internal management guidelines.

The following table below summaries the maturity profile of AMP Life SF1's financial liabilities at 31 December 2009 based on contractual undiscounted repayment obligations, except for insurance contract liabilities when maturity profiles are determined on the discounted estimated timing of net cash outflows. Repayments that are subject to notice are treated as if notice were to be given immediately.

Notes to the Financial Statements

For the year ended 31 December 2009

16. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS DISCLOSURES (continued)

Maturity profiles of undiscounted financial liabilities

2009 – Consolidated	Up to 1 Year A$M	1 to 5 Years A$M	5 Years A$M	No Term A$M	Investment – Linked A$M	Total A$M
Payables	110	3	4	161	2	280
Borrowings	235	-	-	385	-	620
Investment contract liabilities	579	1,166	1,467	-	111	3,323
External unit-holders' liabilities	-	-	-	-	738	738
Total undiscounted financial liabilities(1) (2)	924	1,169	1,471	546	851	4,961

2008 – Consolidated	Up to 1 Year A$M	1 to 5 Years A$M	5 Years A$M	No Term A$M	Investment - Linked A$M	Total A$M
Payables	*146*	*16*	*10*	*194*	*2*	*368*
Borrowings	*255*	-	-	*1,575*	-	*1,830*
Investment contract liabilities	*990*	*1,290*	*599*	-	*120*	*2,999*
External unit-holders' liabilities					*882*	*882*
Total undiscounted financial liabilities(1) (2)	*1,391*	*1,306*	*609*	*1,769*	*1,004*	*6,079*

2009 – Parent	Up to 1 Year A$M	1 to 5 Years A$M	5 Years A$M	No Term A$M	Investment – Linked A$M	Total A$M
Payables	90	20	4	161	2	277
Borrowings	35	-	-	380	-	415
Investment contract liabilities	579	1,166	1,467	-	111	3,323
Total undiscounted financial liabilities(1) (2)	704	1,186	1,471	541	113	4,015

2008 – Parent	Up to 1 Year A$M	1 to 5 Years A$M	5 Years A$M	No Term A$M	Investment - Linked A$M	Total A$M
Payables	*117*	*16*	*10*	*194*	*2*	*339*
Borrowings	*224*	-	-	*209*	-	*433*
Investment contract liabilities	*990*	*1,290*	*599*	-	*120*	*2,999*
Total undiscounted financial liabilities(1) (2)	*1,331*	*1,306*	*609*	*403*	*122*	*3,771*

Footnote:

(1) For investment linked business in AMP Life SF1, the liability to policyholders is linked to the performance and value of the assets that back those liabilities. The shareholder has no direct exposure to any risk in those assets. Therefore, the tables in this section shows the policyholder liability in AMP Life SF1 in aggregate only, without any maturity profile analysis. This is also consistent with AMP Life SF1's management practice.

(2) The totals in the table above will not necessarily agree back to the totals in the Statement of financial position, as these maturity profiles are based on undiscounted cash flows and the Statement of financial position is based on discounted cash flows.

Notes to the Financial Statements

For the year ended 31 December 2009

16. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS DISCLOSURES (continued)

(c) Credit risk

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

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

Credit risk management is decentralised in business units within the AMP group; however, credit risk directly impacting shareholder capital is measured and managed by AMP Treasury by aggregating risk from credit exposures taken in business units as detailed below. In addition, group limits are allocated to business units to ensure that individual credit exposures do no aggregate across the group.

Credit risk on the invested fixed income portfolios in the AMP Life statutory funds is managed by the AMP Capital Investors Compliance & Business Risk team (AMP Capital B&CR) and reported to the fund managers, within specified credit criteria in the mandate approved by the AMP Life board. The shareholder portion of credit risk in AMP Life SF1 is reported to AMP Group ALCO by AMP Group Treasury.

Maximum exposure to credit risk

AM Life SF1's maximum shareholder exposure to credit risk without taking account of any collateral or other credit enhancements as of 31 December 2009 was $634m (2008: $589m) with an AA rated counterparty.

Management of credit risk concentration

Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same counterparty or where a number of counterparties are engaged in similar business activities that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Concentration of credit risk in the AMP Life SF1 is managed by individual counterparty and by credit rating.

At balance date, the AMP SF1 had no specific concentration of credit risk with a single counterparty arising from the use of financial instruments, other than the normal clearing-house exposures associated with dealings through recognised exchanges. The counterparties to non-exchange traded contracts are limited to companies with investment grade credit (BBB or greater). The credit risks associated with these counterparties are assessed under the same management policies as applied to direct investments in the AMP group's portfolio.

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

Credit exposure by credit rating

The table below provides information regarding the credit risk exposures of the AMP Life SF1 Group at 31 December according to the credit ratings of the counterparties, where there is a direct risk to shareholder capital, these exposures are managed within limits set by the AMP group's FRM policy:

	Consolidated	
	2009 A$M	*2008 A$M*
AAA	**3,647**	*5,136*
AA	**3,774**	*3,437*
A	**1,196**	*1,493*
BBB	**869**	*891*
Below BBB	**240**	*229*
Total financial assets with credit risk exposure managed by Treasury	**9,726**	*11,186*
Financial assets with credit exposure not managed by Treasury[1]	**13,114**	*8,995*
Other[2]	**2,142**	*6,068*
Total assets	**24,982**	*26,249*

Footnote:

[1] Balance includes all other financial assets of the AMP Life SF1 Group, including investment linked business in AMP Life, where the liability to policyholder is linked to the performance and value of the assets that back those liabilities. As the shareholder has no direct exposure to any credit risk in respect of these assets the credit exposure is not actively managed by Treasury and has not been analysed in this section.

[2] Balance includes all other assets and any minor differences between the valuation of the financial assets managed by Treasury and the amount recognised in the Statement of financial position.

Notes to the Financial Statements

For the year ended 31 December 2009

16. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS DISCLOSURES (continued)

Past due but not impaired financial assets

The table below provides an aged analysis of financial assets that are past due as at reporting date but not impaired:

	Past due but not impaired				
2009 – Consolidated	**Less than 31 days A$M**	**31 to 60 days A$M**	**61 – 90 days A$M**	**More than 91 days A$M**	**Total A$M**
Receivables					
- Reinsurance and other recoveries receivable	**2**	**1**	**-**	**-**	**3**
- Other receivables	**2**	**-**	**-**	**1**	**3**
Total [1]	**4**	**1**	**-**	**1**	**6**

	Past due but not impaired				
2008 – Consolidated	*Less than 31 days A$M*	*31 to 60 days A$M*	*61 – 90 days A$M*	*More than 91 days A$M*	*Total A$M*
Receivables					
- Reinsurance and other recoveries receivable	*3*	*-*	*-*	*-*	*3*
- Other receivables	*8*	*2*	*-*	*-*	*10*
Total [1]	*11*	*2*	*-*	*-*	*13*

	Past due but not impaired				
2009 – Parent	**Less than 31 days A$M**	**31 to 60 days A$M**	**61 – 90 days A$M**	**More than 91 days A$M**	**Total A$M**
Receivables					
- Reinsurance and other recoveries receivable	**2**	**1**	**-**	**-**	**3**
- Other receivables	**1**	**-**	**-**	**-**	**1**
Total [1]	**3**	**1**	**-**	**-**	**4**

	Past due but not impaired				
2008 – Parent	*Less than 31 days A$M*	*31 to 60 days A$M*	*61 – 90 days A$M*	*More than 91 days A$M*	*Total A$M*
Receivables					
- Reinsurance and other recoveries receivable	*3*	*-*	*-*	*-*	*3*
- Other receivables	*-*	*-*	*-*	*-*	*-*
Total [1]	*3*	*-*	*-*	*-*	*3*

Footnote:

[1] For investment linked business in AMP Life SF1, the liability to policyholders is linked to the performance and value of the assets that back those liabilities. The shareholder has no direct exposure to any credit risk in those assets. Therefore, the tables in this section do not show the past due financial assets backing investment linked business in AMP Life SF1.

Notes to the Financial Statements

For the year ended 31 December 2009

16. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS DISCLOSURES (continued)

(d) Derivative financial instruments

Derivative financial instruments are carried at fair value and recorded in the balance sheet as assets and liabilities. Asset and liability values on different transactions are only netted if the transactions are with the same counter party and the cash flows will be settled on a net basis. Changes in values of derivative financial instruments are recognised in the Income statement.

AMP Life SF1 uses derivative financial instruments including financial futures, forward foreign exchange contracts, exchange traded and other options and forward rate agreements to hedge the impact of market movements on the value of assets in the investment portfolios, and to effect a change in the asset mix of investment portfolios. Derivative financial instruments are held for risk and asset management purposes within mandates and not for the purpose of speculation.

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

(e) Fair value measures

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

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

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

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 are they based on available market data. Unobservable inputs are determined based on the best information available, which might include the Group's own data, reflecting the Group's own assumptions about the assumptions that market participants would use in pricing the asset or liability. Valuation techniques are used to the extent that observable inputs are not available, and include estimates about the timing of cashflows, discount rates and other inputs.

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

2009 - Parent	**Level 1 A$M**	**Level 2 A$M**	**Level 3 A$M**	**Total fair value A$M**
Assets				
Equity securities	3,745	1,617	163	5,525
Debt securities	-	11,582	321	11,903
Property securities	169	1,916	10	2,095
Other financial assets	355	520	-	875
Investment in controlled entities	-	981	-	981
Total financial assets	**4,269**	**16,616**	**494**	**21,379**
Liabilities				
Borrowings	-	380	-	380
Other financial liabilities	295	158	-	453
Investment contract liabilities	-	1,719	815	2,534
Total financial liabilities	**295**	**2,257**	**815**	**3,367**

2009 - Consolidated	**Level 1 A$M**	**Level 2 A$M**	**Level 3 A$M**	**Total fair value A$M**
Assets				
Equity securities	4,097	1,655	485	6,237
Debt securities	-	10,158	346	10,504
Property securities	174	1,276	10	1,460
Other financial assets	405	2,083	-	2,488
Total financial assets	**4,676**	**15,172**	**841**	**20,689**
Liabilities				
Borrowings	-	533	-	533
Other financial liabilities	298	182	-	480
Investment contract liabilities	-	1,719	815	2,534
Total financial liabilities	**298**	**2,434**	**815**	**3,547**

Notes to the Financial Statements

For the year ended 31 December 2009

16. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS DISCLOSURES (continued)

(e) Fair value measures (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 period:

2009 - Parent

	At 1 Jan 2009	Total gains/(losses) in Income statement	Total gains/(losses) in other comprehensive income	Purchases	Sales	Net transfers in/(out)	At 31 Dec 2009	Total gain or (loss) for the period included in profit or loss for assets held at 31 Dec 2009
	A$M	A$M	A$M	A$M	A$M	A$M	A$M	A$M
Assets								
Equity securities	204	(43)	-	2	-	-	163	(4
Debt securities	328	20	-	48	(75)	-	321	2
Property securities	13	(3)	-	-	-	-	10	(
Total financial assets	545	(26)	-	50	(75)	-	494	(2
Liabilities								
Investment contract liabilities	1,045	(41)	-	14	(285)	-	815	(2
Total financial liabilities	1,045	(41)	-	14	(285)	-	815	(2

2009 - Consolidated

	At 1 Jan 2009	Total gains/(losses) in Income statement	Total gains/(losses) in other comprehensive income	Purchases	Sales	Net transfers in/(out)	At 31 Dec 2009	Total gain or (loss) for the period included in profit or loss for assets held at 31 Dec 2009
	A$M	A$M	A$M	A$M	A$M	A$M	A$M	A$M
Assets								
Equity securities	521	(32)	-	34	(38)	-	485	(3
Debt securities	351	20	-	50	(75)	-	346	[illegible]
Property securities	14	(3)	-	-	(1)	-	10	(
Total financial assets	886	(15)	-	84	(114)	-	841	(1
Liabilities								
Investment contract liabilities	1,045	(41)	-	14	(285)	-	815	(2
Total financial liabilities	1,045	(41)	-	14	(285)	-	815	(2

Notes to the Financial Statements

For the year ended 31 December 2009

16. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS DISCLOSURES (continued)

(e) Fair value measures (continued)
The following table shows the sensitivity of the fair value of level 3 instruments to changes in key assumptions:

2009 - Parent	Carrying amount A$M	Effect of reasonably possible alternative assumptions (+/-) A$M	
Assets			
Equity securities	163	5	(5)
Total financial assets	163	5	(5)
Liabilities			
Investment contract liabilities	815	(13)	13
Total financial assets	815	(13)	13

2009 - Consolidated	Carrying amount A$M	Effect of reasonably possible alternative assumptions (+/-) A$M	
Assets			
Equity securities	485	31	(31)
Total financial assets	485	31	(31)
Liabilities			
Investment contract liabilities	815	(13)	13
Total financial assets	815	(13)	13

In order to determine reasonably possible alternative assumptions, earnings multiples applied in the valuation of the securities were adjusted.

17. CAPITAL MANAGEMENT

AMP Life SF1's capital comprises contributed equity, reserves and retained earnings. These balances, and the movements in these balances, are disclosed in Note 15(i).

AMP Life SF1 manages its capital within the broader framework of the AMP Group capital management strategy, which itself forms part of the AMP Group's strategic planning process.

The AMP Group holds capital to protect customers, creditors and shareholders against unexpected losses to a level that is consistent with the AMP Group's risk appetite. Capital adequacy is assessed in reference to both regulatory and ratings capital and the AMP Group targets a level of capital resources to satisfy these measures, whilst attempting to optimise the mix of capital resources to minimise the cost of capital and maximise shareholder value.

Regulatory capital
AMP Life is subject to externally imposed regulatory capital requirements. Specifically, AMP Life must comply with the following requirements: solvency, capital adequacy and capital management requirements as specified under the Life Act and APRA Life Insurance Prudential Standards.

Ratings capital
The AMP Group's capital management strategy is framed against an objective of maintaining 'A' range credit ratings. AMP Life targets a level of gearing, interest coverage and capital in line with rating agency guidelines to maintain its credit and financial strength rating of AA with Standard and Poor's and Aa2 with Moody's Investor Services.

Notes to the Financial Statements

For the year ended 31 December 2009

18. NOTES TO THE STATEMENT OF CASH FLOWS

	Consolidated		Parent	
	2009 A$M	*2008 A$M*	**2009 A$M**	*2008 A$M*
(a) Reconciliation of the net profit after income tax to cash flows from operating activities				
Net profit after income tax	**352**	*237*	**352**	*282*
Depreciation of operating assets	**12**	*14*	**12**	*13*
Net loss (profit) on sale of investments and operating assets	**486**	*(947)*	**578**	*(1,032)*
Unrealised (gains) losses in investment asset values	**295**	*2,784*	**(120)**	*2,562*
Other losses recognised in comprehensive income	**(10)**	*-*	**(10)**	*-*
Decrease in receivables and other assets	**218**	*155*	**225**	*206*
(Decrease) in investment and life insurance contract liabilities	**(1,117)**	*(289)*	**(1,117)**	*(289)*
(Decrease) Increase in income tax provisions and balances	**(312)**	*(422)*	**(310)**	*(464)*
(Decrease) in other operating payables	**(247)**	*(589)*	**(38)**	*16*
Cash flows (used in) operating activities	**(323)**	*943*	**(428)**	*1,294*
(b) Reconciliation of cash				
Cash on hand and on deposit	**2,151**	*1,926*	**1,807**	*1,791*
Cash for the purposes of the Statement of cash flows	**2,151**	*1,926*	**1,807**	*1,791*
(c) Financing arrangements				
(i) Overdraft facilities - Bank overdraft facility available	**307**	*300*	**306**	*300*
(ii) Loan facilities In addition to facilities arranged through bond and note issues (refer note 13), financing facilities are provided through bank loans under normal commercial terms and conditions.				
Available	**1,477**	*308*	**-**	*-*
Used	**(1,136)**	*(220)*	**-**	*-*
Unused	**341**	*88*	**-**	*-*

(d) Acquisition and disposal of controlled entities

In the course of normal operating investment activities, the AMP Life SF1 acquires and disposes of equity interests in entities including unit trusts. In some cases, acquisition transactions result in AMP Life SF1 holding a controlling interest in the investee entity. The underlying net assets of such entities typically comprise investment assets including cash, and the consideration paid for a particular acquisition reflects the fair value of the investment assets acquired at the date of acquisition after taking into account minority interests.

Certain controlled entities of the AMP Life SF1 are operating companies that carry out business operations unrelated to the core wealth management operations of AMP Life SF1.

There were no significant acquisitions or disposals of controlled operating entities during 2009 or 2008.

Notes to the Financial Statements

For the year ended 31 December 2009

19. HOLDINGS IN CONTROLLED ENTITIES

Details of investments in significant controlled entities are as follows:

NAME OF COMPANY	COUNTRY OF INCORPORATION	Share type	% Holdings	
			2009	*2008*
255 George Street Investment A Pty Ltd	Australia	Ord	**100**	*100*
Abbey Capital Real Estate Pty Limited	Australia	Ord	**100**	*100*
Allmarg Corporation Limited	New Zealand	Ord	**100**	*100*
AMP Capital Investments Limited[1]	New Zealand	Ord A & B, Pref	-	*100*
AMP Capital Investments No.2 Ltd	New Zealand	Ord A & B, Pref	**100**	*100*
AMP Capital Investments No.8 Ltd	New Zealand	Ord A & B, Pref	**100**	*100*
AMP Capital Investments No.11 Ltd	New Zealand	Ord A & B	**100**	*100*
AMP Capital Investments No.14 Ltd	New Zealand	Ord A & B	**100**	*100*
AMP CMBS No.1 Pty Limited	Australia	Ord	**100**	*100*
AMP CMBS No.2 Pty Limited	Australia	Ord	**100**	*100*
AMP Custodial Investments No.1 Limited[1]	New Zealand	Ord A & B, Pref	-	*100*
AMP/ERGO Mortgage and Savings Limited	New Zealand	Ord	**100**	*100*
AMP Investments Chile Limitada	Chile	Ord	**100**	*100*
AMP Life (NZ) Investments Holdings Limited	New Zealand	Ord	**100**	*100*
AMP Life (NZ) Investments Limited	New Zealand	Ord	**100**	*100*
Arthur Ellis & Co. Limited	New Zealand	Ord	**100**	*100*
Donaghys Limited	New Zealand	Ord, Pref	**50**	*50*
Inversiones Mineras Los Andes Limitada	Chile	Ord	**100**	*100*
Kent Street Pty Limited	Australia	Ord	**100**	*100*
Mowla Pty Ltd	Australia	Ord	**100**	*100*
PHF No. 1 Management Pty Limited	Australia	Ord	**100**	*100*
PHF No. 1 Pty Limited	Australia	Ord	**100**	*100*
Principle Healthcare Finance Pty Limited	Australia	Ord	**100**	*100*
Quay Mining No 2 Limited	Bermuda	Ord, Red, Pref	**84**	*84*
Quay Mining Pty Limited	Australia	Ord	**84**	*84*
Scrabster Bay Pty Limited	Australia	Ord	**100**	*100*
Shanghai AMP Property Co Ltd	Republic of China	Ord	**81**	*81*

Footnote:

(1) Entities were amalgamated into controlled entity AMP Capital Investments No. 11 Limited during 2009.

Notes to the Financial Statements

For the year ended 31 December 2009

19. HOLDINGS IN CONTROLLED ENTITIES (continued)

Details of significant investments in controlled trusts and other entities are as follows:

NAME OF TRUST OR OTHER ENTITY	COUNTRY OF REGISTRATION	% Holdings 2009	2008
AMP Capital Investors Asian Equity Growth Fund	Australia	**88**	*88*
AMP Capital Investors Australian Equity Long Short Fund	Australia	**100**	*100*
AMP Capital Credit Strategies	Australia	**100**	*90*
AMP Capital Macro Strategies	Australia	**100**	*69*
AMP Equity Fund [2]	New Zealand	**-**	*55*
Australia Pacific Airports Fund	Australia	**66**	*58*
AMP Infrastructure Fund No.1	Australia	**54**	*100*
AMP Investments World Index Fund [2]	New Zealand	**-**	*58*
AMP Private Capital Trust No.4	Australia	**100**	*100*
AMP UK Shopping Centre Fund	Australia	**100**	*100*
AMP US Property Trust	Australia	**100**	*100*
AMP Wholesale Shopping Centre Trust No.2	Australia	**76**	*76*
Asian Giants Infrastructure Fund[1]	China	**53**	-
AHGI Martineau Galleries Fund	Australia	**100**	*100*
Principal Healthcare Holdings Trust	*Australia*	**100**	*100*
Riverside Plaza Trust	Australia	**100**	*100*
Sydney Cove Trust	Australia	**100**	*100*
The Glendenning Trust	Australia	**100**	*100*
Global Credit Strategies Fund	Australia	**100**	*93*
Floating Rate Income Fund	Australia	**71**	*69*

Footnote:

(1) Trusts acquired during 2009
(2) Trusts became associated entities during 2009

20. INVESTMENTS IN ASSOCIATED ENTITIES

Details of investments in associated companies are as follows:

NAME OF COMPANY	PRINCIPAL ACTIVITY	Ownership interest 2009 %	2008 %	Carrying amount 2009 A$M	2008 A$M
Gove Aluminum Finance Limited[1]	Aluminum Smelting	**-**	*20*	**-**	*122*
TOA Pty Limited CTG	Investment Company	**50**	*50*	**164**	*164*
AMP Pencarrow Private Capital	Investment Company	**34**	*34*	**26**	*32*
Others (less than $10m)	Various	**Various**	*Various*	**-**	*1*
Total Parent				**190**	*319*
Investment by Controlled Entities of AMP Life Statutory Fund No. 1					
Others (less than $10m)	Various	**Various**	*Various*	**3**	*4*
Total				**3**	*4*
Total Consolidated				**193**	*323*

Investments in associated entities typically reflect investments where AMP Life SF1 holds between 20% to 50% equity interests. The balance date for all significant associated companies is 31 December. In the course of normal operating investment activities, Statutory Fund No.1 holds investments in various operating businesses.

Footnote:

(1) During 2009 AMP Life SF1's investment holding in Gove Aluminum decreased below 20%.

Notes to the Financial Statements

For the year ended 31 December 2009

20. INVESTMENTS IN ASSOCIATED ENTITIES (continued)

Details of investments in associated unit trusts are as follows:

NAME OF TRUST	Principal Activity	Ownership Interest 2009 %	Ownership Interest 2008 %	Carrying amount 2009 A$M	Carrying amount 2008 A$M
AIGE AIF Strategic Equity	Investment Trust	23	-	90	-
AMP Capital Commodities C Class[1]	Investment Trust	-	33	-	16
AMP Equity Fund [2]	Investment Trust	46	-	118	-
AMP Investments World Index Fund [2]	Investment Trust	31	-	88	-
AMP Property Portfolio	Investment Trust	38	38	281	333
AMP Shopping Centre Fund	Investment Trust	44	44	570	636
Enhanced Index International Share Fund	Investment Trust	35	38	662	564
International Bond Fund[1]	Investment Trust	-	24	-	144
Principle Healthcare Finance Unit Trust 1	Investment Trust	24	43	39	39
Principle Healthcare Finance Unit Trust 2	Investment Trust	24	43	39	39
Strategic Infrastructure Trust Europe No 1	Investment Trust	25	21	47	56
Strategic Infrastructure Trust Europe No 2	Investment Trust	25	21	47	56
The Pinnacle Fund	Investment Trust	33	33	18	27
Wholesale Australian Bond Fund[3]	Investment Trust	23	-	564	-
Others (less that $30m)	Investment Trust	Various	Various	44	123
Total				**2,607**	2,033

Footnote:

[1] During 2009 AMP Life SF1's investment holding decreased below 20%.
[2] This entity was controlled in 2008.
[3] During 2009 AMP Life SF1's investment holding increased above 20%.

21. CONTINGENT LIABILITIES

The following matters are not recognised in the balance sheet:

(a) In the course of normal business operations AMP Life SF1 is exposed to legal issues, which may involve litigation.

(b) Contingent liabilities considered to be covered under an insurance policy, but where indemnity has not been granted yet, are not reported here, to avoid making an admission which prejudices the insurer's rights.

(c) In the normal course of business, AMP Life SF1 enters into various types of investment contracts that can give rise to contingent liabilities. These include foreign exchange contracts, financial futures, interest rate derivatives and exchange traded options. These contracts are entered into in the normal management of the investment portfolio.

	Consolidated and Parent 2009 A$M	Consolidated and Parent 2008 A$M
(d) Other items		
Uncalled capital on shares in relation to: [1]		
- Controlled entities	38	-
- Associated entities	4	4
- Other entities	10	14
Uncalled capital on units in relation to: [1]		
- Controlled entities	23	24
- Other entities	-	2

Footnote:

[1] Uncalled capital represents a commitment to make further capital contributions for shares, unit trusts and certain private capital investments.

Notes to the Financial Statements

For the year ended 31 December 2009

22. 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 SF1 for the whole or part of the reporting period as indicated:

Name	Date of Appointment/Resignation
Catherine Brenner	Appointed 01 May 2009
Craig Dunn	
Richard Grellman	
Meredith Hellicar	Resigned 23 April 2009
Ian Laughlin	
Craig Meller	
Rosanne Meo	Resigned 14 August 2009
John Palmer	
Peter Shergold	

(b) Remuneration of key management personnel

The following table provides aggregate details of the compensation of key management personnel of AMP Life Limited during the year. Key management personnel for AMP Life SF1 are considered to be the same as the key management personnel for AMP Life Limited.

Year	Short-term benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments	Total
	A$	A$	A$	A$	A$	A$
2009	**6,284,497**	**76,606**	**-**	**2,179,000**	**-**	**8,540,103**
2008	*4,732,294*	*72,598*	-	-	*1,864,232*	*6,669,124*

(c) Transactions with key management personnel

During the year, key management personnel and their personally related entities have entered into transactions with AMP Life SF1. 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 the AMP group would have adopted if dealing at arm's length with an unrelated individual. These transactions include:

- normal personal banking with AMP Bank Limited including the provision of credit cards
- the purchase of AMP insurance and investment products
- financial investment services.

Information about such transactions does not have the potential to affect adversely decisions about the allocation of scarce resources made by users of this Financial Report, or the discharge of accountability by the specified executives or specified directors.

(d) Other related party transactions

(i) AMP Capital Investors Limited

AMP Capital Investors Limited *(AMP Capital)* is a related entity of the AMP Life SF1. AMP Capital manages the investment assets of the policyholder fund and is also the responsible entity of a number of the controlled and associated unit trusts detailed in notes 19 and 20. Investment management services provided by AMP Capital to the AMP Life SF1 are charged at normal commercial rates. Responsible entity fees are charged to controlled and associated unit trusts within AMP Life SF1 on a cost recovery basis.

(ii) AMP Services Limited

AMP Services Limited *(AMP Services)* is a related entity of AMP Life SF1. AMP Services acts as a service company for the Australian based controlled companies within AMP Life SF1 and incurs costs on their behalf. Service fees from AMP Services are recharged to entities within AMP Life SF1 on a cost recovery basis.

Services fees from AMP Services are recharged to entities within AMP Life SF1 on a cost plus margin recovery basis except for participating products that have been recovered at pre-determined rates.

23. EVENTS OCCURRING AFTER THE REPORTING DATE

No matter or circumstance has arisen since the end of the financial year that has significantly affected or may significantly affect the operations of the entity in future financial years; the results of those operations in future financial years; or the entity's state of affairs in future financial years that has not already been disclosed in this financial report.

Directors' Declaration

For the year ended 31 December 2009

In accordance with a resolution of the Directors of AMP Life Limited we state for the purposes of Section 9A(3) of the New Zealand Financial Reporting Act 1993 that, in the opinion of the Directors:

(a) the AMP Life Limited Statutory Fund No. 1 financial statements and notes are in accordance with Section 9A(3) of the New Zealand Financial Reporting Act 1993, including compliance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), Urgent Issues Group Interpretations and the (Australian) Corporations Act 2001 as required by AASB114; and

(b) there are reasonable grounds to believe that the entity will be able to pay its debts as and when they become due and payable;

....
Director

....
Director

Sydney, 06 May 2010

ERNST & YOUNG

Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
www.ey.com/au

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

We have audited the accompanying special purpose financial report of AMP Life Limited Statutory Fund No.1 and its controlled entities, which comprises the statement of financial position as at 31 December 2009, and the income statement and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report and have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial report, are appropriate to meet the financial reporting requirements of Section 9A(3) of the New Zealand Financial Reporting Act 1993 and are appropriate to meet the needs of the regulator. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. No opinion is expressed as to whether the accounting policies used are appropriate to the needs of the members.

We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 our 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, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

The financial report has been prepared for distribution to the New Zealand Companies Office for the purpose of fulfilling the directors' financial reporting requirements under Section 9A(3) of the New Zealand Financial Reporting Act 1993. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the regulator, or for any purpose other than that for which it was prepared.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

ERNST & YOUNG

Independence

In conducting our audit we have met the independence requirements of the Australian professional accounting bodies.

Auditor's Opinion

In our opinion the financial report presents fairly, in all material respects, the financial position of AMP Life Limited Statutory Fund No.1 and the consolidated entity as of 31 December 2009 and of their financial performance and their cash flows for the year then ended in accordance with the accounting policies described in Note 1 to the financial statements.

Ernst & Young

Ernst & Young

Andrew Price
Partner
Sydney
6 May 2010

ERNST & YOUNG

Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
www.ey.com/au

Auditor's Independence Declaration to the Directors of AMP Life Limited Statutory Fund No.1

In relation to our audit of the financial report of AMP Life Limited Statutory Fund No.1 for the financial year ended 31 December 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Andrew Price
Partner

Sydney
6 May 2010