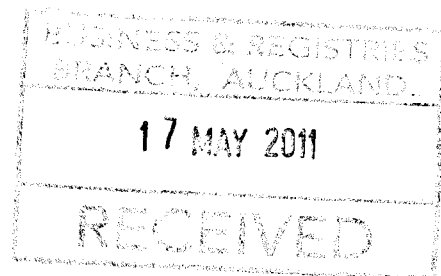




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**AMP Life Limited
(New Zealand Branch)**



**Financial Statements
31 December 2010**

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20 MAY 2011

AMP Life Limited (New Zealand Branch)

Foreword

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)
Financial Statements for the year ended 31 December 2010

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AMP Life Limited (New Zealand Branch)
Income Statement for the year ended 31 December 2010

		Consolidated		Parent	
	Note	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Income and expenses of shareholders, policyholders, external unitholders and non-controlling interests in controlled companies					
Life insurance premium and related revenue	4(a)	209,006	207,374	209,006	207,374
Fee and other revenue	4(b)	98,563	101,137	3,053	4,383
Investment gains / (losses)	4(c)	229,811	5,424	248,414	(21,083)
Life insurance claims and related expenses	5(a)	(199,389)	(210,903)	(199,389)	(210,903)
Operating expenses	5(b)	(182,969)	(179,762)	(104,778)	(108,638)
Finance costs	5(c)	(980)	(997)	(410)	(239)
Movement in external unitholders' liabilities		-	(16,066)	-	-
Change in policyholder liabilities					
- investment contracts	16(g)	(8,707)	(14,411)	(8,707)	(14,411)
- life insurance contracts	15(e)	(12,483)	182,123	(12,483)	182,123
Profit before income tax		132,852	73,919	134,706	38,606
Income tax (expense) / credit	6(a)	(56,462)	5,567	(49,078)	10,916
Net profit after income tax		76,390	79,486	85,628	49,522
(Profit) / loss attributable to non-controlling interests in controlled companies		(2,363)	1,404	-	-
Net profit after income tax attributable to the shareholder of AMP Life Limited		74,027	80,890	85,628	49,522

The accompanying notes form part of these financial statements

AMP Life Limited (New Zealand Branch)

Statement of Comprehensive Income for the year ended 31 December 2010

	Note	Consolidated		Parent	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
Net profit after income tax		76,390	79,486	85,628	49,522
Other comprehensive income recognised in retained earnings					
Defined benefit funds ⁽¹⁾					
- actuarial losses		(605)	(2,953)	-	-
- income tax credit		182	886	-	-
		(423)	(2,067)	-	-
Other comprehensive income recognised in other reserves					
- other gains		728	278	-	-
- income tax expense		-	-	-	-
		728	278	-	-
Total comprehensive income		76,695	77,697	85,628	49,522
Total comprehensive (income) / loss attributable to non-controlling interests in controlled companies		(2,363)	1,404	-	-
Total comprehensive income attributable to the shareholder of AMP Life Limited		74,332	79,101	85,628	49,522

The accompanying notes form part of these financial statements


⁽¹⁾ Under accounting standards, actuarial gains and losses on AMP's employer sponsored defined benefit fund are recognised directly in retained earnings.

AMP Life Limited (New Zealand Branch)

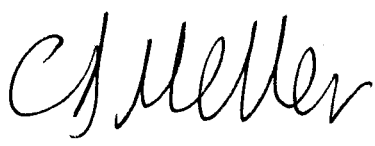
Statement of Financial Position as at 31 December 2010

		Consolidated		Parent	
	Note	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Assets					
Cash and cash equivalents	17(b)	207,985	339,141	37,600	58,203
Receivables	7	68,413	71,973	40,680	34,086
Inventories and other assets	9	12,203	12,662	32	123
Investments in financial assets	8(a)	2,323,544	2,174,928	2,492,293	2,402,646
Plant and equipment	10	12,170	13,586	-	-
Intangibles	11	7,605	8,097	-	-
Deferred tax assets	6(c)	15,327	25,841	-	5,783
Investments in controlled entities	8(b)	-	-	2,005	6,681
Total assets of the shareholder of AMP Life Limited, policyholders, external unitholders and non-controlling interests		2,647,247	2,646,228	2,572,610	2,507,522
Liabilities					
Payables	12	78,331	73,334	76,700	29,423
Provisions	13	22,870	19,845	-	-
Borrowings	14	2,854	3,994	-	-
Derivative financial liabilities	19(e)	25,160	65,241	16,324	51,841
Current tax liabilities		9,768	12,078	11,917	5,747
Deferred tax liabilities	6(d)	127,823	125,122	127,823	125,122
Investment contract liabilities	16(h)	128,364	136,872	128,364	136,872
Life Insurance contract liabilities	15(e)	1,849,916	1,828,096	1,849,916	1,828,096
Defined benefit plan liability	21(e)	12,500	14,197	-	-
Total liabilities of the shareholder of AMP Life Limited, policyholders, external unitholders and non controlling interests		2,257,586	2,278,779	2,211,044	2,177,101
Net assets of the shareholder of AMP Life Limited and non-controlling interests		389,661	367,449	361,566	330,421
Equity					
Reserves		611	(117)	-	-
Retained earnings		382,005	362,884	361,566	330,421
Total equity attributable to the shareholder of AMP Life Limited		382,616	362,767	361,566	330,421
Non-controlling interests		7,045	4,682	-	-
Total equity of the shareholder of AMP Life Limited and non-controlling interests		389,661	367,449	361,566	330,421

For and on behalf of the Board who authorised these financial statements for issue on 17 March 2011:



 Director **RICHARD GRELLMAN**



 Director **CRAIG MELLER**

The accompanying notes form part of these financial statements

AMP Life Limited (New Zealand Branch)

Statement of Changes in Equity for the year ended 31 December 2010

Consolidated

	Equity attributable to shareholder of AMP Life Limited				Total equity \$000
	Retained Earnings	Other reserves	Total shareholder equity	Non-controlling interest	
	\$000	\$000	\$000	\$000	
31 December 2010					
Balance at the beginning of the period	362,884	(117)	362,767	4,682	367,449
Net profit after tax	74,027	-	74,027	2,363	76,390
Other comprehensive income	(423)	728	305	-	305
Total comprehensive income	73,604	728	74,332	2,363	76,695
Dividends paid to Australian shareholders' fund	(30,001)	-	(30,001)	-	(30,001)
Transfer of profit to parent branch	(24,482)	-	(24,482)	-	(24,482)
Balance at the end of the period	382,005	611	382,616	7,045	389,661
31 December 2009					
Balance at the beginning of the period	284,061	(395)	283,666	6,086	289,752
Net profit after tax	80,890	-	80,890	(1,404)	79,486
Other comprehensive income	(2,067)	278	(1,789)	-	(1,789)
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

Parent

	Retained Earnings	Other reserves	Total shareholder equity
31 December 2010			
Balance at the beginning of the period	330,421	-	330,421
Net profit after tax	85,628	-	85,628
Total comprehensive income	85,628	-	85,628
Dividends paid to Australian shareholders' fund	(30,001)	-	(30,001)
Transfer of profit to parent branch	(24,482)	-	(24,482)
Balance at the end of the period	361,566	-	361,566
31 December 2009			
Balance at the beginning of the period	280,899	-	280,899
Net profit after tax	49,522	-	49,522
Total comprehensive income	49,522	-	49,522
Balance at the end of the period	330,421	-	330,421

The accompanying notes form part of these financial statements

AMP Life Limited (New Zealand Branch)

Statement of Cash Flows for the year ended 31 December 2010

	Note	Consolidated		Parent	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
Cash flows from operating activities					
Cash receipts in the course of operations		329,059	333,399	216,016	249,634
Interest received		112,560	112,622	53,869	58,988
Dividends and distributions received		23,886	22,504	34,946	14,008
Cash payments in the course of operations		(407,868)	(451,365)	(292,845)	(366,932)
Finance costs		(980)	(997)	(410)	(239)
Income tax (paid) / refunded		(47,442)	37,261	(36,309)	35,183
Cash flows from / (used in) operating activities	17(a)	9,215	53,424	(24,733)	(9,358)
Cash flows from investing activities					
Net proceeds from sale of / (payments to acquire):					
- investments in financial assets		(122,249)	(18,673)	81,117	17,806
- interest bearing securities		-	229,292	(42,186)	18,335
- loans		19,671	(2,385)	-	80
- plant and equipment		(1,240)	(1,349)	-	-
- intangibles		(612)	(503)	-	-
Proceeds from redemption of preference shares		-	-	-	7,639
Cash flows from investing activities		(104,430)	206,382	38,931	43,860
Cash flows from financing activities					
Repayment of borrowings		(1,140)	(2,735)	-	-
Dividends paid to Australian shareholders' fund		(30,001)	-	(30,001)	-
Transfer of funds to parent branch		(4,800)	-	(4,800)	-
Cash flows used in financing activities		(35,941)	(2,735)	(34,801)	-
Net (decrease) / increase in cash and cash equivalents		(131,156)	257,071	(20,603)	34,502
Cash and cash equivalents at the beginning of the period		339,141	82,070	58,203	23,701
Cash and cash equivalents at the end of the period	17(b)	207,985	339,141	37,600	58,203

The accompanying notes form part of these financial statements

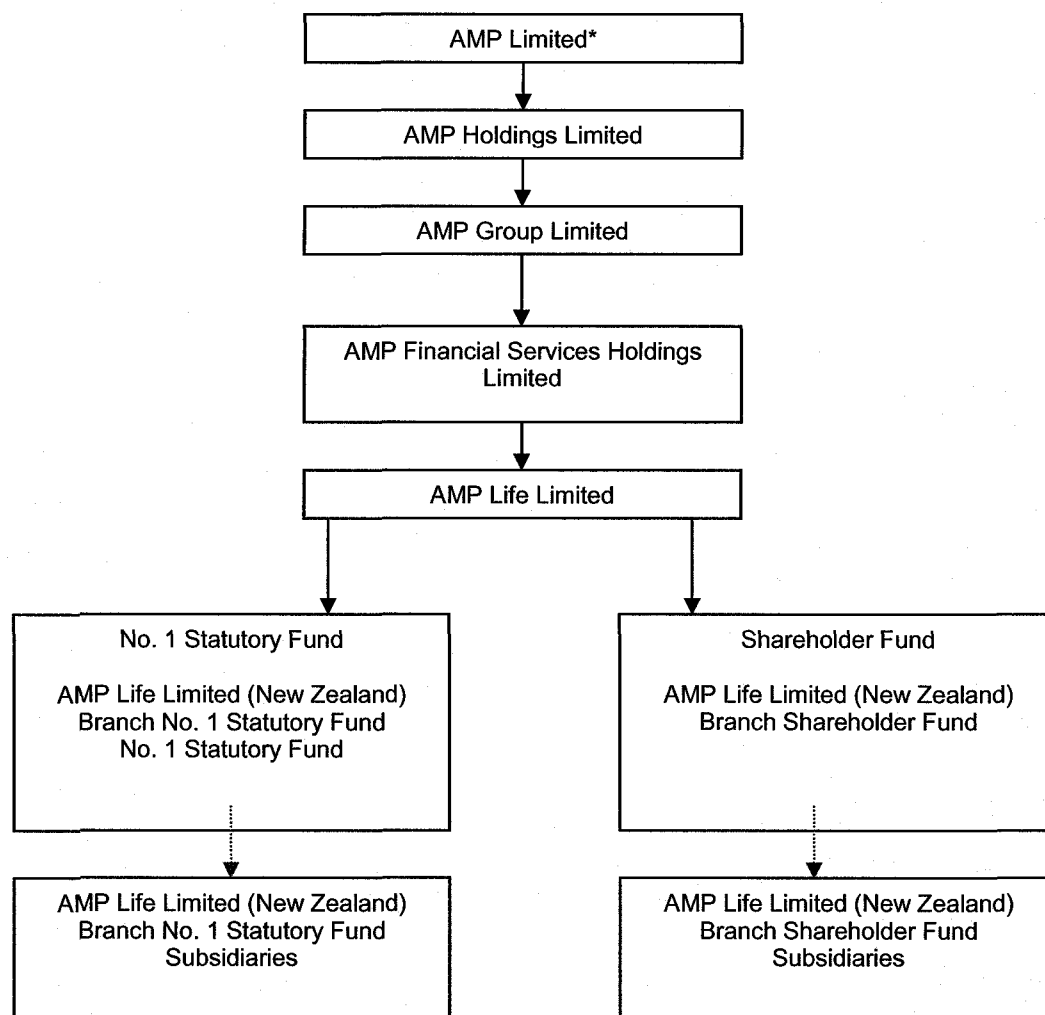
AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2010

1. CORPORATE INFORMATION

Reporting entity

AMP Life Limited is registered under the New Zealand Life Insurance Act 1908 ("New Zealand Life Act"). It is incorporated in New South Wales, and registered under Australia's Life Insurance Act 1995 ("Australian 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 Australian 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.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2010

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. BASIS OF PREPARATION AND 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 unless otherwise stated. Where necessary comparative information has been reclassified to be consistent with current period disclosures. 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 2010 were authorised by the Directors of AMP Life Limited on 17 March 2011. 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, 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 are not always known, estimates have been provided in note 16(e) for the life statutory fund. Details of amounts expected to be recovered or settled (a) no more than 12 months after the reporting date, and (b) more than 12 months after the reporting date, have been provided in footnotes to the relevant notes.

Changes in accounting policies

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

The main standards adopted since 1 January 2010 were the revised NZ IFRS 3 "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 non-controlling interest shall be recognised as equity transactions.

These changes only impact business combinations that occur on or after 1 January 2010.

Published standards that are not yet effective

A number of new Accounting standards have been issued but not yet effective during 2010. The Branch has not elected to early adopt any new standards or amendments in these financial statements. 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:

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2010

NZ IFRS 9 Financial instruments: Classification and measurement: This standard makes significant changes to the way that financial assets and liabilities 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.

NZ IFRS 7 Financial instruments: Disclosure: This standard makes changes to quantitative and risk disclosures relating disclosure of maximum exposure to credit risk and disclosures around collateral held.

NZ IAS 26 Accounting and reporting by retirement benefit plans: This standard removes a number of New Zealand specific requirements. The standard also aligns the terminology of NZ IAS 26 with IAS 26.

NZ IFRIC 14 The limit on a defined benefit asset, minimum funding requirements and their interaction: The standard requires the early payment of minimum funding requirements to be treated as a pension asset.

Change in presentation of the Statement of financial position

The Statement of financial position has been enhanced so as to give greater prominence to the categories of financial assets as defined by NZ IAS 39 'Financial instruments: Recognition and measurement' with consequential changes to the Statement of cash flows and Note 8. The Statement of financial position now presents investments in financial assets by measurement category whereas previously it presented investment assets by asset type. A split of investments in financial assets by measurement category was previously provided in the notes to the Financial statements. Comparatives are presented on a basis consistent with the current period presentation.

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(u), 15 and 16), valuation of investment contract liabilities (see notes 2(t) and 16), valuation of unlisted securities (see notes 2(h) 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(k)), assessing assets for impairment (see note 11) and determining provisions (see notes 2(p) 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.

(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 non-controlling 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 non-controlling interests and profit or loss attributable to shareholders of the parent entity.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2010

Controlled entities that are acquired are accounted for using the acquisition method of accounting. Information from the financial statements of controlled entities is included from the date the parent entity obtains control until such time as control ceases. Where the 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 the Branch 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 non-controlling interests.

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

(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(u), and investment contract liabilities are measured at fair value, per note 2(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 Income statement, to the extent permitted under accounting standards. The accounting policies for individual asset classes, and any restrictions on application of fair value, are described below.

All assets that back investment contract and life insurance contract liabilities are included within the 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(i).

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2010

(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 in the financial statements of the Parent. 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 initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method less an allowance for impairment. 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) Investments in financial assets

Equity securities and investments in listed managed investment schemes 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 and investments in listed managed investment schemes 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 equity securities in an active market and listed managed investment schemes reflects the quoted bid price at the reporting date. In the case of equity securities where there is no active market, 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.

Debt securities measured at fair value 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.

Subsequently these assets are recognised 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 initially recognised at fair value. Subsequently they are measured at amortised cost.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2010

Derivative financial assets are initially recognised at fair value. Refer to Note 2(r) for further details.

(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.

(j) 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.

Each item of plant and equipment is depreciated on a straight line basis over the useful life of the asset of 2-10 years.

(k) 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).

(l) 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.

(m) Impairment of assets

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

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2010

(n) 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.

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 are determined at the reporting date in accordance with both the Australian and New Zealand Life Acts. The process for determining risk business policy liabilities for Life Act purposes is calculated on a before tax basis.

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.

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.

Goods and services tax

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 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.

(o) Payables

Payables are carried at amortised cost and due to their short term nature they are not discounted.

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Notes to the Financial Statements for the year ended 31 December 2010

(p) 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 that have terms to maturity approximating the terms of the related liability.

Restructuring

A restructuring provision is only recognised when it is probable that future costs will be incurred in respect of a fundamental reorganisation or change in focus of the business of the Branch. A provision is recognised when the Branch 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 Branch.

(q) 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.

(r) 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. These derivatives are economic hedges but do not meet the requirements for hedge accounting and the Branch does not hedge account.

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

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.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2010

(s) 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.

(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. 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.

(u) Life insurance contract liabilities

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

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

Life insurance contract liabilities are usually determined using a projection method, whereby estimates of policy cash flows (premiums, benefits, expenses and profit margins to be released in future periods) are projected into the future. The liability is calculated as the net present value of these projected cash flows using best-estimate assumptions about the future. When the benefits under 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 New Zealand 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.

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.

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Notes to the Financial Statements for the year ended 31 December 2010

- (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 both the Australian and New Zealand Life Acts.

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(aa)).

(v) 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.

(w) Insurance premium and related revenue

Life insurance contracts

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

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

Investment contracts

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

- (i) origination fees and ongoing investment management fees. See note 2(x).
- (ii) amounts credited directly to investment contract liabilities. See note 2(t).

(x) 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

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2010

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(t).

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(ab).

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.

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.

(y) Investment gains and 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.

(z) 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(t)).

(aa) Operating expenses

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

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(x)).

(bb) 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.

(cc) 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.

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Notes to the Financial Statements for the year ended 31 December 2010

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.

(dd) 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 is not required to present segment reporting under NZ IFRS 8.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2010

4. INCOME

	Note	Consolidated		Parent	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
(a) Life insurance premium and related revenue					
Life insurance contract premium and related revenue	15(a)	209,006	207,374	209,006	207,374
Total life insurance premium and related revenue		209,006	207,374	209,006	207,374
(b) Fee and other revenue					
Investment management fees		3,053	4,383	3,053	4,383
Service fees		79,933	77,522	-	-
Other revenue ⁽¹⁾		15,577	19,232	-	-
Total fee and other revenue		98,563	101,137	3,053	4,383
(c) Investment gains / (losses)					
Interest					
- other entities		113,157	109,362	54,055	57,737
Dividends and distributions					
- subsidiaries		-	-	30,854	7,000
- associated entities		13,280	3,222	3,552	469
- other entities		10,360	18,853	541	5,875
Net realised and unrealised gains and losses		86,383	(128,195)	159,421	(92,138)
Other investment income		6,631	2,182	(9)	(26)
Total investment gains / (losses)		229,811	5,424	248,414	(21,083)
Investments in financial assets at fair value through profit or loss					
Equity securities and listed managed investment schemes		443	(22,287)	115,744	31,573
Debt securities		53,286	38,303	752	929
Investments in unlisted investment schemes		37,288	57,491	(234)	16,517
Derivative financial assets		116,064	(92,579)	129,292	(82,836)
Investments in financial assets at amortised cost					
Debt securities		2,998	2,458	1	17
Other investment gains					
Bank and other		16,910	19,856	2,869	12,743
Charges and fees		2,822	2,182	(9)	(26)
Total investment gains / (losses)		229,811	5,424	248,415	(21,083)

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

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2010

5. EXPENSES

	Note	Consolidated		Parent	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
(a) Life insurance claims and related expenses					
Life insurance contract claims and related expenses	15(b)	199,389	210,903	199,389	210,903
Total life insurance claims and related expenses		199,389	210,903	199,389	210,903
(b) Operating expenses					
Commission expense		67,230	70,284	30,604	30,188
Investment management expenses		10,390	8,307	1,015	2,883
Fee and commission expenses		77,620	78,591	31,619	33,071
Wages and salaries		46,201	44,127	-	-
Superannuation costs – defined contribution scheme		1,800	1,936	-	-
Other expenses		385	377	-	-
Staff and related expenses		48,386	46,440	-	-
Service fee expense – related parties		8,918	8,131	71,276	72,430
Auditors remuneration – audit services (group entities)		524	524	326	370
Auditors remuneration – audit services (other related entities)		202	267	-	-
Operating lease expenditure		2,706	2,770	-	-
Depreciation and amortisation		3,761	4,663	-	-
Impairment losses		-	267	-	-
Intangible assets written off		-	254	-	-
Other expenses		40,852	37,855	1,557	2,767
Other operating expenses		56,963	54,731	73,159	75,567
Total operating expenses		182,969	179,762	104,778	108,638
(c) Finance costs					
Interest expense on borrowings		575	770	-	-
Other finance costs		405	227	410	239
Total finance costs		980	997	410	239

6. INCOME TAX

	Note	Consolidated		Parent	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
(a) Analysis of income tax expense / (credit)					
Current tax		45,696	(27,244)	39,616	(35,059)
Decrease in deferred tax assets		7,815	13,269	5,783	13,160
Increase in deferred tax liabilities		2,701	9,089	2,701	11,122
Under / (over) provided in previous years:					
- current tax		994	(2,244)	2,579	(265)
- deferred tax		2,699	471	-	-
Other		(3,443)	1,092	(1,601)	126
Income tax expense / (credit)		56,462	(5,567)	49,078	(10,916)

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2010

(b) Relationship between income tax expense / (tax credit) 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% (2009 : 30%). During the period the New Zealand government announced a decrease in the company tax rate from 30% to 28% from 2011.

	Note	Consolidated		Parent	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
Profit before income tax per Income statement		132,852	73,919	134,706	38,606
Policyholder tax recognised as a change in policy liabilities in determining profit before income tax		(51,328)	(3,525)	(51,328)	(3,525)
Profit before income tax excluding policyholder tax		81,524	70,394	83,378	35,081
Prima facie tax at the rate of 30 % (2009: 30 %)		24,457	21,118	25,013	10,524
Tax effect of the 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		(18,954)	(26,582)	(18,954)	(26,582)
Non-taxable or deductible items		1,852	3,340	1,797	3,310
Investment revenue related items		(618)	236	(9,509)	236
Tax offsets and credits		(1,991)	(3,470)	(320)	-
Deferred tax on policy liabilities		10,957	-	10,957	-
Deferred tax writedown due to change in tax rate		(7,971)	-	(9,063)	-
Other items		(6,291)	(1,961)	(2,787)	(1,664)
Over provisions in previous years		3,693	(1,773)	616	(265)
Income tax expense / (credit) attributable to shareholders		5,134	(9,092)	(2,550)	(14,441)
Income tax expense attributable to policyholders		51,328	3,525	51,328	3,525
Tax expense / (credit) per Income statement		56,462	(5,567)	49,078	(10,916)

(c) Analysis of deferred tax asset

Fair value adjustments on investments	-	10,898	-	10,898
Accruals and provisions	9,116	10,659	-	66
Plant and equipment and capitalised costs	6,211	9,465	-	-
Portfolio Investment Entity allocated losses	-	(5,181)	-	(5,181)
Other	-	-	-	-
Total deferred tax assets	15,327	25,841	-	5,783

(d) Analysis of deferred tax liability

Deferred acquisition cost within policy liabilities	127,007	125,122	127,007	125,122
Fair value adjustments on investments	(3,231)	-	(3,231)	-
Accruals and provisions	(66)	-	(66)	-
Portfolio Investment Entity allocated losses	4,113	-	4,113	-
Other	-	-	-	-
Total deferred tax liabilities	127,823	125,122	127,823	125,122

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2010

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

There are no unused tax losses deductible temporary differences not recognised (2009: 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. The policyholder credit account rules were repealed from 1 July 2010 and the remaining balance has been transferred to the imputation credit account.

	Consolidated and Parent	
	2010 \$000	2009 \$000
Opening balance brought forward	79,910	43,541
Imputation credits transferred in	(12,196)	
Taxation liability	(67,714)	36,369
Closing balance	-	79,910

(g) Dividend withholding payment account

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

	Consolidated and Parent	
	2010 \$000	2009 \$000
Opening balance brought forward	6,615	7,260
Dividend withholding credits attached to dividends received	-	-
Over provision in previous years	-	(645)
Closing balance	6,615	6,615

(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	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Opening balance brought forward	169,189	204,960	137,300	167,982
Imputation credits attached to dividends received	4,768	(64)	5,224	6,345
Tax refunded	41,763	(35,707)	31,710	(37,027)
Transfer from policyholder credit account	67,714	-	67,714	-
Other	(43)	-	-	-
Closing balance	283,391	169,189	241,948	137,300

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2010

(i) Conduit tax relief account

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

	Consolidated and Parent	
	2010 \$000	2009 \$000
Opening balance brought forward	44,871	38,211
Conduit tax relief credits received	-	-
Under provision in previous years	-	6,660
Debit on cessation of being a conduit tax relief company	(44,871)	-
Closing balance	-	44,871

7. RECEIVABLES

	Note	Consolidated		Parent	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
Reinsurers' share of life insurance contract liabilities		6,180	-	6,180	-
Reinsurance and other recoveries available		1,841	2,885	1,841	2,885
Investment income and sales proceeds receivable		3,463	3,112	974	788
Life insurance contract premiums receivable		29,176	28,240	29,176	28,240
Other receivables					
- related entities		-	13,449	23	509
- other entities		27,753	24,287	2,486	1,664
Total receivables		68,413	71,973	40,680	34,086

\$0.2m (2009: \$1m) of total receivables is expected to be realised 12 months or more from the reporting date.
All receivables are measured at fair value through profit or loss, designated as such upon initial recognition.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2010

8. INVESTMENT IN FINANCIAL ASSETS

		Consolidated		Parent	
	Note	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Investments in financial assets measured at fair value through profit and loss					
<i>Held for trading</i>					
Equity securities and listed managed investment schemes		103,507	126,777	-	-
Debt securities		781,434	652,128	25,424	15,935
Investments in unlisted managed investment schemes		1,247,088	1,186,551	25,995	182,562
Derivative financial assets		133,535	156,563	76,502	63,654
Other financial assets		-	16	-	-
<i>Designated as fair value through profit and loss</i>					
Investments in controlled entities		-	-	1,292,556	1,135,622
Total investments measured at fair value through profit and loss		2,265,564	2,122,035	1,420,477	1,397,773
Investments in financial assets measured at amortised cost					
Loans		57,980	52,893	-	-
Loans to controlled entities		-	-	1,071,816	1,004,873
Total investments measured at amortised cost		57,980	52,893	1,071,816	1,004,873
(a) Investment in financial assets		2,323,544	2,174,928	2,492,293	2,402,646
(b) Investment in controlled entities		-	-	2,005	6,681

9. INVENTORIES AND OTHER ASSETS

	Note	Consolidated		Parent	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
Inventories		10,814	12,021	-	-
Prepayments and other assets		1,389	641	32	123
Total inventories and other assets		12,203	12,662	32	123

(i) The inventory held by the consolidated branch relates to inventory of an investment in a subsidiary involved in the agricultural and marine industries.

(ii) There has been no impairment of inventory during the reporting period (2009: \$nil)

(iii) All inventories and other assets are expected to be realised within 12 months or more from the reporting date.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2010

10. PLANT AND EQUIPMENT

31 December 2010	Office fittings, furniture and equipment \$000	Computer & communication equipment \$000	Total \$000
Consolidated			
Property, plant and equipment			
Gross carrying amount	17,770	8,300	26,070
Less: accumulated depreciation and impairment losses	(6,401)	(7,499)	(13,900)
Property, plant and equipment at written down value	11,369	801	12,170
Movements in property, plant and equipment			
Balance at the beginning of the period	12,526	1,060	13,586
Additions	755	468	1,223
Disposals	(7)	-	(7)
Impairment losses	-	-	-
Depreciation expense for the period	(2,045)	(611)	(2,656)
Transfer from intangible assets	140	(116)	24
Balance at the end of the period	11,369	801	12,170

31 December 2009	Office fittings, furniture and equipment \$000	Computer & communication equipment \$000	Total \$000
Consolidated			
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

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2010

11. INTANGIBLES

31 December 2010 Consolidated	Goodwill \$000	Other intangibles \$000	Total \$000
Intangibles			
Gross carrying amount	1,192	31,876	33,068
Less: accumulated amortisation and impairment losses	-	(25,463)	(25,463)
Intangibles at written down value	1,192	6,413	7,605
Movements in intangibles			
Balance at the beginning of the period	1,192	6,905	8,097
Additions	-	636	636
Amortisation expense for the period	-	(1,104)	(1,104)
Impairment losses recognised in the period	-	-	-
Asset writeoff	-	-	-
Transfers to plant and equipment	-	(24)	(24)
Balance at the end of the period	1,192	6,413	7,605

31 December 2009 Consolidated	Goodwill \$000	Other intangibles \$000	Total \$000
Intangibles			
Gross carrying amount	1,192	31,263	32,455
Less: accumulated amortisation and 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 in the period	-	(251)	(251)
Asset writeoff	-	(254)	(254)
Transfer from intangible assets	-	(634)	(634)
Balance at the end of the period	1,192	6,905	8,097

Goodwill

Goodwill arose on acquisition of investment entities that carry out business operations unrelated to the core wealth management operations of the Branch. The goodwill relates to the cash generating unit based on the operations of controlled entity Donaghy's Limited. The investment managers of the Branch, AMP Capital Limited, has confirmed that as at 31 December 2010 no impairment of goodwill was required.

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 exist 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% (2009: 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 \$ nil (2009: \$267,000) has been recognised. This is attributed \$ nil (2009: \$16,000) and \$ nil (2009: \$251,000) 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.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2010

12. PAYABLES

	Note	Consolidated		Parent	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
Life insurance policies in process of settlement		19,258	17,197	19,258	17,197
Reinsurers' share of life insurance contract liabilities		-	5,066	-	5,066
Other payables					
- subsidiaries and related entities		24,334	5,143	53,663	5
- employee entitlements		5,375	7,010	-	-
- other entities		29,364	38,918	3,779	7,155
Total payables		78,331	73,334	76,700	29,423

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

13. PROVISIONS

	Note	Consolidated		Parent	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
(a) Provisions					
Loyalty bonuses		16,331	16,548	-	-
Rectification		4,749	3,147	-	-
Other		1,790	150	-	-
Total payables		22,870	19,845	-	-

Consolidated	Loyalty bonuses \$000	Rectification \$000	Other \$000	Total \$000
(b) Movements in provision				
Balance at the beginning of the period	16,548	3,147	150	19,845
Additional provisions made during the period	860	1,956	2,947	5,763
Provisions used during the period	(1,077)	(296)	(882)	(2,255)
Increases in existing provision and reversal of unused provision	-	(58)	(425)	(483)
Balance at the end of the period	16,331	4,749	1,790	22,870

\$15.013m (2009: \$15.678m) of total provisions is expected to be realised 12 months or more from the reporting date.

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.

Rectification Provision

This provision primarily relates to the expected costs associated with fulfilling and rectifying certain service level obligations to some Branch managed entities and entities where the Branch provides, or has provided administration services. The liabilities are based on an average of the cost of historical unit pricing errors that have been made. This is deemed to be management's best estimate and the provision is expected to crystallise by 31 December 2011.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2010

Other

This provision relates to restructuring costs and committed contract 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). The committed contracts provision represents costs that have been committed to in respect to certain business projects for which the delivery is non cancellable. The liability is based on statement of work and approved project cost proposals obtained from respective project managers.

14. BORROWINGS

	Note	Consolidated		Parent	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
Borrowings					
Bank loans		2,854	3,994	-	-
Total payables		2,884	3,994	-	-

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	
	2010 \$000	2009 \$000
(a) Analysis of life insurance contract premium and related revenue		
Total life insurance contract premiums received and receivables	219,286	214,550
Less: component recognised as a change in life insurance contract liabilities	(17,971)	(18,399)
Life insurance contract premium revenue	201,315	196,151
Reinsurance recoveries	7,691	11,223
Total life insurance contract premium and related revenue	209,006	207,374
(b) Analysis of life insurance contract claims and related expenses		
Total life insurance contracts paid and payable	205,616	224,594
Less: component recognised as change in life insurance contract liabilities	(19,880)	(27,199)
Life insurance contract claims expense	185,736	197,395
Outwards reinsurance expense	13,653	13,508
Total life insurance contract claims and related expense	199,389	210,903

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2010

	Consolidated and Parent	
	2010	2009
	\$000	\$000
(c) Analysis of life insurance operating expenses		
Life insurance contract acquisition expenses		
- Commission	16,689	16,840
- Other	34,568	33,560
Life insurance contract maintenance expenses		
- Commission	13,646	13,051
- Other	38,024	39,748
Investment management expenses	3,808	3,637
(d) Life insurance contract liabilities		
Life insurance contract liabilities determined using projection method		
Best estimate liability		
- Value of future life insurance contract benefits	1,933,761	2,010,169
- Value of future expenses	360,091	452,411
- Value of future premiums	(1,841,061)	(1,939,288)
Total best estimate liability – projection method	452,791	523,292
Value of future profits		
- Life insurance contract holder bonuses	440,134	411,131
- Shareholder profit margins	364,151	321,637
Total value of future profits – projection method	804,285	732,768
Life insurance contract liabilities determined using accumulation method		
Best estimate liability		
- Value of future life insurance contract benefits	123,748	121,917
Total best estimate liability – accumulation method	123,748	121,917
Value of declared bonus	28,475	28,440
Unvested life insurance contract holder benefits ⁽¹⁾	434,438	426,745
Total life insurance contract liabilities before reinsurance assets / liabilities and deferred tax liabilities	1,843,736	1,833,162
Add / (less: reinsurers share of life insurance contract liabilities)	6,180	(5,066)
Total life insurance contract liabilities	1,849,916	1,828,096

⁽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.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2010

		Consolidated and Parent	
		2010	2009
	Note	\$000	\$000
(e) Reconciliation of changes in life insurance contract liabilities			
Total life insurance contract liabilities brought forward		1,828,096	2,040,090
Change in life insurance contract liabilities recognised in the Income statement		12,483	(182,123)
Changes in reinsurers' share of life insurance contract liabilities		11,246	(21,071)
Premium recognised as an increase in life insurance contract liabilities		17,971	18,399
Claims recognised as a decrease in life insurance contract liabilities		(19,880)	(27,199)
Total life insurance contract liabilities at the end of the period		1,849,916	1,828,096

(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 2(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
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 2010	31 December 2009
Risk	10 year government bond rate	6.0 %	6.2 %
Life annuities (non-CPI)	Zero coupon interbank swap curve	3.1 % - 6.0 %	2.7 % - 6.6 %
Life annuities (CPI)	Government indexed bond curve + 20 bp	2.8 %	3.0 %

(ii) Participating business discount rates

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

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2010

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	Fixed interest	Cash
31 December 2010	3.0 %	2.5 %	2.0 %	1.0 %	(0.5 %)
31 December 2009	3.0 %	2.5 %	2.0 %	0.5 %	(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
31 December 2010	40.0 %	17.0 %	37.0 %	6.0 %
31 December 2009	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) 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 2009 in parentheses):

Reversionary Bonus

Bonus on sum insured	0.8%-1.1% (0.7%-1.0%)
Bonus on existing bonuses	0.8%-1.1% (0.7%-1.0%)

Terminal Bonus

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

Credit Rates (investment account)	3.5%-4.0% (3.3%-4.2%)
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(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.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2010

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 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 2010 was 3.3% for CPI and 3% for expenses (31 December 2009: 3.4% for CPI and 3% for expenses).

(vi) Basis of taxation

No allowance is made for taxation relating to term and disability income 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 2010 were unchanged from those assumed at 31 December 2009 except for an increase for term and crisis and a small reduction for whole of life conventional business.

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

Business Type	31 December 2010	31 December 2009
Conventional	1.3 % - 2.5 %	2.5 % - 2.6 %
Term and crisis / disability	10.5 % - 12.0 %	9.5 % - 12.0 %

(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). 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 2010 are unchanged from those assumed at 31 December 2009. There has been a reduction in the conventional mortality rate.

Typical mortality assumptions in aggregate, are as follows:

Conventional	73 % (M/F) IA95 – 97	(2009: 78 % (M/F) IA95 – 97)
Term	63 % (M/F) IA95 – 97	(2009: 63 % (M/F) IA95 – 97)
Annuities	72 % IM80* / 61 % IF80*	(2009: 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 2010 compared to those at 31 December 2009.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2010

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 2010 are unchanged from those used at 31 December 2009.

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.

The impact on future profit margins of changes in actuarial assumptions from 31 December 2009 to 31 December 2010 in respect of life insurance contracts (excluding new business contracts which are measured using assumptions at 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	7,951	-	-
Mortality and morbidity	2,138	-	-
Discontinuance rates	(37,973)	-	-
Maintenance expenses	33,795	(533)	533
Net to gross of tax	-	-	-
Other assumptions	32,768	(380)	380

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

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

(g) Insurance risk sensitivity analysis - life insurance contracts

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

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2010

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	(1,699)	(1,699)	1,699	1,699
	50 % increase in the rate of mortality improvement	931	931	(931)	(931)
Annuitant mortality	20 % increase in lump sum disablement rates	62	62	(62)	(62)
Morbidity – lump sum disablement	20 % increase in incidence rates and 20 % decrease in recovery rates	13,814	8,449	(9,938)	(6,080)
Morbidity – disability income	10 % increase in discontinuance rates	-	-	-	-
Discontinuance rates	10 % increase in maintenance expenses	78	78	(78)	(78)
Maintenance expenses					

(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.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2010

Type of contract	Detail of contract workings	Nature of compensation for claims	Key variables affecting future cash flows
<i>Non-participating life insurance contracts with fixed and guaranteed terms (term life and disability)</i>	These policies provide guaranteed benefits, which are paid on the death or ill-health, that are fixed and not at the discretion of the Branch. Premium rates for yearly renewable business are not guaranteed and may be changed at AMP Life's discretion for the portfolio as a whole.	Benefits, defined by the insurance contract, are not directly affected by the performance of underlying assets or the performance of any associated investment contracts as a whole.	Mortality, morbidity, lapses, expenses and market earning rates on assets backing the liabilities.
<i>Life annuity contracts</i>	In exchange for an initial single premium, these policies provide a guaranteed regular income for the life of the insured.	The amount of the guaranteed regular income is set at inception of the policy including any indexation.	Longevity, expenses and market earning rates on assets backing the liabilities.
<i>Conventional life insurance contracts with discretionary participating benefits (endowment and whole of life)</i>	These policies combine life insurance and savings. The policyholder pays a regular premium and receives the specified sum 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 between the policyholders and shareholder in accordance with both the Australian and New Zealand Life Acts. 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.
<i>Investment account contracts with discretionary participating features</i>	The gross value of premiums received is invested in the investment account with fees and premiums for any associated insurance cover being deducted from the account balance. 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 both the Australian and New Zealand Life Acts. The amount allocated to policyholders is held as an unvested policy liability until it is distributed to specific policyholders as interest credits.	Fees, lapses, expenses and market earning rates on the assets backing the liabilities.

(i) Liquidity risk and future net cash outflows

The table below shows the estimated timing of future net cash outflows resulting from 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 2010	32,000	82,000	545,000	659,000
31 December 2009	32,000	94,000	334,000	460,000



AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2010

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

		Consolidated and Parent	
		2010	2009
	Note	\$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		41,225	51,081
- Profits (losses) arising from difference between actual and assumed experience		601	(4,541)
- Capitalised (losses) reversals		913	-
Profit related to life insurance and investment contract liabilities		42,739	46,540
Attributable to:			
- Life insurance contracts		41,931	45,651
- Investment contracts		808	889
Investment earnings on assets in excess of life insurance and investment contract liabilities			
		17,566	7,286

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 2010: nil (2009: nil).

(b) Restrictions on assets

Investments held in the life statutory fund are only used within the relevant regulatory restrictions, which are imposed under both the Australian and New Zealand Life Acts 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	
	2010 \$000	2009 \$000
Life insurance contracts with a discretionary participating feature		
- Amount of the liabilities that relate to guarantees	1,501,139	1,494,067
Investment linked contracts		
- Amount of the liabilities subject to investment performance guarantees	2,083	2,593

(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 Australian 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.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2010

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	
		2010	2009
		AUD \$m	AUD \$m
SOLVENCY REQUIREMENT ⁽¹⁾	A	22,223	22,754
Represented by:			
- Net termination value ⁽²⁾		18,342	18,570
- Other liabilities		1,806	2,006
- Solvency reserve	B	2,075	2,178
		22,223	22,754
ASSETS AVAILABLE FOR SOLVENCY	C	3,489	3,809
Determined as:			
- Net assets		1,475	1,508
- Liability for unvested policy owner benefits at the end of the year		1,376	1,344
- Excess of net policy liabilities (including policy holder bonuses) over net minimum termination value		638	957
		3,489	3,809
Solvency reserve %	(B/(A-B))*100	10.3 %	10.6 %
Coverage of solvency reserve	C/B	1.7	1.7
Excess assets over solvency reserve	((C-B)/B)*100	68.2 %	75.0 %

⁽¹⁾ 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.

⁽²⁾ 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.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2010

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	
	2010 \$000	2009 \$000
Solvency reserve	(2,153)	(2,162)
Total assets	2,571	2,501
	418	339
Determined as:		
- Unvested policy owner liabilities	58	15
- Retained profits	360	324
	418	339

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 2010 and 31 December 2009 for the Branch are after allowing for any transfers out of the Statutory Fund, which were approved in February following the reporting date 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 \$244m of policy liabilities (2009: \$247m) may be settled within 12 months of the reporting date.

(f) Disaggregated information

Under the Australian 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 Australian 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 Australian Life Act.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2010

(g) Disaggregated Income statement

	Investment Linked 2010 \$000	Non Investment Linked 2010 \$000	Elimination 2010 \$000	Total Statutory Fund 2010 \$000	Shareholder Fund 2010 \$000	Total Parent 2010 \$000
Income and expenses						
Life insurance premium and related revenue	-	209,006	-	209,006	-	209,006
Fee and other revenue	3,053	-	-	3,053	-	3,053
Investment gains	8,771	214,319	-	223,090	25,324	248,414
Life insurance claims and related expenses	-	(199,389)	-	(199,389)	-	(199,389)
Operating expenses	(1,284)	(103,494)	-	(104,778)	-	(104,778)
Finance costs	-	(410)	-	(410)	-	(410)
Change in life insurance contract liabilities	-	(12,483)	-	(12,483)	-	(12,483)
Change in investment contract liabilities	(8,707)	-	-	(8,707)	-	(8,707)
Profit before income tax	1,833	107,549	-	109,382	25,324	134,706
Income tax expense	(1,025)	(48,053)	-	(49,078)	-	(49,078)
Net profit after income tax	808	59,496	-	60,304	25,324	85,628

	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 gains / (losses)	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 expense	(3,344)	14,260	-	10,916	-	10,916
Net profit after income tax	889	52,937	-	53,826	(4,304)	49,522

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Notes to the Financial Statements for the year ended 31 December 2010

(h) Disaggregated Statement of financial position

	Investment Linked 2010 \$000	Non Investment Linked 2010 \$000	Elimination 2010 \$000	Total Statutory Fund 2010 \$000	Shareholder Fund 2010 \$000	Total Parent 2010 \$000
Assets						
Investments in financial assets	195,308	2,321,186	(24,201)	2,492,293	-	2,492,293
Investments in controlled entities	-	-	-	-	2,005	2,005
Other assets	(92,851)	163,921	7,247	78,317	(5)	78,312
Total assets	102,457	2,485,107	(16,954)	2,570,610	2,000	2,572,610
Liabilities						
Life insurance contract liabilities	-	1,849,916	-	1,849,916	-	1,849,916
Investment contract liabilities	128,364	-	-	128,364	-	128,364
Other liabilities	(25,907)	275,625	(16,954)	232,764	-	232,764
Total liabilities	102,457	2,125,541	(16,954)	2,211,044	-	2,211,044
Net assets	-	359,566	-	359,566	2,000	361,566
Equity						
Retained earnings	-	359,566	-	359,566	2,000	361,566
Total equity	-	359,566	-	359,566	2,000	361,566

	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						
Investments in financial assets	188,324	2,257,924	(43,602)	2,402,646	-	2,402,646
Investments in controlled entities	-	-	-	-	6,681	6,681
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

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2010

(i) Disaggregated movement in retained earnings

	Investment Linked 2010 \$000	Non Investment Linked 2010 \$000	Total Statutory Fund 2010 \$000	Shareholder Fund 2010 \$000	Total Parent 2010 \$000
Opening retained earnings	-	323,744	323,744	6,677	330,421
Net profit after tax for the period	808	59,496	60,304	25,324	85,628
Dividends paid to Australian shareholders' fund	-	-	-	(30,001)	(30,001)
Transfers to parent branch	-	(24,482)	(24,482)	-	(24,482)
Transfers within statutory fund	(808)	808	-	-	-
Closing retained earnings	-	359,566	359,566	2,000	361,566

	Investment Linked 2009 \$000	Non Investment Linked 2009 \$000	Total Statutory Fund 2009 \$000	Shareholder Fund 2009 \$000	Total Parent 2009 \$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

(j) Allocation and distribution of profit

<i>Details of operating surplus</i>	Policy Owner Interests 2010 \$000	Share holder Interests 2010 \$000	Total Statutory Fund 2010 \$000	Policy Owner Interests 2009 \$000	Share holder Interests 2009 \$000	Total Statutory Fund 2009 \$000
Operating surplus after income tax	-	60,304	60,304	-	53,826	53,826
Bonuses provided or paid in current period						
Interim and terminal bonus on claims paid	16,267	-	16,267	15,978	-	15,978
Declared bonus on in force policies	28,475	-	28,475	28,440	-	28,440
Increase in unvested policy owner benefits	7,693	-	7,693	5,572	-	5,572
Life Insurance Act 1908 operating surplus after tax	52,435	60,304	112,739	49,990	53,826	103,816
Sources of the Life Insurance Act 1908 operating surplus						
From non investment-linked business						
Participating business	52,435	12,369	64,804	49,990	12,096	62,086
Non-participating business	-	47,127	47,127	-	40,841	40,841
From investment-linked business						
Participating business	-	-	-	-	-	-
Non- participating business	-	808	808	-	889	889
	52,435	60,304	112,739	49,990	53,826	103,816

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

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Notes to the Financial Statements for the year ended 31 December 2010

<i>Details of retained surpluses</i>	Policy Owner Interests 2010 \$000	Share holder Interests 2010 \$000	Total Statutory Fund 2010 \$000	Policy Owner Interests 2009 \$000	Share holder Interests 2009 \$000	Total Statutory Fund 2009 \$000
Retained surpluses at the beginning of the period	426,745	323,745	750,490	421,172	269,918	691,090
Life Insurance Act 1908 operating surplus after income tax	52,435	60,304	112,739	49,990	53,826	103,816
Add transfers and bonuses						
Transfers to other countries						
Participating business	-	(10,446)	(10,446)	-	-	-
Non-participating business	-	(14,037)	(14,037)	-	-	-
Transfer between funds						
Participating business	-	-	-	-	(10,703)	(10,703)
Non-participating business	-	-	-	-	10,703	10,703
Shareholders' capital	-	-	-	-	-	-
Provision for bonuses and bonuses paid						
Participating business	(44,742)	-	(44,742)	(44,418)	-	(44,418)
Life Insurance Act 1908 retained surpluses at the end of the period	434,438	359,566	794,004	426,744	323,744	750,488
Policy owner retained surplus at the end of the period	434,438	-	434,438	426,744	-	426,744
Shareholder retained surplus at the end of the period	-	359,566	359,566	-	323,744	323,744

<i>Details of retained surpluses</i>	Policy Owner Interests 2010 \$000	Share holder Interests 2010 \$000	Total Statutory Fund 2010 \$000	Policy Owner Interests 2009 \$000	Share holder Interests 2009 \$000	Total Statutory Fund 2009 \$000
Components of Life Insurance Act 1908 retained surplus at the end of the year						
Policy owners	434,438	-	434,438	426,744	-	426,744
Shareholder participating	-	108,609	108,609	-	106,686	106,686
Shareholder non-participating	-	250,957	250,957	-	217,058	217,058
	434,438	359,566	794,004	426,744	323,744	750,488

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<i>Statement of analysis of operating surplus</i>	Policy Owner Interests	Share holder Interests	Total Statutory Fund	Policy Owner Interests	Share holder Interests	Total Statutory Fund
	2010	2010	2010	2009	2009	2009
	\$000	\$000	\$000	\$000	\$000	\$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	-	17,566	17,566	-	7,286	7,286
Emergence of shareholder planned surpluses	1,181	40,043	41,224	1,252	49,829	51,081
Experience surplus	(373)	974	601	(363)	(4,178)	(4,541)
Reversals of capitalised loss	-	913	913	-	-	-
Shareholder operating surplus after income tax	808	59,496	60,304	889	52,937	53,826
Life Insurance Act policy owners' operating surplus in the statutory fund						
The Life Insurance Act policy owners' operating profit after income tax in the Statutory Fund is represented by:						
Investment earnings on policy owners' retained surpluses and capital	-	14,791	14,791	-	9,216	9,216
Emergence of policy holders' planned surpluses	-	35,522	35,522	-	34,358	34,358
Experience loss	-	2,122	2,122	-	6,416	6,416
Life Insurance Act policy owners' operating surplus after income tax	-	52,435	52,435	-	49,990	49,990

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2010

17. NOTES TO THE STATEMENT OF CASH FLOWS

		Consolidated		Parent	
	Note	2010 \$000	2009 \$000	2010 \$000	2009 \$000
(a) Reconciliation of the net profit after income tax to cash flows from / (used in) operating activities					
Net profit after income tax		76,390	79,486	85,628	49,522
Net actuarial losses recognised directly in equity		(1)	(2,067)	-	-
(Increase) / decrease in superannuation scheme liability		(2,328)	1,647	-	-
Depreciation, amortisation, impairment and loss on disposals		3,761	5,184	-	-
Other items recognised directly in equity		728	278	-	-
Movement in external unitholders' liabilities		-	16,066	-	-
Net (profit) / loss on investment assets		(86,384)	128,195	(159,422)	92,138
Increase / (decrease) in life insurance contract liabilities		21,820	(211,994)	21,820	(211,994)
Decrease in investment contract liabilities		(8,508)	(6,134)	(8,508)	(6,134)
Decrease in income tax balances		10,905	41,930	14,654	35,388
(Increase) / decrease in other operating assets and liabilities		(7,168)	833	21,095	31,722
Cash flows from / (used in) operating activities		9,215	53,424	(24,733)	(9,358)
(b) Reconciliation of cash and cash equivalents					
Comprises:					
Cash at bank		207,985	339,141	37,600	58,203
Total cash and cash equivalents		207,985	339,141	37,600	58,203

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 2010 are \$2.4m (2009: \$8m). 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 non-controlling interests.

18. FINANCIAL RISK MANAGEMENT

The principal objective of the Branch's Financial Risk Management (FRM) strategy is to establish a robust structure for the identifying, assessing, responding to, measuring, monitoring, reporting and escalating 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

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Notes to the Financial Statements for the year ended 31 December 2010

- 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 for 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 contracts 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 an adverse impact to the Income statement or the Statement of financial position due to movements in the financial markets. These movements include observable variables such as interest rates, exchange rates, credit spreads, equity prices or property prices 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, 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 in the value of the financial assets and financial liabilities 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 an adverse impact to the Income statement or the Statement of financial position 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 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 exposure 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 Australian 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.

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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 2010 and 2009) and there are concurrent movements in interest rates and parallel shifts in the yield curves.

Change in variables	2010		2009	
	Impact of profit after tax	Impact on equity	Impact on profit after tax	Impact on equity
	\$000	\$000	\$000	\$000
+ 100 basis points	(7,389)	(7,389)	(7,035)	(7,035)
- 100 basis points	9,105	9,105	6,930	6,930

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 an adverse impact to the Income statement or the Statement of financial position due to movements 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 2010 and 2009).

Change in variables	2010		2009	
	Impact of profit after tax	Impact on equity	Impact on profit after tax	Impact on equity
	\$000	\$000	\$000	\$000
+ 10 %	4,232	4,232	4,288	4,288
- 10 %	(4,239)	(4,239)	(4,293)	(4,293)

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

(iii) Equity price risk

Equity price risk is the risk of an adverse impact to the Income statement or the Statement of financial position due to movements in equity prices 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.

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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 2010 and 2009).

Change in variables	2010		2009	
	Impact of profit after tax \$000	Impact on equity \$000	Impact on profit after tax \$000	Impact on equity \$000
10 % increase in New Zealand equities	2,878	2,878	2,440	2,440
10 % increase in international equities	4,232	4,232	4,288	4,288
10 % decrease in New Zealand equities	(2,881)	(2,881)	(2,442)	(2,442)
10 % decrease in international equities	(4,239)	(4,239)	(4,293)	(4,293)

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 an adverse impact to the Income statement or the Statement of financial position due to movements in the financial markets. 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.

In the prior year the operating subsidiary of a private equity controlled entity of the Branch was in breach of certain banking covenants on its external lending twice. In the current year no further breaches of banking covenants have occurred. The carrying amount of the borrowings at 31 December 2010 was \$2.8m (\$2009: \$4.0m) - 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 2010. 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.

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Maturity profile of undiscounted financial liabilities: ⁽¹⁾

2010 - 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	10,009	66,340	280	1	-	1,701	78,331
Borrowings	-	2,854	-	-	-	-	2,854
Other financial liabilities	-	25,160	-	-	-	-	25,160
Investment contract liabilities	-	-	-	-	-	128,364	128,364
Total undiscounted liabilities ⁽³⁾	10,009	94,354	280	1	-	130,065	234,709

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 \$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 liabilities	7,010	126,900	5,753	230	531	139,017	279,441

2010 - Parent	Non-financial liabilities \$000	Up to 1 year \$000	1 to 5 years \$000	Over 5 years \$000	On call \$000	Investment linked \$000	Total \$000
Payables	-	76,700	-	-	-	-	76,700
Other financial liabilities	-	16,324	-	-	-	-	16,324
Investment contract liabilities	-	-	-	-	-	128,364	128,364
Total undiscounted liabilities	-	93,023	-	-	-	128,364	221,388

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 \$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 liabilities	-	79,114	-	-	5	139,017	218,136

(c) Credit risk

Credit default risk is the risk of an adverse impact to Income statement or the Statement of financial position values relative to expectations from a counterparty failing to meet their contractual commitments in full and on time (obligator's non-payment of debt). Trading credit risk is the risk of an adverse impact to Income statement, Statement of comprehensive income, or the Statement of financial position values due to change in value of a traded financial instrument as a result of changes in credit risk on that instrument.

⁽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.

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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 counter party, 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 2010 was \$967.8m (2009: \$744.2m).

Management of credit risk concentration

Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same counter party or where a number of counter parties 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 counter party limits, which are determined predominantly on the basis of the counter party's credit rating.

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

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

Credit exposure by credit rating

The following table provides information regarding the credit risk exposures of the Group at 31 December 2010 according to the credit ratings of the counter parties.

	2010 \$000	2009 \$000
AAA	186,455	162,221
AA	532,458	748,847
A	295,958	142,262
BBB	110,556	29,305
Below BBB	10,754	-
Unrated	798	698
Total financial assets with credit risk exposure ⁽¹⁾	1,136,979	1,083,333
Other assets ⁽²⁾	1,510,268	1,562,895
Total assets	2,647,247	2,646,228

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:

2010 - Consolidated	Less than 30 days \$000	31 to 60 days \$000	61 - 90 days \$000	More than 91 days \$000	Total \$000
Other receivables – other entities	1,525	507	50	1,436	3,518
Total ⁽³⁾	1,525	507	50	1,436	3,518

⁽¹⁾ Balance mainly comprises interest bearing securities and cash equivalents

⁽²⁾ Balance includes all other financial and non financial assets with no credit risk exposure

⁽³⁾ 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.

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2009 - Consolidated	Less than 30 days \$000	31 to 60 days \$000	61 – 90 days \$000	More than 91 days \$000	Total \$000
Other receivables – other entities	2,700	970	43	113	3,826
Total ⁽³⁾	2,700	970	43	113	3,826

2010 - Parent	Less than 30 days \$000	31 to 60 days \$000	61 – 90 days \$000	More than 91 days \$000	Total \$000
Other receivables – other entities	978	233	-	630	1,841
Total	978	233	-	630	1,841

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

(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. These hedges are economic hedges and do not qualify for hedge accounting under IFRS reporting standards. Derivative financial instruments are held for risk and asset management purposes within mandates, and not for the purpose of speculation.

(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 cash flows, discount rates, earnings multiples and other inputs.

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

31 December 2010 - Consolidated	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total fair value \$000
Assets				
Equity securities and listed managed investment schemes	12,672	88,497	2,338	103,507
Debt securities	-	781,434	-	781,434
Investment in unlisted managed investment schemes	-	1,235,077	12,011	1,247,088
Derivative financial assets	36,778	96,757	-	133,535
Total financial assets	49,450	2,201,765	14,349	2,265,564
Liabilities				
Derivative financial liabilities	1,768	23,392	-	25,160
Investment contract liabilities	-	14,603	113,761	128,364
Total financial liabilities	1,768	37,995	113,761	153,524

31 December 2009 - Consolidated	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total fair value \$000
Assets				
Equity securities and listed managed investment schemes	20,116	103,233	3,428	126,777
Debt securities	-	652,128	-	652,128
Investment in unlisted managed investment schemes	-	1,140,859	45,692	1,186,551
Derivative financial assets	78,191	78,372	-	156,563
Other financial assets	-	16	-	16
Total financial assets	98,307	1,974,608	49,120	2,122,035
Liabilities				
Derivative 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

31 December 2010 - Parent	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total fair value \$000
Assets				
Equity securities and listed managed investment schemes	-	1,292,556	-	1,292,556
Debt securities	-	25,424	-	25,424
Investment in unlisted managed investment schemes	-	13,984	12,011	25,995
Derivative financial assets	-	76,502	-	76,502
Total financial assets	-	1,408,466	12,011	1,420,477
Liabilities				
Derivative financial liabilities	-	16,324	-	16,324
Investment contract liabilities	-	14,603	113,761	128,364
Total financial liabilities	-	30,927	113,761	144,688

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31 December 2009 - Parent	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total fair value \$000
Assets				
Equity securities and listed managed investment schemes	-	1,135,622	-	1,135,622
Debt securities	-	15,935	-	15,935
Investment in unlisted managed investment schemes	-	138,457	44,105	182,562
Derivative financial assets	-	63,654	-	63,654
Total financial assets	-	1,353,668	44,105	1,397,773
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

The following tables show the 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:

2010 - Consolidated	At 1 January 2010 \$000	Total gains / (losses) in income statement \$000	Total gains / (losses) in compre- hensive income \$000	Purchases \$000	Sales \$000	Net transfer in / (out) \$000	At 31 December 2010 \$000	Total gain or loss for the period included in profit or loss for assets held at 31 December 2010 \$000
Assets								
Equity securities	35,042	(5,398)	-	1,031	(16,326)	-	14,349	(5,398)
Property securities	14,078	-	-	-	-	(14,078)	-	-
Total financial assets	49,120	(5,398)	-	1,031	(16,326)	(14,078)	14,349	(5,398)
Liabilities								
Investment contract liabilities	120,356	5,552	-	3,955	(16,102)	-	113,761	5,552
Total financial liabilities	120,356	5,552	-	3,955	(16,102)	-	113,761	5,552

2009 - Consolidated	At 1 January 2010 \$000	Total gains / (losses) in income statement \$000	Total gains / (losses) in compre- hensive income \$000	Purchases \$000	Sales \$000	Net transfer in / (out) \$000	At 31 December 2010 \$000	Total gain or loss for the period included in profit or loss for assets held at 31 December 2010 \$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)	-	120,536	(10,142)
Total financial liabilities	124,819	9,791	-	4,614	(18,868)	-	120,536	(10,142)

During the current year an investment in a property unit fund that was previously blocked for redemptions was re-opened for redemptions. As a result daily unit prices based on market values were provided by the fund and it was no longer necessary to value the fund using a model. Consequently the investment was transferred from a level 3 instrument to a level 2 instrument.



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2010 - Parent	At 1 January 2010 \$000	Total gains / (losses) in income statement \$000	Total gains / (losses) in compre- hensive income \$000	Purchases \$000	Sales \$000	Net transfer in / (out) \$000	At 31 December 2010 \$000	Total gain or loss for the period included in profit or loss for assets held at 31 December 2010 \$000
Assets								
Equity securities	31,614	(4,308)	-	1,031	(16,326)	-	12,011	(4,308)
Property securities	12,491	-	-	-	-	(12,491)	-	-
Total financial assets	44,105	(4,308)	-	1,031	(16,326)	(12,491)	12,011	(4,308)
Liabilities								
Investment contract liabilities	120,356	5,552	-	3,955	(16,102)	-	113,761	5,552
Total financial liabilities	120,356	5,552	-	3,955	(16,102)	-	113,761	5,552

2009 - Parent	At 1 January 2010 \$000	Total gains / (losses) in income statement \$000	Total gains / (losses) in compre- hensive income \$000	Purchases \$000	Sales \$000	Net transfer in / (out) \$000	At 31 December 2010 \$000	Total gain or loss for the period included in profit or loss for assets held at 31 December 2010 \$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	-	120,536	(10,142)
Total financial liabilities	124,819	(9,719)	-	(4,614)	18,868	-	120,536	(10,142)

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

Consolidated	2010			2009		
	Carrying amount	Effect of reasonably possible alternative assumptions (+/-)		Carrying amount	Effect of reasonably possible alternative assumptions (+/-)	
	\$000	\$000		\$000	\$000	
Assets						
Equity securities	14,349	469	(347)	35,042	2,948	(2,811)
Total financial assets	14,349	469	(347)	35,042	2,948	(2,811)

Parent	2010			2009		
	Carrying amount	Effect of reasonably possible alternative assumptions (+/-)		Carrying amount	Effect of reasonably possible alternative assumptions (+/-)	
	\$000	\$000		\$000	\$000	
Assets						
Equity securities	12,011	238	(116)	31,614	2,828	(2,684)
Total financial assets	12,011	238	(116)	31,614	2,828	(2,684)

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

The Branch recognises loans against policies with a carrying value of \$58.0m (2009: \$52.9m) on the amortised cost basis. These loans attract interest at a rate of 6.5 % p.a. (2009: 4.5 % p.a.) Because the loans are 100 % secured against policies no impairment is possible and the fair value of the loans approximate the carrying value.

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 Australian 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.

21. DEFINED BENEFIT PLAN 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(ac), 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.

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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	
	2010	2009
	\$000	\$000
(a) Defined benefit income		
Current service costs	(19)	(21)
Interest cost	(1,314)	(999)
Expected return on plan assets	1,381	1,273
Contributions income	24	125
Total defined benefit income	72	378
(b) Amounts recognised in the Statement of comprehensive income		
Immediate recognition of loss	(605)	(2,953)
Total recognised via the Statement of comprehensive income	(605)	(2,953)
Cumulative amount of income recognised via Statement of comprehensive income at the start of the period	(9,844)	(6,891)
Cumulative amount of income recognised via Statement of comprehensive income at the end of the period	(10,449)	(9,844)
Actual return on plan assets	355	2,813

	Consolidated	
	2010	2009
	\$000	\$000
(c) Movement in defined benefit obligation		
Balance at the beginning of the period	32,006	29,860
Current service cost	19	21
Interest cost	1,314	999
Contributions by plan participants	43	43
Actuarial gains and losses	(620)	3,519
Benefits paid	(2,340)	(2,436)
Balance at the end of the period	30,422	32,006
(d) Movement in fair value of plan assets		
Balance at beginning of the period	22,494	21,452
Expected return on plan assets	1,381	1,273
Actuarial gains and losses	(1,025)	1,540
Contributions by the employer	1,495	622
Contributions by plan participants	43	43
Benefit paid	(2,341)	(2,436)
Balance at the end of the period	22,047	22,494

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	Consolidated	
	2010	2009
	\$000	\$000
(e) Defined benefit deficit		
Present value of wholly funded defined benefit obligations	(30,422)	(32,006)
Less fair value of plan assets	22,047	22,494
Contributions tax	(4,125)	(4,685)
Net defined benefit deficit recognised in the Statement of financial position	(12,500)	(14,197)
(f) Movement in net defined benefit deficit		
Deficit at the beginning of the period	(14,197)	(12,550)
Plus total income recognised in income	71	378
Plus employer contributions	2,231	928
Less actuarial losses recognised in other comprehensive income	(605)	(2,953)
Deficit at the end of the period	(12,500)	(14,197)

(g) Historical analysis of defined deficit / (benefit) surplus	2010	2009	2008	2007
	\$000	\$000	\$000	\$000
Present value of wholly funded defined benefit obligations	30,422	32,006	29,860	36,043
Less fair value of plan assets	22,047	22,494	21,452	35,220
Net defined (benefit) / deficit surplus recognised in the Statement of financial position	(8,375)	(9,512)	(8,408)	823
Actuarial gains arising on plan liabilities	361	1,189	2,010	11
Actuarial losses arising on plan assets	(1,025)	(1,540)	(8,601)	(1,088)
Change in assumptions gain / (loss) – plan liabilities	259	(2,328)	(855)	1,501

Expected contributions for the financial year ending 31 December 2011 are \$1,495,000. This expectation is based on the latest information from the external actuaries, Mercer (NZ) Limited in their report of 31 December 2010.

Fair Value of Plan Assets

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

- any of the Employer's own financial instruments ⁽¹⁾
- any property occupied by, or other assets used by, the Employer

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:

	2010	2009
	%	%
Discount rate	4.20	4.20
Expected rate of return on assets (after tax and expenses)	6.25	6.25
Inflation increases	0.75	0.75
Future pension increases	2.20	2.30

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

⁽¹⁾ More than 90% of the Plan assets are invested in AMP investment products.



AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2010

(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 \$8.4m (2009: \$9.5m) 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.

	2010	2009
The percentage invested in each asset class at the balance date:		
Equity	63 %	66 %
Fixed income	20 %	18 %
Property	12 %	13 %
Cash	5 %	3 %

(k) Defined contribution schemes

Certain controlled entities of the Branch paid \$2.3m (2009: \$1.9m) to fund the deficits of defined contribution schemes.

22. CONTROLLED ENTITY HOLDINGS

Details of investments in significant controlled entities are as follows:

NAME OF COMPANY	COUNTRY OF INCORPORATION	Share type	% Holdings	
			2010	2009
Allmarg Corporation Limited	New Zealand	Ordinary, Preference	100	100
AMP Capital Investments No. 2 Limited	New Zealand	Ordinary A & B, Preference	100	100
AMP Capital Investments No. 8 Limited	New Zealand	Ordinary A, B, Z, Preference	100	100
AMP Capital Investments No. 11 Limited	New Zealand	Ordinary A & B	100	100
AMP Capital Investments No. 14 Limited	New Zealand	Ordinary A & B	100	100
AMP Life (NZ) Investments Holdings Limited	New Zealand	Ordinary	100	100
AMP Life (NZ) Investments Limited	New Zealand	Ordinary	100	100
AMP Services (NZ) Limited	New Zealand	Ordinary	100	100
AMP/ERGO Mortgage and Savings Limited	New Zealand	Ordinary	100	100
ERGO Personal Financial Services Limited ⁽¹⁾	New Zealand	Ordinary	-	100
Arthur Ellis & Co Limited	New Zealand	Ordinary	100	100
Donaghys Limited	New Zealand	Ordinary	50	50
Roost 2007 Limited	New Zealand	Ordinary	100	100
Kiwi Kat Limited ⁽²⁾	New Zealand	Ordinary	70	-

⁽¹⁾ ERGO Personal Financial Services was amalgamated into AMP Services (NZ) Limited during 2010 (2009: AMP Capital Investments Limited and AMP Custodial Investments No. 1 Limited were amalgamated into AMP Capital Investments No. 11).

⁽²⁾ A further 21 % of KiwiKat was acquired during the reporting period, bringing the total shareholding up to 70 %. In 2009 KiwiKat was treated as an associate entity, while in 2010 it is treated as a controlled entity.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2010

23. INVESTMENTS IN ASSOCIATE ENTITIES

Details of significant investments in associated entities are as follows:

NAME OF COMPANY	PRINCIPAL ACTIVITY	Ownership interest		Carrying amount	
		2010 %	2009 %	2010 \$000	2009 \$000
Parent					
AMP Pencarrow Private Capital Joint Venture Fund	Investment vehicle	-	34	-	31,614
Consolidated					
AMP Pencarrow Private Capital Joint Venture Fund	Investment vehicle	-	34	-	31,614
Kiwi Kat Limited ⁽²⁾	Tourism	-	49	-	-
Zeacom Group Limited	Computer Technology	27	27	2,338	3,428
Total investments in associated entities				2,338	35,042

NAME OF UNIT TRUSTS AND OTHER ENTITIES	PRINCIPAL ACTIVITY	Ownership interest		Carrying amount	
		2010 %	2009 %	2010 \$000	2009 \$000
Parent and Consolidated					
AMP Pencarrow Private Capital Joint Venture Fund	Investment vehicle	34	-	12,011	-
	Passive International				
AMP Investments World Index Fund	Equities	46	31	88,497	108,310
AMP Equity Fund	Equity Investment	46	47	132,090	145,450
	Passive International				
AMP Global Equities Fund	Equities	26	-	43,745	-
AMP NZ Property Portfolio	Property Investment	38	38	343,315	347,266
AIGE AIF Strategic Equity Fund	Equity Investment	33	23	167,186	111,261
Total investments in associated unit trusts and other entities				786,844	712,287

24. LEASING AND OTHER COMMITMENTS

		Consolidated		Parent	
		2010	2009	2010	2009
	Note	\$000	\$000	\$000	\$000
Operating lease commitments (non-cancellable)					
Due within one year		4,934	5,109	-	-
Due within one year to five years		12,512	13,463	-	-
Due later than five years		5,902	9,052	-	-
Total operating lease commitments		23,348	27,624	-	-

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 \$1.7m (2009: \$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 outflow in settlement was greater than remote.



AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2010

Commitments

The Branch has an amount of \$4.3m (2009: \$5.3m) uncalled capital in the AMP Pencarrow Private Capital Joint Venture Fund.

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 Pennington	Chief Financial Officer, Director (resigned July 2010)
Mark Byres	Head of Finance
Therese 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 (resigned December 2010)
Blair Vernon	General Manager, Marketing and Distribution
Brent Sincok	General Manager, People and Performance (resigned February 2010)
Chris White	General Manager, People and Performance

(b) Remuneration of key management personnel

Remuneration details for these individuals are as follows:

Key management personnel	Short term benefits	Post employment benefits	Termination benefits	Other	Total
2010	2,827	178	352	538	3,895
2009	2,769	272	150	241	3,432

(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 2010 and 31 December 2009 are unsecured, non interest bearing and settlement occurs in cash or through inter-company accounts as necessary.

The Parent purchases administrative services from AMP Services (NZ) Limited on a fee for service basis (2010: \$70.8m, 2009: \$72.4m). Services purchased include product distribution, marketing, payroll, personnel, computing and accounting services. This amount is eliminated on consolidation of the New Zealand Group.

The Parent 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 (2010: \$1.0m, 2009: \$2.8m). 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 Parent received \$30.0m in dividends from AMP Services Ltd (New Zealand) and \$0.8m from AMP Capital Investments no 11 Ltd. The Parent transferred \$54.3 m from reserves to AMP Life Ltd (Australia). Included within payables is an amount of \$19.7m (2009: nil) relating to the transfer of profit to the Australian parent branch at 31 December 2010.

The Group receives administrative services from AMP Services Limited (Australia) (2010: \$13.2m, 2009: \$8.1m) and investment services from AMP Capital (2010: \$10.5m, 2009: \$8.1m) on a normal commercial basis.



AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2010

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:

		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
Fellow subsidiaries of AMP					
AMP Services Limited (Australia)	2010	-	12,260	-	3,509
	2009	-	8,131	-	1,169
AMP Capital Investors (New Zealand) Limited	2010	311	6,860	-	196
	2009	259	8,113	-	3,911
AMP Life Limited Australia Statutory Fund 1 Limited	2010	-	-	-	-
	2009	-	-	13,449	2
AMP Capital Investors Limited	2010	-	3,614	-	946
	2009	-	-	-	61
AMP Shopping Centres (NZ) Limited	2010	59	-	-	-
	2009	-	-	-	-

No provision for bad debts relating to related party receivables has been raised (2009: 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

Subsequent to balance date, there was a 6.3% downwards adjustment to the unit price of AMP NZ Property Portfolio due to repairs required to a property within this portfolio. The impact of this adjustment on the value of the Group's investment in this portfolio is \$22 million. The impact of the adjustment is shared between policy holders and shareholders and as a result the impact of the adjustment on statutory profit in the current year is estimated to be \$1.5 million. Other than this, there are no other events since balance date that would materially affect these financial statements.

AMP Life Limited (New Zealand Branch)

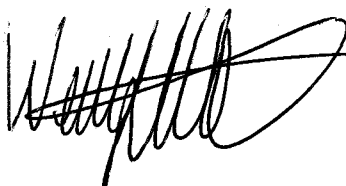
Notes to the Financial Statements for the year ended 31 December 2010

Actuary's Statement

I certify that in my opinion:

- (a) other than in respect of deferred tax balances (see note 2(n)) 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
17 March 2011

Independent Auditor's Report**To the Shareholders of AMP Life Limited****Report on the Financial Statements**

We have audited the financial statements of the New Zealand branch of AMP Life Limited and its subsidiaries on pages 1 to 59, which comprise the statement of financial position of the New Zealand branch of AMP Life Limited and group as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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' Responsibility for the Financial Statements

The directors are responsible for the preparation of the financial statements, in accordance with generally accepted accounting practice in New Zealand, and that give a true and fair view of the matters to which they relate and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). These auditing standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected, depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we have considered the internal control relevant to the New Zealand branch of the company's preparation of the financial statements that give a true and fair view of the matters to which they relate 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 New Zealand branch of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

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

Partners and employees of our firm may deal with the New Zealand branch of the company on normal terms within the ordinary course of trading activities of the business of the New Zealand branch of the company.

Opinion

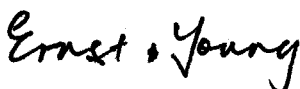
In our opinion, the financial statements on pages 1 to 59:

- ▶ comply with generally accepted accounting practice in New Zealand;
- ▶ comply with International Financial Reporting Standards; and
- ▶ give a true and fair view of the financial position of the New Zealand branch of AMP Life Limited and its subsidiaries as at 31 December 2010 and the financial performance and cash flows of the New Zealand branch of the company and group for the year then ended.

Report on Other Legal and Regulatory Requirements

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.



17 March 2011
Auckland



Level 21, AMP Centre
29 Customs Street West
PO Box 55
Auckland
1010

17 March 2011

Mr Brent Penrose
Ernst & Young
41 Shortland Street
Auckland 1010

Dear Sir

AMP Life Limited (New Zealand Branch)

This representation letter is provided in connection with your audit of the financial report of the above named entity and subsidiaries for the year ended 31 December 2010, for the purpose of you expressing an opinion as to whether the financial report is in accordance with the Companies Act 1993 and the Financial Reporting Act 1993, including:

- (i) Giving a true and fair view of the consolidated entity's financial position as at December 2010 and of its performance for the year ended on that date; and
- (ii) Complying with Generally Accepted Accounting Standards in New Zealand; and

We acknowledge our responsibility for ensuring that the financial report is in accordance with the Companies Act 1993 and the Financial Reporting Act 1993.

We understand that the representations stated in the Directors Questionnaires to Management for 31 December 2010 - attached as Appendix A of this letter - are also relevant to your audit of the financial report. We confirm that those representations form part of the representations we are making to you in this letter.

We confirm, to the best of our knowledge and belief, that:

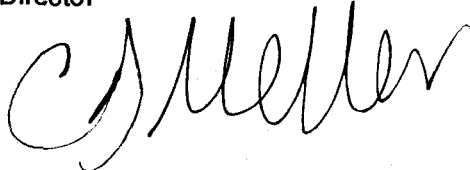
1. The financial report is free from material misstatements including omissions.
2. There have been no irregularities other than any matters already disclosed to you that could have a material effect on the financial report.
3. We have brought all material uncorrected misstatements known to us to your attention. The effects of any uncorrected misstatements are immaterial, both individually and in aggregate, to the financial report as a whole.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial report.
5. Plans or intentions that may affect the carrying value or classification of assets or liabilities have been recognised, measured or disclosed as appropriate in the financial report.

6. We have established and maintained a system of internal controls suitable to permit the preparation of reliable financial reports, and we have maintained adequate financial records. This includes accounting and internal control systems that are designed to prevent and detect fraud and error.
7. We have disclosed to you:
- a) The results of our assessment of the risk that the financial report may be materially misstated as a result of fraud.
 - b) All significant facts relating to any frauds or suspected frauds which are known to us that may have affected the entity.
 - c) Knowledge of frauds or suspected frauds affecting the entity involving others where the fraud could have a material effect on the financial report.
 - d) Any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could materially affect the financial report.
8. Independence
- We are not aware of any act or omission on the part of the entity that does or may impact on your ability to comply with your independence obligations as auditor of the entity. We have brought to your attention any items which we consider may affect your ability to remain independent of the entity and we will continue to work with you to maintain the independence of the audit relationship.
9. Electronic Presentation of the financial report
- With respect to publication of the financial report on our website, we acknowledge that:
- a) We are responsible for the electronic presentation of the financial report;
 - b) We will ensure that the electronic version of the audited financial report and the audit report on the website will be identical to the final signed hard copy version;
 - c) We will clearly differentiate between audited and unaudited information in the construction of the entity's web site as we understand the potential risk of misrepresentation;
 - d) We have assessed the controls over the security and integrity of the data on the web site and that adequate procedures are in place to ensure the integrity of the information published; and
 - e) We will not present your audit report on the financial report with extracts only of the financial report.

Yours faithfully
AMP Life Limited (New Zealand Branch)

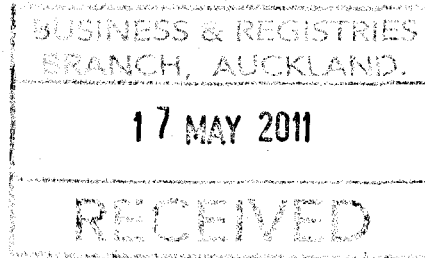


Director RICHARD GRELLMAN



Director CRAIG MELLER

17 March 2011



AMP Life Limited

ABN 84 079 300 379

**Financial Report
for the year ended
31 December 2010**

AMP LIFE LIMITED

ABN 84 079 300 379

FINANCIAL REPORT 31 DECEMBER 2010

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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
Directors' Report
for the year ended 31 December 2010

The directors present their report on AMP Life Limited for the financial year ended 31 December 2010.

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 2010 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	Director, Chief Executive Officer - AMP Limited	
Catherine Brenner	Non-Executive Director	
Anthony Maxwell Coleman	Non-Executive Director	Appointed: 14/02/2011
Ian William Laughlin	Non-Executive Director	Resigned: 10/06/2010
Craig Duncan Meller	Director	
John Leonard Palmer	Non-Executive Director	
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 2010 was a net profit after tax attributable to the shareholder of AMP Life of \$592 million, compared to \$529 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 2010.

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.

AMP Life Limited
Directors' Report
for the year ended 31 December 2010

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)

CRAIG MELLER

(name)

Director

Sydney, 17 March 2011



(signature)

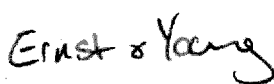
RICHARD GRELLMAN

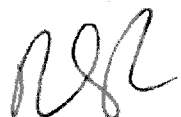
(name)

Director

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 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.


Ernst & Young



Andrew Price
Partner
17 March 2011

AMP Life Limited
Statement of comprehensive income
for the year ended 31 December 2010

	Note	2010 \$m	2009 \$m
Income and expenses of policyholders and the shareholder¹			
Life insurance premium and related revenue	16(a)	1,100	1,049
Fee revenue	2(a)	930	862
Other revenue	2(b)	17	-
Investment gains and (losses)	2(c)	3,393	7,042
Insurance claims and related expenses	16(b)	(1,289)	(1,251)
Operating expenses	3(a)	(1,300)	(1,241)
Finance costs	3(b)	(33)	(5)
Change in policyholder liabilities			
- Life Insurance contracts	16(e)	202	641
- Investment contracts		(2,259)	(5,951)
Profit before income tax		761	1,146
Income tax expense ¹	4(a)	(169)	(617)
Profit attributable to the shareholder of AMP Life Limited		592	529
Other comprehensive income recognised in reserves			
Exchange differences on translation of foreign operations			
- exchange losses		(16)	(8)
Total comprehensive income attributable to the shareholder of AMP Life Limited		576	521

Footnote:

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

AMP Life Limited
Statement of financial position
as at 31 December 2010

	Note	2010 \$m	2009 \$m
Assets			
Cash and cash equivalents		2,354	1,864
Receivables	5	518	514
Current tax assets		-	210
Other assets	6	4	3
Investments in financial assets measured at fair value through profit	7	64,512	64,262
Investment property	8	1,703	1,803
Property, plant and equipment	9	24	31
Deferred tax assets	4(c)	346	325
Intangibles	10	517	517
Investments in controlled entities	7	1,472	1,427
Total assets of policyholders and the shareholder		71,450	70,756
Liabilities			
Payables	11	675	562
Current tax liabilities		190	94
Provisions	12	7	18
Derivative financial liabilities		188	475
Borrowings	13	587	701
Deferred tax liabilities	4(d)	517	544
Life insurance contract liabilities	16	17,762	18,380
Investment contract liabilities	17	48,580	47,239
Total liabilities of policyholders and the shareholder		68,506	68,013
Net assets of AMP Life Limited		2,944	2,743
Equity			
Contributed equity	15	1,091	1,091
Reserves		(48)	(32)
Retained earnings		1,901	1,684
Total equity of AMP Life Limited		2,944	2,743

AMP Life Limited
Statement of changes in equity
for the year ended 31 December 2010

	Contributed equity \$m	Foreign currency translation reserve \$m	Retained earnings \$m	Total equity \$m
31 December 2010				
Balance at the beginning of the period	1,091	(32)	1,684	2,743
Profit	-	-	592	592
Other comprehensive loss	-	(16)	-	(16)
Total comprehensive loss	-	(16)	592	576
Dividends paid	-	-	(375)	(375)
Balance at the end of the period	1,091	(48)	1,901	2,944
31 December 2009				
Balance at the beginning of the period	1,091	(24)	1,355	2,422
Profit	-	-	529	529
Other comprehensive loss	-	(8)	-	(8)
Total comprehensive loss	-	(8)	529	521
Dividends paid	-	-	(200)	(200)
Balance at the end of the period	1,091	(32)	1,684	2,743

AMP Life Limited
Cash flow statement
for the year ended 31 December 2010

	Note	2010 \$m	2009 \$m
Cash flows from operating activities			
Cash receipts in the course of operations		11,172	10,283
Interest and other items of a similar nature received		697	616
Dividends and distributions received		1,130	813
Cash payments in the course of operations		(12,697)	(11,112)
Finance costs		24	20
Income tax refunded/(paid)		97	(131)
Cash flows from operating activities	20(a)	423	489
Cash flows from investing activities			
Net proceeds from sale of/(payments to acquire):			
- investment property		(31)	(5)
- investments in financial assets		260	(1,294)
Proceeds from disposal of subsidiaries and other businesses		297	-
Payments to acquire subsidiaries and other businesses		(19)	-
Cash flows (used in) / from investing activities		507	(1,299)
Cash flows from financing activities			
Proceeds from borrowings		3	396
Repayment of borrowings		(100)	(1)
Net movement in deposits from customers		(10)	(12)
Dividends paid	14	(375)	(200)
Cash flows (used in) / from financing activities		(482)	183
Net increase (decrease) in cash and cash equivalents		448	(628)
Cash and cash equivalents at beginning of the period		4,573	5,202
Effect of exchange rate changes on cash and cash equivalents		(2)	(1)
Cash and cash equivalents at the end of the period	20(b)	5,019	4,573

Notes to the financial statements

for the year ended 31 December 2010

1. BASIS OF PREPARATION AND 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.

Consolidated information has not been prepared to show the financial position and operations of AMP Life and its controlled entities at, or during the year ended, 31 December 2010 in accordance with exemptions available under Australian accounting standards. Consolidated information has been prepared and is available for the ultimate parent, AMP Limited, and its controlled entities.

AMP Life is a registered life insurance entity. As described in Note 1(b) below, the assets and liabilities arising from investment contracts and life insurance contracts are measured predominantly on the basis of fair value. Subject to the exceptions noted in the accounting policies below, other assets and liabilities in this Financial Report are also measured on a fair value basis.

Assets and liabilities have been presented on the face of the Statement of financial position in decreasing order of liquidity and do not distinguish between current and non-current items. The majority of the assets of the AMP Life are investment assets held to back investment contract and life insurance contract liabilities. Although the amount of those assets which may be realised and those liabilities which may be settled within 12 months of the reporting date are not always known, estimates have been provided in Note 17(f) (for life statutory funds). Details of other amounts expected to be recovered or settled (a) no more than 12 months after the reporting date, and (b) more than 12 months after the reporting date, have been provided in footnotes to the relevant notes.

Significant judgements, estimates and assumptions

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

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

Changes in accounting policy

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

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

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

A number of new accounting standards have been issued but not yet effective during 2010. AMP Life Limited has not elected to early adopt any of those new standards or amendments in these Financial statements. These new standards, 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 9 "Financial instruments: Classification and measurement": This standard makes significant changes to the way that financial assets are classified for the purpose of determining their measurement basis and also to the amounts relating to fair value changes which are to be taken directly to equity. AASB 9 is mandatory for adoption by the AMP Life in the year ending 31 December 2013. The financial impact to the AMP Life of adopting this standard has not yet been quantified.

Change in presentation of the Statement of financial position

The Statement of financial position has been enhanced so as to give greater prominence to the categories of financial assets as defined by AASB139 'Financial instruments: Recognition and measurement' with consequential changes to the Statement of cash flows and Note 7. The Statement of financial position now presents investments in financial assets by measurement category whereas previously it presented investment assets by asset type. A split of investments in financial assets by measurement category was previously provided in the notes to the financial statements. Comparatives are presented on a basis consistent with the current period presentation.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(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; and
- life insurance contracts.

For the purposes of this Financial Report, holders of investment contracts or life insurance contracts are collectively and individually referred to as *policy holders* 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*.

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 1(s) and investment contract liabilities are measured at fair value as described in Note 1(r). 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 assets and all non-financial assets, including those not backing investment or insurance contract liabilities, are measured 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(f).

(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. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(e) *Investments in financial assets*

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

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

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

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

- The fair value of equity securities in an active market and listed managed investment schemes reflects the quoted bid price at the reporting date. In the case of equity securities and listed managed investment schemes where there is no active market, a fair value is established by using valuation techniques including the use of recent arms length transactions, references to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.
- The fair value of listed debt securities reflect the bid price at the reporting date. Listed debt securities that are not frequently traded are valued by discounting estimated recoverable amounts. The fair value of unlisted debt securities are valued using interest rate yields obtainable on comparable listed investments. The fair value of loans is determined by discounting the estimated recoverable amount using prevailing interest rates.
- The fair value of investments in unlisted managed investment schemes is determined on the basis of published redemption prices of those managed investment scheme at the reporting date.
- The fair value of derivative financial assets are determined in accordance with the policy set out in Note 1(p).

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

(f) *Investments in controlled entities*

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

(g) *Associated entities*

Associated entities are defined as those entities over which the AMP Life has significant influence but there is no capacity to control. Investments in associates, other than those backing investment contracts and life insurance contracts, are measured at cost less impairment plus AMP Life's share of post acquisition profit or loss and reserves.

Equity 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 in Note 1(e).

(h) *Investment property*

Investment property is held to earn revenue from rentals and/or for the purposes of capital appreciation. Investment property includes all directly held freehold and leasehold properties. There are no property interests held under operating leases accounted for as investment property.

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

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

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

The carrying value of each investment property is assessed at reporting date to ensure there has been no material change to the fair value since the valuation date.

AMP Life Limited
Notes to the financial statements
for the year ended 31 December 2010

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

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

(j) Goodwill

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

(k) 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 and intangibles 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, 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.

(l) Taxes

Tax consolidation

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

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

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

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

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

Income tax for investment contracts and life insurance contracts business

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

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

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 recognized as a decrease in investment contract liabilities and not included in income tax expense. Amounts payable to the Australian Taxation Office are classified as 'other payables – other entities' at year end.

AMP Life Limited
Notes to the financial statements
for the year ended 31 December 2010

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

Income Tax expense

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

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

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

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

Deferred tax

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

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

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

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

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

Goods and services tax

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

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

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

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

(m) 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.

(n) 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.
- 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.

(o) Borrowings

All borrowings are financial liabilities and are initially recognised at fair value. All borrowings are subsequently measured at fair value with movements recognised in the Statement of comprehensive income.

AMP Life Limited
Notes to the financial statements
for the year ended 31 December 2010

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(p) Derivative financial assets and derivative financial liabilities

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 recognised 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; 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.

(q) Recognition and derecognition of financial assets and financial liabilities

Financial assets and financial liabilities 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.

(r) Investment contract liabilities

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

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.

(s) Life insurance contract liabilities

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

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

Allocation of operating profit and unvested policyholder benefits

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

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

Profit allocated to participating policyholders is recognised in the 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.

AMP Life Limited
Notes to the financial statements
for the year ended 31 December 2010

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

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

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

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

Allocation of expenses within the life statutory funds

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

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

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

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

(t) 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.

(u) Foreign currency transactions

Functional and presentation currency

Items included in the financial statements for AMP Life 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.

AMP Life Limited
Notes to the financial statements
for the year ended 31 December 2010

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(v) Insurance premium and related revenue

Life insurance contracts

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

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

Investment contracts

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

- Origination fees and ongoing investment management fees. See Note 1(w).
- Amounts credited directly to investment contract liabilities. See Note 1(r).

(w) 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(r).

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(z).

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

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

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

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

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

(y) Insurance claims and related expense

Life insurance contracts

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

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

Investment contracts

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

(z) Operating expenses

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

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(w).

AMP Life Limited
Notes to the financial statements
for the year ended 31 December 2010

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

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

(aa) Finance costs

Finance costs include:

- (i) Borrowing costs:
 - interest on bank overdrafts and borrowings
 - amortisation of discounts or premiums related to borrowings
 - finance charges in relation to finance leases
- (ii) Exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs
- (iii) Foreign exchange gains and losses and other financing related amounts.

Borrowing costs are recognised as expenses when incurred. The accounting policy for derivatives is set out in Note 1(p).

AMP Life Limited
Notes to the financial statements
for the year ended 31 December 2010

2. INCOME

	2010 \$m	2009 \$m
(a) Fee revenue		
Investment contract and origination fees	857	797
Investment management fees		
- related entities	25	18
- other entities	2	-
Service fees		
- related entities	46	47
Total fee revenue¹	930	862
(b) Other revenue		
Other revenue	17	-
Total other revenue	17	-
(c) Investment gains and losses		
Interest revenue ²		
- related entities	109	86
- other entities	593	523
Dividends and distributions		
- related entities	1,918	1,396
- associated entities	39	39
- other entities	700	523
Rental income	150	147
Net realised and unrealised gains / (losses) ³	(132)	4,306
Other investment income	16	22
Total investment gains and (losses)	3,393	7,042

Footnote:

1 Total fee revenues include fee income from trust and fiduciary activities that result in the holding or investing of assets on behalf of individuals, trusts, retirement benefit plans, and other institutions.

2 Interest includes interest income from financial assets measured at fair value through profit or loss, designated as such upon initial recognition.

3 Net realised and unrealised gains and losses include net gains and losses on financial assets and financial liabilities designated at fair value through profit or loss upon initial recognition.

AMP Life Limited
Notes to the financial statements
for the year ended 31 December 2010

3. EXPENSES

	2010 \$m	2009 \$m
(a) Operating expenses		
Commission and advisor fee-for-service expense	(333)	(304)
Investment management expenses		
- related entities	(225)	(190)
- other entities	(11)	(17)
Fees and commission expenses¹	(569)	(511)
Direct property expenses ²	(43)	(45)
Occupancy and property maintenance expenses	5	6
Service fee expense		
- related entities	(639)	(622)
Information technology and communication	(2)	(2)
Professional fees	(2)	(2)
Other expenses	(50)	(65)
Other operating expenses	(731)	(730)
Total operating expenses	(1,300)	(1,241)
(b) Finance costs		
Interest expense on borrowings		
- other entities	(29)	(2)
Other finance costs	(4)	(3)
Total finance costs	(33)	(5)

Footnote:

1 Fee and commission expenses include fee expenses from trust and other fiduciary activities that are result in the holding or investing of assets on behalf of individuals, trusts, retirement benefit plans, and other institutions.

2 Direct property expenses relate to investment properties which generate rental income.

AMP Life Limited
Notes to the financial statements
for the year ended 31 December 2010

4. INCOME TAX

	2010 \$m	2009 \$m
(a) Analysis of income tax (expense) credit		
Current tax	(224)	(26)
(Decrease) / Increase in deferred tax assets	8	(339)
(Increase) / Decrease in deferred tax liabilities	54	(257)
Over/(under) provided in previous years including amounts attributable to policyholders	(14)	5
Effect of change in overseas tax rate ¹	7	-
Income tax (expense) credit	(169)	(617)

Footnotes:

¹ The income tax credit from effect of change in tax rate on deferred tax balances is due to a reduction in the New Zealand corporate tax rate from 30% to 28%.

(b) Relationship between income tax expense and accounting profit

The following 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 which applies in Australia is 30% and New Zealand is 30%. 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 policyholder liabilities. A number of different tax rate regimes apply to policyholders. In Australia, certain classes of policyholder life insurance income and superannuation earnings are taxed at 15%, and certain classes of income on some annuity business are tax exempt. The rate applicable to New Zealand life insurance business during the period was 30%.

	2010 \$m	2009 \$m
Profit/(loss) before income tax	761	1,146
Policyholder tax credit / (expense) recognised as a change in policyholder liabilities in determining profit before income tax	62	(441)
Profit before income tax excluding policyholder tax	823	705
Prima facie tax at the rate of 30% (2009: 30%)	(247)	(212)
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	21	37
Non-deductible expenses	(6)	(17)
Non-taxable income	22	16
Effect of change in overseas tax rate	7	-
Tax offsets and credits	4	3
Other items	(11)	(8)
(Under)/over provided in previous years after excluding amounts attributable to policyholders	(21)	5
Income tax (expense) credit attributable to shareholders	(231)	(176)
Income tax (expense) credit attributable to policyholders	62	(441)
Income tax (expense) credit per Statement of comprehensive income	(169)	(617)

AMP Life Limited
Notes to the financial statements
for the year ended 31 December 2010

4. INCOME TAX (CONTINUED)

	2010	2009
	\$m	\$m
(c) Analysis of deferred tax asset		
Expenditure deductible and income recognising in future years	19	13
Unrealised movements on borrowings and derivatives	7	(3)
Unrealised investment losses in the statutory funds	36	77
Losses available for offset against future taxable income	262	185
Other	22	53
Total deferred tax assets	346	325
(d) Analysis of deferred tax liability		
Unrealised investment gains	402	412
Deferred tax on New Zealand life insurance policy liabilities	97	101
Other	18	31
Total deferred tax liability	517	544

5. RECEIVABLES

	2010	2009
	\$m	\$m
Investment income and sales proceeds receivable	147	142
Life insurance contract premiums receivable	271	284
Reinsurance and other recoveries receivable	8	4
Reinsurers' share of life insurance contract liabilities	65	44
Other receivables		
- related entities	17	30
- other entities	10	10
Total receivables¹	518	514

Footnotes:

1 \$22m of receivables are non current (2009: nil).

6. Other assets

	2010	2009
	\$m	\$m
Prepayments	4	3
Total other assets	4	3

Footnotes:

1 All other assets are current.

AMP Life Limited
Notes to the financial statements
for the year ended 31 December 2010

7. INVESTMENT IN FINANCIAL ASSETS

	2010 \$m	2009 \$m
Investments in financial assets measured at fair value through profit or loss		
Equity securities and listed managed investment schemes	11,473	12,043
Debt securities	10,636	10,094
Investments in unlisted managed investment schemes	41,767	41,026
Derivative financial assets	466	925
Other financial assets ¹	170	174
Total investments in financial assets measured at fair value through profit or loss	64,512	64,262
Shareholder fund investments in controlled entities	1,472	1,427

Footnote:

1. Other financial assets primarily consists of policyholder investments in a external life insurance fund.

AMP Life Limited
Notes to the financial statements
for the year ended 31 December 2010

8. INVESTMENT PROPERTY

	2010 \$m	2009 \$m
Investment property		
Directly held	1,703	1,603
Total investment property¹	1,703	1,603
Movements in investment property		
Balance at the beginning of the period	1,603	1,749
Additions		
- subsequent expenditure recognised in carrying amount	31	77
Disposals	-	(76)
Net gains/(losses) from fair value adjustments	69	(147)
Balance at the end of the period	1,703	1,603

Footnotes:

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

Valuation of investment property

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

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

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

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

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

AMP Life Limited
Notes to the financial statements
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9. PROPERTY, PLANT AND EQUIPMENT

31 December 2010	Leasehold Improvements \$m	Plant & Equipment \$m	Total \$m
Property, plant and equipment			
Gross carrying amount	61	64	125
Less: accumulated depreciation and impairment losses	(52)	(49)	(101)
Property, plant and equipment at written down value	9	15	24
Movements in property, plant and equipment			
Balance at the beginning of the period	13	18	31
Additions			
- through direct acquisitions	-	3	3
Depreciation expense for the period	(4)	(6)	(10)
Balance at the end of the period	9	15	24

31 December 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

AMP Life Limited
Notes to the financial statements
for the year ended 31 December 2010

10. INTANGIBLE ASSETS

31 December 2010	Goodwill \$m	Total \$m
Intangibles		
Gross carrying amount	517	517
Less: accumulated amortisation and / or impairment losses	-	-
Intangibles at written down value	517	517

31 December 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

Impairment testing of goodwill

Goodwill attributable to the shareholder

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

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

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

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

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

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

Assumptions applied in estimating the embedded value are consistent with the best estimate assumptions used in calculating the policy liabilities of AMP Life except that embedded value includes a risk discount rate. Note 1(s) and Note 16 provide extensive details with respect to the assumptions, management's approach to determining the values assigned to each key assumption and their consistency with past experience and external sources of information. Note 1(s) also discloses that premium and claim amounts are estimated over the expected life of the in-force policies which varies depending on the nature of the product. Note 16 provides details of discontinuance rates used for projections and the fact that future maintenance and investment expenses are based on unit costs derived from budgeted amounts for the following year and increased in future years for expected rates of inflation. The embedded value calculation uses a risk discount rate of the annualised 10 year bond yield of 5.6% in Australia (31 December 2009: 5.7%) and 5.7% in New Zealand (31 December 2009: 6.2%) with a 3.0% margin (31 December 2009: 3.0%).

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

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

AMP Life Limited
Notes to the financial statements
for the year ended 31 December 2010

11. PAYABLES

	2010 \$m	2009 \$m
Payables		
Investment purchases payable	13	23
Life insurance and investment contracts in process of settlement	181	172
Accrued expenses	22	28
Other payables		
- related entities	74	41
- other entities	385	298
Total payables¹	675	562

Footnote:

1 All payables are current (2009: \$1m are non-current).

12. PROVISIONS

	2010 \$m	2009 \$m
Provisions		
Systems and other project expenditures	7	18
Total provisions¹	7	18

	2010 \$m	2009 \$m
Movements in provisions		
Balance at the beginning of the period	18	20
Additional provisions made during the period	9	18
Unused amounts reversed during the period	(6)	(6)
Payments/other sacrifices of economic benefits	(14)	(14)
Balance at the end of the period	7	18

Footnotes:

1 All provisions are current.

13. BORROWINGS

	2010 \$m	2009 \$m
Borrowings		
Deposits		
- other entities	139	154
Other borrowings		
- related parties	448	547
Total borrowings¹	587	701

Footnote:

1 All borrowings are current.

AMP Life Limited
Notes to the financial statements
for the year ended 31 December 2010

14. DIVIDENDS

	2010 \$m	2009 \$m
Dividends paid during the period		
Unfranked dividend of \$32.91 (31 December 2009: \$17.55) per ordinary share	(375)	(200)
Total dividends paid	(375)	(200)

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.

	2010 \$m	2009 \$m
Contributed equity		
Balance at the beginning of the period	1,091	1,091
11,393,668 (31 December 2009: 11,393,668) ordinary shares fully paid		
Total balance of contributed equity at the end of the period	1,091	1,091

AMP Life Limited
Notes to the financial statements
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16. LIFE INSURANCE CONTRACTS

	2010 \$m	2009 \$m
(a) Analysis of life insurance contract premium and related revenue		
Total life insurance contract premiums received and receivable	1,802	1,871
Less: component recognised as a change in life insurance contract liabilities	(751)	(854)
Life insurance contract premium revenue ¹	1,051	1,017
Reinsurance recoveries	49	32
Total life insurance contract premium and related revenue	1,100	1,049
(b) Analysis of life insurance contract claims and related expenses		
Total life insurance contract claims paid and payable	(2,344)	(2,227)
Less: component recognised as a change in life insurance contract liabilities	1,103	1,024
Life insurance contract claims expense	(1,241)	(1,203)
Outwards reinsurance expense	(48)	(48)
Total life insurance contract claims and related expenses	(1,289)	(1,251)
(c) Analysis of life insurance contract operating expenses		
Life insurance contract acquisition expenses		
- Commission	(56)	(45)
- Other	(88)	(87)
Life insurance contract maintenance expenses		
- Commission	(91)	(85)
- Other	(286)	(268)
Investment management expenses	(39)	(39)

Footnote:

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

AMP Life Limited
Notes to the financial statements
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16. LIFE INSURANCE CONTRACTS (CONTINUED)

	2010 \$m	2009 \$m
(d) Life insurance contract liabilities		
Life insurance contract liabilities determined using projection method		
Best estimate liability		
- value of future life insurance contract benefits	10,765	10,812
- value of future expenses	2,697	2,588
- value of future premiums	(9,595)	(9,123)
Value of future profits		
- life insurance contract holder bonuses	2,021	2,150
- shareholders' profit margins	2,439	2,373
Total life insurance contract liabilities determined using the projection method¹	8,327	8,800
Life insurance contract liabilities determined using the accumulation method		
Best estimate liability		
- Value of future life insurance contract benefits	7,664	7,932
- Value of future acquisition expenses	(9)	(10)
Total life insurance contract liabilities determined using the accumulation method	7,655	7,922
Value of declared bonus	338	270
Unvested life insurance contract holder benefits ¹	1,377	1,344
Total life insurance contract liabilities before reinsurance	17,697	18,336
Add: Reinsurers' share of life insurance contract liabilities	65	44
Total life insurance contract liabilities per the Statement of financial position	17,762	18,380

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.

AMP Life Limited
Notes to the financial statements
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16. LIFE INSURANCE CONTRACTS (CONTINUED)

		Parent	
	Note	2010 \$m	2009 \$m
(e) Reconciliation of changes in life insurance contract liabilities			
Total life insurance contract liabilities at the beginning of the period		18,380	19,250
Change in life insurance contract liabilities recognised in the statement of comprehensive income		(202)	(841)
Premiums recognised as an increase in life insurance contract liabilities	16(a)	751	854
Claims recognised as a decrease in life insurance contract liabilities	16(b)	(1,103)	(1,024)
Change in reinsurers' share of life insurance contract liabilities		21	(10)
Foreign exchange adjustment		(85)	(49)
Total life insurance contract liabilities at the end of the period	16(d)	17,762	18,380

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

AMP Life Limited
Notes to the financial statements
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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	Fixed Interest	Cash
Australia					
31 December 2010	3.0%	2.5%	2.0%	0.50%	(0.50%)
31 December 2009	3.0%	2.5%	2.0%	0.25%	(0.50%)
New Zealand					
31 December 2010	3.0%	2.5%	2.0%	0.50%	(0.50%)
31 December 2009	3.0%	2.5%	2.0%	0.25%	(0.50%)

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

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

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

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

(iii) Future participating benefits

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

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

- allowance for an appropriate degree of benefit smoothing
- reasonable expectations of policyholders
- equity between generations of policyholders applied across different classes and types of business
- ongoing solvency and capital adequacy.

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

AMP Life Limited
Notes to the financial statements
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16. LIFE INSURANCE CONTRACTS (CONTINUED)

(iii) *Future participating benefits (continued)*

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

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

Terminal bonus

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

Crediting rates (Investment account)

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

(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 2010	2.9% CPI, 3.0% Expenses	3.3% CPI, 3.0% Expenses
31 December 2009	2.8% CPI, 3.0% Expenses	3.4% CPI, 3.0% Expenses

(vi) *Bases of taxation*

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

(vii) *Voluntary discontinuance*

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

Future rates of discontinuance used at 31 December 2010 are unchanged from those assumed at 31 December 2009 except for:

- Australia – reduction in lapse rates for Conventional Superannuation.
- New Zealand – higher withdrawal rates on lump sum risk and a small reduction in lapse rates for whole of life conventional business.

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

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

AMP Life Limited
Notes to the financial statements
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16. LIFE INSURANCE CONTRACTS (CONTINUED)

(viii) Surrender values

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

(ix) Mortality and morbidity

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

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

Typical mortality assumptions, in aggregate, are as follows:

Risk products	Conventional - % of IA95-97		Term - % of IA95-97		FLS Risk - % of IA95-97	
	Male	Female	Male	Female	Male	Female
Australia	75%	75%	63%	63%	63%	63%
New Zealand	73%	73%	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 and termination rates are unchanged from those at 31 December 2009.

For trauma cover, standard tables are not available and so assumptions are mostly based on Australian population statistics, with adjustment for smoking status as well as AMP Life's recent claim experience. Assumptions at 31 December 2010 are unchanged from those used at 31 December 2009.

The Actuarial tables used were as follows:

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

AMP Life Limited
Notes to the financial statements
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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 2009 to 31 December 2010 in respect of life insurance contracts (excluding new business contracts which are measured using assumptions at reporting date) is as shown in the table below.

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

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

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

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

(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.

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

Notes to the financial statements

for the year ended 31 December 2010

16. LIFE INSURANCE CONTRACTS (CONTINUED)

(h) Life insurance risk

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

The design of products carrying insurance risk is managed 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
<i>Non-participating life insurance contracts with fixed and guaranteed terms (term life and disability and yearly renewable)</i>	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. Premium rates for yearly renewable business are not guaranteed and may be changed at AMP Life's discretion for the portfolio as a whole.	Benefits, defined by the insurance contract, are not directly affected by the performance of underlying assets or the performance of any associated investment contracts as a whole.	Mortality, morbidity, lapses, expenses and market earning rates on assets backing the liabilities.
<i>Life annuity contracts</i>	In exchange for an initial single premium, these policies provide a guaranteed regular income for the life of the insured.	The amount of the guaranteed regular income is set at inception of the policy including any indexation.	Longevity, expenses and market earning rates on assets backing the liabilities.
<i>Conventional life insurance contracts with discretionary participating benefits (endowment and whole of life)</i>	These policies combine life insurance and savings. The policyholder pays a regular premium and receives the specified sum 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 <i>Life Act</i> . 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.
<i>Investment account contracts with discretionary participating features</i>	The gross value of premiums received is invested in the investment account with fees and premiums for any associated insurance cover being deducted from the account balance. 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 <i>Life Act</i> . 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.

AMP Life Limited
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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 2010	903	2,416	5,420	8,739
31 December 2009	1,129	3,120	5,741	9,990

17. OTHER LIFE INSURANCE AND INVESTMENT CONTRACTS DISCLOSURES

	2010 \$m	2009 \$m
(a) Analysis of life insurance and investment contract profit		
Components of profit related to life insurance and investment contract liabilities:		
- Planned margins of revenues over expenses released	410	399
- Profits (losses) arising from difference between actual and assumed experience	18	14
- Capitalised (losses) reversals	1	-
Profit related to life insurance and investment contract liabilities	429	413
Attributable to:		
- Life insurance contracts	254	321
- Investment contracts	175	92
Investment earnings on assets in excess of life insurance and investment contract liabilities	90	62

(b) 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.

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

AMP Life Limited
Notes to the financial statements
for the year ended 31 December 2010

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 2010 was 71% (31 December 2009 – 76%).

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 2010 was 36% (31 December 2009: 36%).

AMP Life Limited
Notes to the financial statements
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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 APRA returns. The solvency requirements are as follows:

		No 1 Statutory fund \$m	No 2 Statutory fund \$m	No 3 Statutory fund \$m	Total Statutory Funds \$m
2010					
Solvency requirement					
Net Minimum Termination Value (MTV)		18,342	45,130	713	64,185
Adjusted Other liabilities		1,805	1,587	73	3,465
Solvency reserve	B	2,075	204	3	2,282
Total solvency requirement	A	22,222	46,921	789	69,932
Assets available for solvency					
Net assets		1,476	339	5	1,820
Liability for Unvested Policy Owner Benefits		1,376	-	-	1,376
Excess of net policy liabilities (including policy owner bonuses) over MTV		638	74	2	714
Total assets available for solvency	C	3,490	413	7	3,910
Solvency Reserve %	B/(A-B)*100	10.3%	0.4%	0.3%	3.4%
Coverage of Solvency Reserve	C/B	1.7	2.0	2.5	1.7
2009					
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

AMP Life Limited
Notes to the financial statements
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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.

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

(f) Amounts expected to be recovered or settled 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 \$9,764 million (2009: \$9,763 million) of policy liabilities may be settled within 12 months of the reporting date.

(g) Disaggregated information

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.

AMP Life Limited
Notes to the financial statements
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17. OTHER LIFE INSURANCE AND INVESTMENT CONTRACTS DISCLOSURES (CONTINUED)

(g) Disaggregated Information (continued)

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

	No 1 Statutory Fund \$m	No 2 Statutory Fund \$m	No 3 Statutory Fund \$m	Share- holders' Fund \$m	Total \$m
2010					
Income and expenses of policyholders and the					
Insurance premium and related revenue	1,100	-	-	-	1,100
Fee revenue	43	828	12	47	930
Other revenue	2	15	-	-	17
Investment gains and (losses)	1,228	2,076	46	43	3,393
Insurance claims and related expenses	(1,289)	-	-	-	(1,289)
Operating expenses	(617)	(678)	(9)	4	(1,300)
Finance costs	(16)	(15)	(2)	-	(33)
Change in policyholder liabilities					
- Life insurance contract liabilities	202	-	-	-	202
- Investment contract liabilities	(134)	(2,102)	(23)	-	(2,259)
Profit / (loss) before income tax	519	124	24	94	761
Income tax (expense) / credit	(175)	40	(14)	(20)	(169)
Net profit for the year	344	164	10	74	592

	No 1 Statutory Fund \$m	No 2 Statutory Fund \$m	No 3 Statutory Fund \$m	Share- holders' Fund \$m	Total \$m
2009					
Income and expenses of policyholders and the					
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 policyholder liabilities					
- Life insurance contract liabilities	641	-	-	-	641
- Investment contract liabilities	(114)	(5,754)	(83)	-	(5,951)
Profit before income tax	415	613	44	74	1,146
	(63)	(499)	(35)	(20)	(617)
Net profit for the year	352	114	9	54	529

AMP Life Limited
Notes to the financial statements
for the year ended 31 December 2010

17. OTHER LIFE INSURANCE AND INVESTMENT CONTRACTS DISCLOSURES (CONTINUED)

(g) Disaggregated information (continued)

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

2010	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						
Investments in financial assets measured at fair value through profit or loss	19,162	44,276	720	388	(34)	64,512
Investment property	121	1,582	-	-	-	1,703
Investments in controlled entities	1,216	225	3	28	-	1,472
Other assets	2,937	465	25	727	(391)	3,763
Total assets of policyholders and the shareholder	23,436	46,548	748	1,143	(425)	71,450
Liabilities						
Life insurance contract liabilities	17,762	-	-	-	-	17,762
Investment contract liabilities	2,660	45,205	715	-	-	48,580
Other liabilities	1,538	1,004	28	19	(425)	2,164
Total liabilities of policyholders and the shareholder	21,960	46,209	743	19	(425)	68,506
Net assets of AMP Life Limited	1,476	339	5	1,124	-	2,944
Equity						
Contributed equity	303	285	-	503	-	1,091
Reserves	(33)	-	-	(15)	-	(48)
Retained earnings	1,206	54	5	636	-	1,901
Total equity of AMP Life Limited	1,476	339	5	1,124	-	2,944

AMP Life Limited
Notes to the financial statements
for the year ended 31 December 2010

17. OTHER LIFE INSURANCE AND INVESTMENT CONTRACTS DISCLOSURES (CONTINUED)

(g) Disaggregated information (continued)

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

	No 1 Statutory Fund \$m	No 2 Statutory Fund \$m	No 3 Statutory Fund \$m	Share- holders' Fund \$m	Elim- inations \$m	Total \$m
31 December 2009						
Assets						
Investments in financial assets measured at fair value through profit or loss	20,246	42,973	755	323	(35)	64,262
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	(112)	3,464
Total assets of policyholders and the shareholder	24,066	45,127	789	921	(147)	70,756
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	(147)	2,394
Total liabilities of policyholders and the shareholder	22,560	44,797	783	20	(147)	68,013
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

AMP Life Limited
Notes to the financial statements
for the year ended 31 December 2010

17. OTHER LIFE INSURANCE AND INVESTMENT CONTRACTS DISCLOSURES (CONTINUED)

(g) Disaggregated information (continued)

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

	No 1 Statutory Fund \$m	No 2 Statutory Fund \$m	No 3 Statutory Fund \$m	Share- holders' Fund \$m	Total \$m
2010					
Opening retained earnings	1,222	45	6	411	1,684
Net profit for the year	344	164	10	74	592
Transfers between statutory and shareholders' funds	(360)	(155)	(11)	526	-
Dividends paid	-	-	-	(375)	(375)
Closing retained earnings	1,206	54	5	636	1,901
	No 1 Statutory Fund \$m	No 2 Statutory Fund \$m	No 3 Statutory Fund \$m	Share- holders' Fund \$m	Total \$m
2009					
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	-
Dividends paid	-	-	-	(200)	(200)
Closing retained earnings	1,222	45	6	411	1,684

AMP Life Limited
Notes to the financial statements
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17. OTHER LIFE INSURANCE AND INVESTMENT CONTRACTS DISCLOSURES (CONTINUED)

(g) Disaggregated information (continued)

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

	Non- Investment Linked \$m	Investment Linked \$m	Total Statutory Funds \$m	Share- holders' Fund \$m	Total \$m
2010					
Income and expenses of policyholders and the shareholders					
Insurance premium and related revenue	1,100	-	1,100	-	1,100
Fee revenue	41	842	884	47	930
Other revenue	2	15	17	-	17
Investment gains and (losses)	1,221	2,129	3,349	43	3,393
Insurance claims and related expenses	(1,289)	-	(1,289)	-	(1,289)
Operating expenses	(617)	(687)	(1,304)	4	(1,300)
Finance costs	(16)	(17)	(33)	-	(33)
Change in policyholder liabilities					
- Life insurance contract liabilities	202	-	202	-	202
- Investment contract liabilities	(127)	(2,132)	(2,259)	-	(2,259)
Profit / (loss) before income tax	517	150	667	94	761
Income tax (expense) / credit	(174)	25	(149)	(20)	(169)
Net profit for the year	343	175	518	74	592

	Non- Investment Linked \$m	Investment Linked \$m	Total Statutory Funds \$m	Share- holders' Fund \$m	Total \$m
2009					
Income and expenses of policyholders and the shareholders					
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 policyholder liabilities					
- Life insurance contract liabilities	641	-	641	-	641
- Investment contract liabilities	(102)	(5,849)	(5,951)	-	(5,951)
Profit 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

AMP Life Limited
Notes to the financial statements
for the year ended 31 December 2010

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

	Non- Investment Linked \$m	Investment Linked \$m	Total Statutory Funds \$m	Share- holders' Fund \$m	Elim \$m	Total \$m
2010						
Assets						
Investments in financial assets measured at fair value through profit or loss	19,068	45,089	64,158	388	(34)	64,512
Investment property	121	1,582	1,703	-	-	1,703
Investments in controlled entities	1,161	283	1,444	28	-	1,472
Other assets	2,996	432	3,428	727	(391)	3,763
Total assets of policyholders and the shareholder	23,346	47,386	70,732	1,143	(425)	71,450
Liabilities						
Life insurance contract liabilities	17,762	-	17,762	-	-	17,762
Investment contract liabilities	2,562	46,017	48,580	-	-	48,580
Other liabilities	1,547	1,024	2,571	19	(425)	2,164
Total liabilities of policyholders and the shareholder	21,871	47,041	68,912	19	(425)	68,506
Net assets of AMP Life Limited	1,475	345	1,820	1,124	-	2,944
Equity						
Contributed equity	303	285	588	503	-	1,091
Reserves	(31)	(2)	(33)	(15)	-	(48)
Retained earnings	1,203	62	1,265	636	-	1,901
Total equity of AMP Life Limited	1,475	345	1,820	1,124	-	2,944

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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)

	Non- Investment Linked \$m	Investment Linked \$m	Total Statutory Funds \$m	Share- holders' Fund \$m	Elim \$m	Total \$m
31 December 2009						
Assets						
Investments in financial assets measured at fair value through profit or loss	20,093	43,881	63,974	323	(35)	64,262
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	(112)	3,464
Total assets of policyholders and the shareholder	23,978	46,004	69,982	921	(147)	70,756
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	(147)	2,394
Total liabilities of policyholders and the shareholder	22,472	45,668	68,140	20	(147)	68,013
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

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17. OTHER LIFE INSURANCE AND INVESTMENT CONTRACTS DISCLOSURES (CONTINUED)

(g) Disaggregated information (continued)

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

	Non- Investment Linked \$m	Investment Linked \$m	Total Statutory Funds \$m	Shareholders' Fund \$m	Total \$m
2010					
Opening retained earnings	1,219	54	1,273	411	1,684
Net profit for the year	343	175	518	74	592
Transfers between statutory and shareholders' funds	(359)	(167)	(526)	526	-
Dividends paid	-	-	-	(375)	(375)
Closing retained earnings	1,203	63	1,266	636	1,901

	Non- Investment Linked \$m	Investment Linked \$m	Total Statutory Funds \$m	Shareholders' Fund \$m	Total \$m
2009					
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	2	(2)	-	-	-
Dividends paid	-	-	-	(200)	(200)
Closing retained earnings	1,219	54	1,273	411	1,684

AMP Life Limited
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18. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS DISCLOSURES

Financial Risk Management

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.

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

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

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

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

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.

The directors and boards of AMP Life Limited are required to comply with the Board approved risk appetite as well as responsible for approving policyholder asset and liability strategy and allocating subsidiary shareholder capital investment and for reporting to the AMP Life AC, and Life ALCO on financial risks.

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

Information about the AMP Life's capital management activities, including the relationship with regulatory requirements on the regulated entities, within the AMP group is provided in Note 19.

(a) Risks and mitigation

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

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

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

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

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18. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

(b) Market risk sensitivity analysis

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

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

(i) Interest rate risk

Interest rate risk is the risk of an impact on AMP Life's profit after tax and equity from movements in market interest rates, including changes in the absolute levels of interest rates, the shape of the yield curve, the margin between different yield curves and the volatility of interest rates.

Interest rate risk arises from interest bearing financial assets and financial liabilities in various activities of AMP Life. Management of those risks is decentralised according to the activity.

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

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

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

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

Interest rate risk sensitivity analysis

This analysis demonstrates the impact of a 100 basis point change in Australian and International interest rates, with all other variables held constant, on profit after tax and equity. It is assumed that all underlying exposures and related hedges are included in the sensitivity analysis, that the 100 basis point change occurs as at the reporting date and that there are concurrent movements in interest rates and parallel shifts in the yield curves. A sensitivity level of 100 basis points is determined considering the range of interest rates applicable to interest bearing financial assets and financial liabilities in AMP Life.

Change in variables	31 December 2010		31 December 2009	
	Impact on profit after tax	Impact on equity	Impact on profit after tax	Impact on equity
	\$m	\$m	\$m	\$m
+ 100 basis points	(14)	(14)	(30)	(30)
- 100 basis points	16	16	31	31

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18. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

(ii) Currency risk

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

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

Currency risk sensitivity analysis

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

Change in variables	31 December 2010		31 December 2009	
	Impact on	Impact on	Impact on	Impact on
	profit after tax \$m	equity \$m	profit after tax \$m	equity \$m
10% depreciation of AUD	8	8	9	9
10% appreciation of AUD	(8)	(8)	(9)	(9)

(iii) Equity price risk

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

Sensitivity analysis

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

Change in variables	31 December 2010		31 December 2009	
	Impact on	Impact on	Impact on	Impact on
	profit after tax \$m	equity \$m	profit after tax \$m	equity \$m
10% increase in Australian equities	9	9	15	15
10% increase in International equities	8	8	9	9
10% decrease in Australian equities	(9)	(9)	(15)	(15)
10% decrease in International equities	(8)	(8)	(9)	(9)

(c) Liquidity and re-financing risk

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

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

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

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18. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

Liquidity and re-financing risk (continued)

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

Maturity profiles of undiscounted financial liabilities¹

	Up to 1 Year or no term \$m	1 to 5 Years \$m	More than 5 Years \$m	Other ² \$m	Total \$m
2010					
Payables	673	2	-	-	675
Borrowings	583	-	-	-	583
Investment contract liabilities ²	749	946	1,463	46,017	49,175
Total undiscounted financial liabilities³	2,005	948	1,463	46,017	50,433
2009					
Payables	562	-	-	-	562
Borrowings	697	-	-	-	697
Investment contract liabilities ²	579	1,166	1,467	44,815	48,027
Total undiscounted financial liabilities³	1,839	1,166	1,467	44,815	49,286

Footnotes:

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

2 Investment contract liabilities of \$46,017m (2009: \$44,815m) are liabilities to policyholders for investment linked business linked to the performance and value of assets that back those liabilities. If all those policyholders claimed their funds, there may be some delays in settling the liability as assets are liquidated, but the shareholder has no direct exposure to any liquidity risk.

3 Estimated net cash outflow profile of life insurance contract liabilities is disclosed in Note 16(i).

(d) Credit risk

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

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

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

Credit risk on the invested fixed income portfolios in the AMP Life statutory funds is managed by the AMP Capital Investors Risk and Compliance Committee (AMPCI R&C) and reported to the fund managers, within specified credit criteria in the mandate approved by the AMP Life Board. The shareholder portion of credit risk in AMP Life is reported to AMP group ALCO by AMP Treasury.

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18. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

(i) Management of credit risk concentration

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

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

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

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

(ii) Exposure to credit risk

AMP Life's maximum exposure to credit risk on recognised financial assets, without taking account of any collateral or other credit enhancements as at the reporting date was \$22,960m (2009: \$22,174m). This amount includes (i) financial assets of investment linked business in AMP Life where the liability to policyholders is linked to the performance and value of the assets that back those liabilities and consequently there is no exposure to shareholders, and (ii) other items arising in the course of operations which are managed by the respective business units.

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

	2010	2009
	\$m	\$m
AAA	4,148	3,647
AA	4,716	4,292
A	2,410	1,403
BBB	1,518	869
Below BBB	219	240
Total financial assets with credit risk exposure managed by AMP Group Treasury	13,011	10,451

(iii) Past due but not impaired financial assets of AMP Life

The following table provides an aging analysis of financial assets that are past due as at reporting date but not impaired.

	Past due but not impaired				Total
	Less than	31 to 60	61 to 90	More than	
	31 days	days	days	91 days	
2010	\$m	\$m	\$m	\$m	\$m
Receivables					
- Reinsurance and other recoveries receivable	-	-	-	-	-
Total¹	-	-	-	-	-

	Past due but not impaired				Total
	Less than	31 to 60	61 to 90	More than	
	31 days	days	days	91 days	
2009	\$m	\$m	\$m	\$m	\$m
Receivables					
- Reinsurance and other recoveries receivable	2	1	-	-	3
Total¹	2	1	-	-	3

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.

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18. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

(iv) Adjustment for own credit risk in the determination of the fair value of life investment contract policy liabilities

The fair value of non-investment linked investment contract liabilities includes the following allowance for the credit risk that an external party would ascribe to an amount due from AMP Life:

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

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

(e) Derivative financial instruments

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

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.

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

(f) 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 based on available market data. Unobservable inputs are determined based on the best information available, which might include AMP Life's own data, reflecting AMP Life's own estimates about the assumptions that market participants would use in pricing the asset or liability. Valuation techniques are used to the extent that observable inputs are not available, and include estimates about the timing of cash flows, discount rates, earnings multiples and other inputs.

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18. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

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

31 December 2010	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
Assets				
Equity securities and listed managed investment schemes	11,156	106	211	11,473
Debt securities	-	10,523	113	10,636
Investments in unlisted managed investment schemes	-	41,584	183	41,767
Derivative financial assets	164	301	-	466
Other financial assets	-	170	-	170
Total financial assets	11,320	52,684	507	64,511
Liabilities				
Borrowings	-	587	-	587
Other financial liabilities	34	154	-	188
Investment contract liabilities	-	1,995	46,585	48,580
Total financial liabilities	34	2,736	46,585	49,355

31 December 2009	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
Assets				
Equity securities and listed managed investment schemes	11,764	5	274	12,043
Debt securities	-	9,914	180	10,094
Investments in unlisted managed investment schemes	-	40,832	194	41,026
Derivative financial assets	362	563	-	925
Other financial assets	-	174	-	174
Total financial assets	12,126	51,488	648	64,262
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

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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:

	Balance at						Balance at	Total gains and losses on assets and liabilities held at reporting date
	the beginning of the period	FX gains or losses	Total gains/ losses	Purchases/ deposits	Sales/ with- draws	Net transfers in/(out)	the end of the period	
31 December 2010	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Assets								
Equity securities and listed managed investment	274	-	(38)	6	(4)	(27)	211	(38)
Debt Securities	180	-	61	12	(169)	29	113	61
Investments in unlisted managed investment	194	-	(71)	5	(16)	71	183	(71)
Total financial assets	648	-	(48)	23	(189)	73	507	(48)
Liabilities								
Investment contract liabilities	45,506	(6)	1,342	7,585	(7,842)	-	46,585	1,320
Total financial liabilities	45,506	(6)	1,342	7,585	(7,842)	-	46,585	1,320
31 December 2009								
Assets								
Equity securities and listed managed investment	318	-	(49)	5	-	-	274	(49)
Debt Securities	187	-	19	40	(66)	-	180	19
Investments in unlisted managed investment	220	-	(25)	9	(10)	-	194	(25)
Total financial assets	725	-	(55)	54	(76)	-	648	(55)
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

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18. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

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

2010	Carrying amount \$m	Effect of reasonably possible alternative assumptions	
		(+) \$m	(-) \$m
Assets			
Equity securities and listed managed investment schemes	211	5	(5)
Debt securities	113	-	-
Investments in unlisted managed investment schemes	183	-	-
Financial assets	507	5	(5)
Liabilities			
Investment contract liabilities	46,585	(10)	10
Financial liabilities	46,585	(10)	10

		Effect of reasonably possible alternative assumptions	
2009	Carrying amount \$m	(+) \$m	(-) \$m
Assets			
Equity securities and listed managed investment schemes	274	9	(9)
Debt securities	180	-	-
Investments in unlisted managed investment schemes	194	-	-
Financial assets	648	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.

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19. CAPITAL MANAGEMENT

AMP Life holds capital to protect customers, creditors and shareholders against unexpected losses to a level that is consistent with AMP's risk appetite.

AMP Life assesses the adequacy of its capital requirements against regulatory capital requirements. The AMP group's capital management strategy forms part of the AMP group's broader strategic planning process.

In addition to managing the level of capital resources, the AMP group also attempts to optimise the mix of capital resources to minimise the cost of capital and maximise shareholder value.

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) and Registrable Superannuation Entity (RSE) license – capital and liquidity requirements under the appropriate AFSL and RSE.

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:

- 1% (2009: 0.5%) probability of breaching solvency over one year
- 10% (2009: 10%) probability of breaching capital adequacy over one year.

AMP Life Limited
Notes to the financial statements
for the year ended 31 December 2010

20. NOTES TO THE CASH FLOW STATEMENT

	2010	2009
	\$m	\$m
(a) Reconciliation of the net profit after income tax to cash flows from operating activities		
Net profit for the year	592	529
Depreciation of operating assets	10	12
Net loss / (profit) on sale of investments and operating assets	437	2,682
(Increase) / decrease in investment asset values	34	(7,044)
Dividend and distribution income reinvested	(1,554)	(1,149)
Decrease / (increase) in receivables and other assets	20	42
Increase / (decrease) in net policy liabilities	722	4,859
Increase / (decrease) in income tax balances	264	258
Increase in other payables	(102)	300
Cash flows from (used in) operating activities	423	489
	2010	2009
	\$m	\$m
(b) Reconciliation of cash		
Cash on hand	(24)	(92)
Cash on deposit	2,378	1,956
Short term bills and notes (included in Debt securities)	2,665	2,709
Balance at the end of the period	5,019	4,573

AMP Life Limited
Notes to the financial statements
for the year ended 31 December 2010

21. INVESTMENTS IN CONTROLLED ENTITIES

Details of significant investments in controlled entities are as follows:

NAME OF ENTITY	COUNTRY OF INCORPORATION	Share type	Footnote	% Holdings	
				2010	2009
140 St George Terrace Pty Limited	Australia	Ord		100	100
255 George Street Investment A Pty Ltd	Australia	Ord		100	100
255 George Street Investment B Pty Ltd	Australia	Ord		100	100
35 Ocean Keys Pty Limited	Australia	Ord		100	75
Abbey Capital Real Estate Pty Limited	Australia	Ord		100	100
Aged Care Investment Services No. 1 Pty Limited (formerly PHF No. 1 Management Pty Limited)	Australia	Ord		100	100
Aged Care Investment Services No. 2 Pty Limited (formerly PHF No. 1 Pty Limited)	Australia	Ord		100	100
Allmarg Corporation Limited	NZ	Ord, Pref		100	100
AMPASAL Pty Ltd	Australia	Ord		100	100
AMP Capital Finance Mauritius Limited	Australia	Ord	2	-	63
AMP Capital Investments Limited	NZ	Ord A & B, Pref	2	-	100
AMP Capital Investments No. 2 Limited	NZ	Ord A & B, Pref		100	100
AMP Capital Investments No. 8 Limited	NZ	Ord A & B, Pref		100	100
AMP Capital Investments No 11 Limited	NZ	Ord A & B		100	100
AMP Capital Investments No. 14 Limited	NZ	Ord A & B		100	100
AMP Capital 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	2	-	100
AMP Finance Limited	Australia	Ord		100	100
AMP Financial Planning Pty Limited	Australia	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 Insurance Investment Holdings Pty Limited	Australia	Ord		100	100
AMP Investments Chile Limitada	Chile	Ord		100	100
AMP Life (NZ) Investments Holdings Limited	NZ	Ord		100	100
AMP Life (NZ) Investments Limited	NZ	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		100	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 SMSF Holding Co Limited	Australia	Ord	1	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	2	-	100
Australian Securities Administration Limited	Australia	Ord		100	100
CBD Financial Planning Pty Limited	Australia	Ord	1	100	-
Collins Place No. 2 Pty Ltd	Australia	Ord		100	100
Collins Place Pty Limited	Australia	Ord		100	100
Donaghys Australia Pty Limited	NZ	Ord		50	50
Donaghys Industries Limited	NZ	Ord		50	50

AMP Life Limited
Notes to the financial statements
for the year ended 31 December 2010

21. INVESTMENTS IN CONTROLLED ENTITIES (CONTINUED)

Details of significant investments in controlled entities are as follows:

NAME OF ENTITY	COUNTRY OF INCORPORATION	Share type	Footnote	% Holdings	
				2010	2009
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	2	-	100
Focus Property Services Pty Limited	Australia	Ord	3	98	98
Glendenning Pty Limited	Australia	Ord		100	100
Hillross Alliances Limited	Australia	Ord		100	100
Hillross Financial Services Limited	Australia	Ord		100	100
Hillross Innisfail Pty Limited	Australia	Ord	1	100	-
Hillross Wealth Management Centre Canberra Pty Limited	Australia	Ord		50	50
Hillross Wealth Management Centre Melbourne Pty Limited	Australia	Ord		100	100
Honeysuckle 231 Pty Limited	Australia	Ord	3	60	60
INSSA Pty Limited	Australia	Ord		100	100
Inversiones Mineras Los Andes Limitada	Chile	Ord		100	100
Jeminex Pty Limited	Australia	Ord		51	51
Kent Street Pty Limited	Australia	Ord		100	100
Kiwi Kat Limited	NZ	Ord	1	70	-
Knox City Shopping Centre Investments (No. 2) Pty Limited	Australia	Ord		100	100
Kramar Holdings Pty Limited	Australia	Ord	3	78	78
Mowla Pty. Ltd.	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 Mining (No. 2) Limited	Bermuda	Ord, Red Pref		100	100
Quay Mining Pty Limited	Australia	Ord		100	100
Roost 2007 Limited	NZ	Ord		100	100
Scrabster Bay Pty Limited	Australia	Ord		100	100
Shanghai AMP Property Co Ltd	Republic of China	Ord	2, 3	-	81
SPP No. 1 (Alexandra Canal) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Cowes) Pty Limited	Australia	Ord		86	86
SPP No. 1 (H) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Mona Vale) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Mornington) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Newcastle) Pty Limited	Australia	Ord		86	86
SPP No. 1 (North Melbourne) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Pakenham) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Point Cook) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Q Stores) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Rosebery) Pty Limited	Australia	Ord		86	86
SPP No. 1 Holdings Pty Limited	Australia	Ord		86	86
SPP No. 1 (Hawthorn) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Mt. Waverley Financing) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Mt. Waverley) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Port Melbourne) Pty Limited	Australia	Ord		86	86

Notes to the financial statements

for the year ended 31 December 2010

21. INVESTMENTS IN CONTROLLED ENTITIES (CONTINUED)

Details of significant investments in controlled entities are as follows:

NAME OF ENTITY	COUNTRY OF INCORPORATION	Share type	Footnote	% Holdings	
				2010	2009
SPP No. 3A Investments Pty Limited	Australia	Ord		100	100
Sunshine West Development Pty Limited	Australia	Ord		75	75
The India Infrastructure Fund LLC	Mauritius	Red Pref		100	100
TOA Pty Ltd	Australia	Ord		100	100
United Equipment Holdings Pty Limited	Australia	Ord	3	53	60
Waterfront Place (No. 2) Pty. Ltd.	Australia	Ord		100	100
Waterfront Place (No. 3) Pty. Ltd.	Australia	Ord		100	100

Footnote:

- 1 Controlling interest acquired in 2010.
- 2 Controlling interest disposed in 2010.
- 3 Not audited by Ernst & Young.

AMP Life Limited
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for the year ended 31 December 2010

21. INVESTMENTS IN CONTROLLED ENTITIES (CONTINUED)

Details of significant investments in controlled trusts are as follows:

NAME OF ENTITY	COUNTRY OF REGISTRATION	Footnote	% Holdings	
			2010	2009
140 St Georges Terrace Trust	Australia		100	100
35 Ocean Keys Trust	Australia	2	-	75
ACPP Holding Trust	Australia		100	100
ACPP Industrial Trust	Australia		100	100
ACPP Office Trust	Australia		100	100
ACPP Retail Trust	Australia		100	100
Active Quant Share Fund	Australia		73	71
Aggressive Enhanced Index Fund	Australia	1	100	-
AHGI Martineau Fund	Australia		100	100
AHGI Martineau Galleries Fund	Australia		100	100
AMP Capital Asia ex-Japan Fund	Australia		92	90
AMP Capital Asian Equity Growth Fund	Australia		94	81
AMP Capital Commodities Fund	Australia	2	-	100
AMP Capital Core Plus Strategies Fund	Australia	2	-	78
AMP Capital Credit Strategies	Australia		90	94
AMP Capital Future Directions Infrastructure Fund	Australia		97	96
AMP Capital Future Directions Opportunity Fund	Australia	2	-	96
AMP Capital Global Infrastructure Fund (Hedged)	Australia	1	100	-
AMP Capital Global Tactical Asset Allocation Fund	Australia		98	97
AMP Capital Investors Australian Equity Long Short Fund	Australia		100	100
AMP Capital Investors China Strategic Growth Fund	Australia		100	100
AMP Capital Investors Infrastructure Fund 1	Australia		100	100
AMP Capital Investor Lifestyle Trust	Australia		52	52
AMP Capital Macro Strategies	Australia		78	84
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	2	-	100
AMP Capital Pacific Fair and Macquarie Shopping Centre Fund (previously AMP Wholesale Shopping Centre Trust No 2)	Australia		90	90
AMP Capital Palms Trust	Australia	2	-	75
AMP Capital Sustainable External Alpha Fund	Australia		100	100
AMP Liverpool Trust X	Australia	2	-	75
AMP Macquarie Holdings Trust	Australia		90	90
AMP Macquarie Trust	Australia		90	90
AMP Pacific Fair Trust	Australia		90	90
AMP Private Capital Trust No.4	Australia		100	100
AMP Private Capital Trust No.9	Australia		100	100
AMP Private Equity Fund IIIA	Australia		94	94
AMP Private Equity Fund IIIB	Australia		94	94

AMP Life Limited
Notes to the financial statements
for the year ended 31 December 2010

21. INVESTMENTS IN CONTROLLED ENTITIES (CONTINUED)

Details of significant investments in controlled trusts are as follows:

NAME OF ENTITY	COUNTRY OF REGISTRATION	Footnote	% Holdings	
			2010	2009
AMP Shopping Centre Fund	Australia	2	-	75
AMP UK Shopping Centre Fund	Australia		100	100
AMP US Property Trust	Australia	2	-	100
AMP Wholesale Office Fund	Australia	3	46	65
Asian Giants Infrastructure Fund	China	2	-	63
Australian Corporate Bond Fund	Australia		93	81
Australian Pacific Airports Fund	Australia		66	66
AWOF New Zealand Office Trust	NZ	3	46	65
Balanced Enhanced Equity	Australia		99	98
Bayfair Trust NZ	NZ	2	-	75
Bourke Place Unit Trust	Australia		57	57
Casey Central Trust	Australia	2	-	75
Cautious Enhanced Index Fund	Australia	1	100	-
Conservative Enhanced Index Fund	Australia		96	86
Crossroads Trust	Australia		100	100
Davidson Road Trust	Australia		100	100
EFM Infrastructure Fund 1	Australia		97	97
EFM Australian Share Fund 1	Australia		97	97
EFM Australian Share Fund 2	Australia		99	99
EFM Australian Share Fund 3	Australia		98	98
EFM Australian Share Fund 4	Australia		95	96
EFM Australian Share Fund 5	Australia	2	-	96
EFM Australian Share Fund 6	Australia		99	99
EFM Australian Share Fund 7	Australia		98	98
EFM Diversified Fund 6	Australia	2	-	91
EFM Fixed Interest Fund 2	Australia		97	97
EFM Fixed Interest Fund 3	Australia		97	98
EFM Fixed Interest Fund 4	Australia		94	94
EFM International Share Fund 1	Australia	2	-	98
EFM International Share Fund 3	Australia		97	97
EFM International Share Fund 4	Australia	2	-	99
EFM International Share Fund 5	Australia		97	96
EFM International Share Fund 6	Australia	2	-	99
EFM International Share Fund 7	Australia		92	96
EFM Listed Property Fund 1	Australia		96	96
Enhanced Index International Share Fund	Australia		82	86
Enhanced Index Share Fund	Australia		84	86

AMP Life Limited
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21. INVESTMENTS IN CONTROLLED ENTITIES (CONTINUED)

Details of significant investments in controlled trusts are as follows:

NAME OF ENTITY	COUNTRY OF REGISTRATION	Footnote	% Holdings	
			2010	2009
FD Australian Share Fund 1	Australia		97	97
FD Australian Share Fund 2	Australia	2	-	94
FD Australian Share Fund 3	Australia		93	93
FD Global Property Securities Fund 1	Australia		94	94
FD International Bond Fund 3	Australia		96	89
FD International Share Fund 1	Australia		95	92
FD International Share Fund 2	Australia	2	-	84
FD International Share Fund 3	Australia		99	99
FD International Share Fund 4	Australia		96	97
Floating Rate Income Fund	Australia		98	84
Future Directions Asia ex Japan Fund	Australia		82	73
Future Direction Australian Bond Fund	Australia		98	94
Future Directions Australian Share Fund	Australia		94	90
Future Directions Australian Small Company Fund	Australia		94	87
Future Directions Balanced Fund	Australia		98	97
Future Directions Conservative Fund	Australia		94	93
Future Directions Core International Share Fund 2	Australia		72	65
Future Directions Enhanced Index Global Property Securities Fund	Australia		100	100
Future Directions Enhanced Index International Bond Fund	Australia		82	91
Future Directions Enhanced Index International Share Fund	Australia		96	72
Future Directions Geared Australian Share Fund	Australia		91	91
Future Directions Growth Fund	Australia		95	93
Future Directions Hedged Core International Share Fund	Australia		76	59
Future Directions High Growth Fund	Australia		94	93
Future Directions Infrastructure Fund	Australia		100	96
Future Directions Infrastructure Trust	Australia	2	-	100
Future Directions International Bond Fund	Australia		96	94
Future Directions International Share Fund	Australia		92	70
Future Directions Moderate Conservative Fund	Australia		93	93
Future Directions Private Equity Fund 1	Australia		100	100
Future Directions Private Equity Fund 2b	Australia	1	100	-
Future Directions Private Equity Fund 3A	Australia	1	100	-
Future Directions Private Equity Fund 3B	Australia	1	100	-
Future Directions Property (Feeder) Fund	Australia		98	95
Future Directions Total Return Fund	Australia		99	95
Global Credit Strategies Fund	Australia		87	97
Global Growth Opportunities Fund	Australia		96	94
Goldman Sachs Commodity Index Light Energy - E92 Portfolio	Australia	1	95	-
International Bond Fund	Australia		93	94

AMP Life Limited
Notes to the financial statements
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21. INVESTMENTS IN CONTROLLED ENTITIES (CONTINUED)

Details of significant investments in controlled trusts are as follows:

NAME OF ENTITY	COUNTRY OF REGISTRATION	Footnote	% Holdings	
			2010	2009
Kent Street Investment Trust	Australia		100	100
Kent Street Trust	Australia		100	100
Listed Property Trusts Fund	Australia	2	-	63
Loftus Street Trust	Australia	3	46	65
Macquarie Balanced Growth	Australia		74	68
Managed Treasury Fund	Australia		77	77
Moderately Aggressive Enhanced Index Fund	Australia	1	100	-
Moderately Conservative Index Fund	Australia	1	100	-
Monash House Trust	Australia		100	100
New Balanced Fund	Australia		100	100
Ocean Keys Holding Trust	Australia	2	-	75
Ocean Keys Trust	Australia	2	-	75
Principal Healthcare Holdings Trust	Australia		100	100
Responsible Investment Leaders Conservative Fund	Australia		92	91
Responsible Investment Leaders Growth Fund	Australia		96	96
Responsible Investment Leaders High Growth Fund	Australia		100	100
Riverside Plaza Trust	Australia		100	100
Royal Randwick Trust	Australia	2	-	75
Select Property Portfolio No. 1	Australia		86	86
Student Housing Accommodation Growth Trust 2	Australia		100	100
Sydney Cove Trust	Australia		100	100
The Pinnacle Fund	Australia		99	99
The Glendenning Trust	Australia		100	100
Warringah Mall Trust	Australia	2	-	67
Wholesale Australian Bond Fund	Australia		92	92

Footnotes:

1 Controlling interest acquired in 2010

2 Controlling interest disposed of in 2010

3 Not more than 50% holding, but consolidated because AMP retains control over the operating functions

AMP Life Limited
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22. INVESTMENTS IN ASSOCIATED ENTITIES

Investments in associates held by the life statutory funds measured at fair value through profit or loss¹

COMPANIES ² NAME OF COMPANY	PRINCIPAL ACTIVITY ³	Footnote	Ownership interest		Carrying amount	
			2010 %	2009 %	2010 \$m	2009 \$m
Gove Aluminium Finance	Aluminium smelting		30%	30%	125	157
Others (each less than \$50m)			Various		10	36
Total investments held by the life statutory funds in associated companies					135	193

UNIT TRUSTS²

NAME OF TRUST

AMP China Growth Fund	Investment trusts		34%	34%	92	116
AMP Equity Trust	Investment trusts		41%	36%	230	253
AMP Shopping Centre Fund	Investment trusts	4	46%	-	724	-
AMP Small Company Trust	Investment trusts		46%	37%	118	98
Global Property Securities Fund	Investment trusts		23%	37%	382	499
Infrastructure Equity Fund	Investment trusts		28%	29%	113	114
Property Income Fund	Investment trusts		38%	27%	215	199
Responsible Investments Leader Balanced Fund	Investment trusts		28%	30%	236	234
Strategic Infrastructure Trust Europe 1	Investment trusts		27%	37%	59	71
Strategic Infrastructure Trust Europe 2	Investment trusts		27%	37%	59	71
Sustainable Future Australia Share Fund	Investment trusts		45%	47%	589	666
Value Plus Australia Share Fund	Investment trusts		23%	25%	61	87
Others (each less than \$50m)	Investment trusts		Various		197	247
Total investments held by the life statutory funds in associated trusts					3,075	2,655

Footnote:

1 Investment in associated entities that back investment contract and life insurance contract liabilities are treated as financial assets and are carried at fair value. Refer to Note 1(g).

2 The balance date for all significant associated entities is 31 December.

3 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.

4 Trust became an associated entity during 2010, it was a controlled entity as at 31 December 2009.

AMP Life Limited
Notes to the financial statements
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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, accounting standards allow AMP Life not to disclose such information and it is AMP Life's policy that such information is not to be disclosed in this note.

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

Forward investments

	2010 \$m	2009 \$m
Forward investments - callable at any time		
Uncalled capital on shares in relation to ¹ :		
- controlled entities	-	46
- associated entities	46	6
- other entities	17	31
Uncalled capital on units in relation to ¹ :		
- controlled entities	95	97
- associated unit trusts	17	11
- other unit trusts	3	2
Commitment to acquire debt securities from:		
- controlled unit Trusts ²	49	185
Total forward investments	227	378

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	Director, Chief Executive Officer - AMP Limited	
Catherine Brenner	Non-Executive Director	
Anthony Maxwell Coleman	Non-Executive Director	Appointed: 14/02/2011
Ian William Laughlin	Non-Executive Director	Resigned: 10/06/2010
Craig Duncan Meller	Director	
John Leonard Palmer	Non-Executive Director	
Peter Roger Shergold	Non-Executive Director	

AMP Life Limited
Notes to the financial statements
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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 \$
2010	6,058,136	73,482	3,025,000	-	-	9,156,618
2009	6,284,497	76,606	2,179,000	-	-	8,540,103

(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) 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 2010 are unsecured, non interest bearing and settlement occurs in cash or through intercompany accounts as necessary.

AMP Life parent purchases administrative services from AMP Services Limited and AMP Services (NZ) Limited on a fee service basis. (2010: \$622m, 2009: \$604m). Services purchased include product distribution, marketing, payroll, personnel, computing and accounting services.

AMP Life receives investment services from AMP Capital Investors Limited and AMP Capital Investors (New Zealand) Limited (AMP Capital) on a normal commercial basis (2010: \$216m, 2009: \$187m). AMP Capital is a related entity of AMP Life and manages the investment assets of the policyholder fund and the shareholders fund. AMP Capital is also the responsible entity of a number of the controlled and associated unit trusts detailed in Note 21 and Note 22. Investment management services provided by AMP Capital to AMP Life are charged at normal commercial rates.

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

The company has amounts in deposits with AMP Bank Limited (2010: \$2,183m, 2009: \$1,883m). Deposits earn interest at normal commercial rates.

AMP Life Limited
Notes to the financial statements
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24. RELATED PARTY DISCLOSURES (CONTINUED)

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

Fellow subsidiaries of AMP Limited		Service, management and other fees received from related parties	Service, management and other fees paid to related parties	Amounts owed by related parties	Amounts owed to related parties
		\$m	\$m	\$m	\$m
ACPP Holding Trust	2010	8	-	-	-
	2009	8	-	-	82
AMP Capital Investors Limited	2010	-	216	-	36
	2009	-	184	-	25
AMP CMBS No. 2 Pty Limited	2010	-	-	65	-
	2009	-	-	115	-
AMP Financial Planning Pty Limited	2010	-	269	4	-
	2009	-	244	4	-
AMP Financial Services Holding Limited	2010	-	-	173	-
	2009	-	-	174	-
AMP Life (NZ) Investments Holdings Limited	2010	-	-	816	-
	2009	-	-	812	-
AMP Planner Register Company Pty Limited	2010	-	-	88	-
	2009	-	-	31	-
AMP Property Investments (Qld) Pty. Ltd.	2010	-	-	-	54
	2009	-	-	-	54
AMP Services Limited	2010	46	566	5	-
	2009	46	546	6	-
AMP Services (NZ) Limited	2010	-	56	-	4
	2009	-	58	-	3
Quay Mining (No. 2) Limited	2010	-	-	-	71
	2009	-	-	-	71
TOA Pty Limited	2010	-	-	-	319
	2009	-	-	-	319

AMP Life Limited
Notes to the financial statements
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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.

	2010 \$'000	2009 \$'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	1,300	1,344
Total amounts received or due and receivable by the auditors of AMP Life Limited¹	1,300	1,344

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.

AMP Life Limited
Directors' declaration
for the year ended 31 December 2010

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;
- (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); and
- (c) the financial statements and notes also comply with International Financial Reporting Standards as discussed in Note 1(a).


(signature)

CRAIG MALER
(name)

Director

Sydney, 17 March 2011


(signature)

RICHARD GRELLMAN
(name)

Director

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 2010, 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 of the financial report that gives a true and fair view in accordance with the Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with AASB101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. 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 about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

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 company's financial position as at 31 December 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Ernst & Young

Ernst & Young

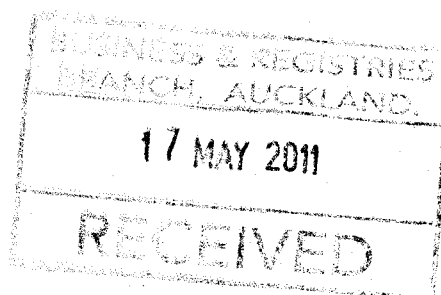
AP

Andrew Price
Partner
Sydney
17 March 2011

AMP Life Limited
Statutory Fund No.1

ABN 84 079 300 379

Annual Financial Report
for the Year Ended
31 December 2010



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

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DIRECTORS' REPORT

For the year ended 31 December 2010

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 2010.

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:

Richard John Grellman	Chairman	
Craig William Dunn	Director, Chief Executive Officer – AMP Limited	
Catherine Brenner	Non-Executive Director	
Anthony Maxwell Coleman	Non-Executive Director	Appointed: 14/02/2011
Ian William Laughlin	Non-Executive Director	Resigned: 10/06/2010
Craig Duncan Meller	Director	
John Leonard Palmer	Non-Executive Director	
Peter Roger Shergold	Non-Executive Director	

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 \$344 million (2009: \$352 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 2010.

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 2010

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)

CRAIG MELLER
.....
(name)

Director

Sydney
05 May 2011

CATHERINE BRENNER
.....
(name)

Director



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Fax: +61 2 9248 5959
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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 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young
Ernst & Young

A handwritten signature in black ink, appearing to read 'AP', written over a large, stylized 'EY' logo.

Andrew Price
Partner

Sydney
5 May 2011

INCOME STATEMENT

For the year ended 31 December 2010

		Consolidated		Parent	
		2010	2009	2010	2009
	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)	1,100	1,049	1,100	1,049
Fee and other revenue	3(b)	50	49	45	46
Investment gains and losses	3(c)	1,176	553	1,228	614
Life insurance claims and related expenses	4(a), 14(b)	(1,289)	(1,251)	(1,289)	(1,251)
Operating expenses	4(b)	(663)	(630)	(617)	(583)
Finance costs	4(c)	(24)	24	(16)	12
Change in investment contract liabilities		(134)	(113)	(134)	(113)
Change in life insurance contract liabilities	14(e)	202	641	202	641
Movement in external unitholders' liabilities		87	107	-	-
Profit before income tax		505	429	519	415
Income tax (expense) / credit	5(a)	(175)	(63)	(175)	(63)
Net profit after income tax		330	366	344	352
(Profit) / loss attributable to minority interests in controlled companies		14	(14)	-	-
Net profit after income tax attributable to the shareholder of AMP Life Limited		344	352	344	352

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	<i>Note</i>	Consolidated		Parent	
		2010	2009	2010	2009
		A\$M	A\$M	A\$M	A\$M
Net Profit after income tax		330	366	344	352
Other comprehensive income recognised in reserves					
Other losses		(14)	(10)	(14)	(10)
Income tax thereon		-	-	-	-
		(14)	(10)	(14)	(10)
Total comprehensive income		316	356	330	342
Total comprehensive (income) / loss attributable to minority interests		14	(14)	-	-
Total comprehensive income attributable to the shareholder of AMP Life Limited		330	342	330	342

STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

		Consolidated		Parent	
	Note	2010 A\$M	2009 A\$M	2010 A\$M	2009 A\$M
Assets					
Cash and cash equivalents		2,495	2,151	2,274	1,807
Receivables	6	602	580	563	520
Investment in financial assets measured at fair valued through profit and loss		19,767	20,689	20,378	21,414
Investment property	8	1,343	1,341	121	122
Property, plant and equipment	9	27	34	24	31
Inventories and other assets	10	18	17	1	1
Current tax assets		-	109	-	109
Deferred tax assets	5(c)	75	61	75	61
Total assets of policyholders, shareholder, external unitholders and minority interests		24,327	24,982	23,436	24,065
Liabilities					
Payables	11	485	274	475	277
Provisions	12	3	4	1	1
Borrowings	13	532	533	399	415
Current tax liabilities		122	51	122	49
Deferred tax liabilities	5(d)	347	351	347	351
Derivative financial liabilities		209	480	194	453
Other liabilities		2	100	-	99
Investment contract liabilities		2,660	2,534	2,660	2,534
Life insurance contract liabilities	14(e)	17,762	18,380	17,762	18,380
External unitholders' liabilities		712	738	-	-
Total liabilities of policyholders, shareholder, external unitholders and minority interests		22,834	23,445	21,960	22,559
Net assets of shareholder and minority interests		1,493	1,537	1,476	1,506
Equity					
Contributed equity		303	303	303	303
Reserves		(33)	(19)	(33)	(19)
Retained earnings	15(i)	1,206	1,222	1,206	1,222
Total equity attributable to the shareholder		1,476	1,506	1,476	1,506
Minority interests		17	31	-	-
Total equity of shareholder and minority interests		1,493	1,537	1,476	1,506

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

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 2010						
Balance at the beginning of the period	303	(19)	1,222	1,506	31	1,537
Net profit after tax	-	-	344	344	(14)	330
Other comprehensive income	-	(14)	-	(14)	-	(14)
Total comprehensive income	-	(14)	344	330	(14)	316
Transfer to AMP Life Limited Shareholder Fund	-	-	(360)	(360)	-	(360)
Balance at the end of the period	303	(33)	1,206	1,476	17	1,493
31 December 2009						
Balance at the beginning of the period	303	(9)	942	1,236	17	1,253
Net profit after tax	-	-	352	352	14	366
Other comprehensive income	-	(10)	-	(10)	-	(10)
Total comprehensive income	-	(10)	352	342	14	356
Transfer to AMP Life Limited Shareholder Fund	-	-	(72)	(72)	-	(72)
Balance at the end of the period	303	(19)	1,222	1,506	31	1,537

Parent

	Contributed equity	Reserves	Retained earnings	Total shareholder equity
	A\$M	A\$M	A\$M	A\$M
	A\$M	A\$M	A\$M	A\$M
31 December 2010				
Balance at the beginning of the period	303	(19)	1,222	1,506
Net profit after tax	-	-	344	344
Other comprehensive income	-	(14)	-	(14)
Total comprehensive income	-	(14)	344	330
Transfer to AMP Life Limited Shareholder Fund	-	-	(360)	(360)
Balance at the end of the period	303	(33)	1,206	1,476
31 December 2009				
Balance at the beginning of the period	303	(9)	942	1,236
Net profit after tax	-	-	352	352
Other comprehensive income	-	(10)	-	(10)
Total comprehensive income	-	(10)	352	342
Transfer to AMP Life Limited Shareholder Fund	-	-	(72)	(72)
Balance at the end of the period	303	(19)	1,222	1,506

STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

		Consolidated		Parent	
	Note	2010 A\$M	2009 A\$M	2010 A\$M	2009 A\$M
Cash flows from operating activities					
Cash receipts in the course of operations		1,949	2,262	1,792	2,204
Interest and other items of a similar nature received		709	626	671	556
Dividends received		543	584	543	454
Cash payments in the course of operations		(3,036)	(3,444)	(3,069)	(3,281)
Finance costs		(24)	24	(16)	12
Income tax paid		(13)	(375)	(11)	(373)
Cash flows from operating activities	18(a)	128	(323)	(90)	(428)
Cash flows from investing activities					
Net proceeds from sale of/(payments to acquire):					
-financial assets		464	644	810	498
-investment properties, plant and equipment		(16)	(5)	(5)	(5)
Cash flows from investing activities		448	639	805	493
Cash flows from financing activities					
Net (repayment of)/proceeds from borrowings		-	(19)	(16)	23
Transfer (to)/from Shareholders' Fund		(232)	(72)	(232)	(72)
Cash flows from financing activities		(232)	(91)	(248)	(49)
Net increase in cash		344	225	467	16
Balance at the beginning of the period		2,151	1,926	1,807	1,791
Cash and cash equivalents at end of the period	18(b)	2,495	2,151	2,274	1,807

Notes to the Financial Statements

For the year ended 31 December 2010

1. BASIS OF PREPARATION AND 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 2010 and were authorised by the Board of AMP Life Limited on 5 May 2011. 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 (IFRS). Compliance with IFRS 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 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 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 reporting 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.

Significant judgements, estimates and assumptions

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

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

Changes in accounting policies

Since 1 January 2010, 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 2010. 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 2010 were the revised AASB 3 'Business Combinations', amended AASB 127 'Consolidated and Separate Financial Statements' and AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB127'. These revised standards introduce significant changes to accounting for business combinations and consolidation. The major impacts include the requirement for acquisition costs to be expensed at the time they are incurred; and, upon gaining control of an entity, revaluation of any pre-existing interests in that entity to fair value. The changes only impact business combination transactions which occurred on or after 1 January 2010.

Notes to the Financial Statements

For the year ended 31 December 2010

1. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in presentation of the Statement of financial position

The Statement of financial position has been enhanced so as to give greater prominence to the categories of financial assets as defined by AASB 139 'Financial instruments: Recognition and measurement' with consequential changes to the Statement of cash flows and Note 7 Investments in financial assets. The Statement of financial position now presents investments in financial assets by measurement category whereas previously it presented investment assets by asset type. A split of investments in financial assets by measurement category was previously provided in the notes to the financial statements. Comparatives are presented on a basis consistent with the current period presentation.

There have been no other changes in accounting policies.

Australian accounting standards issued but not yet effective

A number of new Accounting standards have been issued but not yet effective during 2010. 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 9 "Financial instruments: Classification and measurement": This standard makes significant changes to the way that financial assets are classified for the purpose of determining their measurement basis and also to the amounts relating to fair value changes which are to be taken directly to equity. AASB 9 is mandatory for adoption by the AMP group in the year ending 31 December 2013. The financial impact to the AMP group of adopting this standard has not yet been quantified.

(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 Statement of Financial Position.

The share of the net assets of controlled companies attributable to minority interests is disclosed separately on the Statement of Financial Position. 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 acquisition method of accounting. Information from the financial statements of controlled entities is included from the date the parent entity obtains control until such time as control ceases. Where 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*.

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.

Notes to the Financial Statements

For the year ended 31 December 2010

1. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Accounting for wealth management and insurance business (continued)

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(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 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(h).

(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 Note 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 2010

1. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Investments in financial assets

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

Investments in financial assets, other than policy loans held by subsidiaries, are designated on initial recognition as financial assets measured at fair value through profit or loss. Investments in associates held to back life insurance or life investment contracts are exempt from the requirement to apply equity accounting and have been designated on initial recognition as financial assets measured at fair value through profit or loss.

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

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

- The fair value of equity securities in an active market and listed managed investment schemes reflects the quoted bid price at the reporting date. In the case of equity securities and listed managed investment schemes where there is no active market, a fair value is established using valuation techniques including the use of recent arms length transactions, references to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.
- The fair value of listed debt securities reflects the bid price at the reporting date. Listed debt securities that are not frequently traded are valued by discounting estimated recoverable amounts. The fair value of unlisted debt securities is estimated using interest rate yields obtainable on comparable listed investments. The fair value of loans is determined by discounting the estimated recoverable amount using prevailing interest rates.
- The fair value of investments in unlisted managed investment schemes is determined on the basis of published redemption prices of those managed investment scheme at the reporting date.
- The fair value of derivative financial assets is determined in accordance with the policy set out in Note 1(r).

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

Investments in 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.

Investments in financial assets measured at amortised cost

Loans and advances are classified as loans and receivables. Loans and receivables are non derivative assets with fixed or determinable payments that are not quoted in an active market. Loans and advances are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. These assets are subsequently recognised at amortised cost using the effective interest rate method.

(h) Investments in controlled entities

Investments by AMP Life SF1 in controlled entities are recorded at cost less any accumulated impairment losses.

(i) Associated entities

Associated entities are defined as those entities over which AMP Life SF1 has significant influence but there is no capacity to control. Investment in associates, other than those backing investment contracts and life insurance contracts, are measured at cost less impairment plus AMP Life SF1's share of post acquisition profit or loss and reserves.

Equity 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 in Note 1(g)

(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 property. See Note 1(k) below.

Expenditure capitalised to investment property also comprises capital and refurbishment additions, and during development includes finance costs, related professional fees incurred and other directly attributable costs. Subsequent to initial recognition, investment property is measured at fair value at each reporting date. Fair value represents the amount at which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction. Changes in value of investment property are taken directly to the Income statement and may comprise changes in the fair value of investment property in relation to the revaluation of investment property; and fair value adjustments in relation to:

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

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 2010

1. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) 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.

(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 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).

(m) Impairment of assets

Assets measured at fair value, where changes in value are reflected in the Income statement, are not subject to impairment testing. As a result, 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 amortisation but are tested at least annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised in the Income statement 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

Tax consolidation

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

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

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

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

Assets and liabilities which arise as a result of balances transferred from entities the tax-consolidated group to the head entity are recognised as related party balances receivable and payable in the Statement of financial position of AMP Life SF1. The recoverability of balances arising from the tax funding arrangements is based on the ability of the tax consolidated group to utilise the amounts recognised by the head entity.

Income tax for investment contracts and life insurance contracts business

The income tax expense recognised in the Income statement 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.

Notes to the Financial Statements

For the year ended 31 December 2010

1. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Taxes (continued)

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.

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
- unused tax losses
- the impact of changes in the amounts of deferred tax assets and liabilities arising from changes in tax rates or in the manner in which these balances are arranged to be realised.

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

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

Deferred tax

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

Notes to the Financial Statements

For the year ended 31 December 2010

1. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Borrowings

All borrowings are financial liabilities and are initially recognised at fair value.

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.

(r) Derivative financial assets and derivative financial liabilities

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.

While AMP Life SF1 uses derivatives to hedge risks these are economic hedges only. AMP Life SF1 does not use hedge accounting as defined in financial reporting standards.

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

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 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.

(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 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.

(u) 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.

Notes to the Financial Statements

For the year ended 31 December 2010

1. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Life insurance contract liabilities (continued)

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 (aa).

(v) 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 reporting date, with exchange gains and losses recognised in the Income statement.

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

Notes to the Financial Statements

For the year ended 31 December 2010

1. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Foreign currency transactions (continued)

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.

(w) Insurance premium and related revenue

Life insurance contracts

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

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

Investment contracts

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

- fees and other revenue. See Note 1(x).
- amounts credited directly to investment contract liabilities. See Note 1(t).

(x) 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(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(aa).

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.

(y) 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.

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

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

Notes to the Financial Statements

For the year ended 31 December 2010

1. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) 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).

(aa) 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 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(x).

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

(bb) 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 2010

2. AUDITORS' REMUNERATION

	Consolidated 2010 A\$M	2009 A\$M	Parent 2010 A\$M	2009 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 2010 A\$M	2009 A\$M	Parent 2010 A\$M	2009 A\$M
(a) Life Insurance premium and related revenue					
Life insurance contract premium and related revenue	14(a)	1,100	1,049	1,100	1,049
Total life insurance premium and related revenue		1,100	1,049	1,100	1,049
(b) Fee and other revenue					
Investment management and origination fees					
- related entities		2	1	10	6
- other entities		34	36	33	40
Service fees					
- related entities		-	-	-	-
Other revenue ⁽¹⁾		14	12	2	-
Total fee and other revenue		50	49	45	46
(c) Investment gains and losses					
Interest					
- related entities		104	71	106	74
- other entities		622	552	558	517
Dividends and distributions					
- related entities		152	344	270	265
- associated entities		22	28	14	18
- other entities		365	220	232	183
Rental income					
- other entities		109	109	8	9
Net realised and unrealised losses		(197)	(781)	32	(458)
Other investment income		(1)	10	8	6
Total investment gains and losses		1,176	553	1,228	614

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 2010

4. EXPENSES

	<i>Note</i>	Consolidated 2010 A\$M	2009 A\$M	Parent 2010 A\$M	2009 A\$M
(a) Life insurance claims and related expenses					
Life insurance contract claims and related expenses	14(b)	1,289	1,251	1,289	1,251
Total life insurance claims and related expenses		1,289	1,251	1,289	1,251
(b) Operating expenses					
Commission expense		156	145	156	145
Investment management fees					
- related entities		67	57	62	51
- other entities		7	15	5	12
Service fee expense					
- related entities		351	343	351	343
- other entities		-	-	-	-
Depreciation		10	12	10	12
Other expenses ⁽¹⁾		72	58	33	20
Total operating expenses		663	630	617	583
(c) Finance costs					
Interest expense on borrowings		20	7	3	(10)
Other finance costs		4	(31)	13	(2)
Total finance costs		24	(24)	16	(12)

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 2010

5. INCOME TAX

	Consolidated		Parent	
	2010	2009	2010	2009
	A\$M	A\$M	A\$M	A\$M
(a) Analysis of income tax (expense) / credit				
Current tax expense	(187)	(32)	(187)	(33)
Net (increase) / decrease in deferred tax asset	11	(14)	11	(14)
Net (increase) / decrease in deferred tax liabilities	(4)	(45)	(4)	(47)
Over (under) provided in previous years	(2)	28	(2)	31
Effect of change in tax rate	7	-	7	-
Income tax (expense) / credit	(175)	(63)	(175)	(63)

(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 2010 and 2009 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. The rate applicable to New Zealand life insurance business during the period was 30%. During the period the New Zealand government announced a decrease in the company tax rate from 30% to 28%.

	Consolidated		Parent	
	2010	2009	2010	2009
	A\$M	A\$M	A\$M	A\$M
Profit before income tax per Income statement	505	429	519	415
Policyholder tax recognised as a charge to policyholders in determining profit before income tax	(50)	35	(50)	35
Profit before income tax excluding tax charged to policyholders	455	464	469	450
Prima facie tax at 30% (2009: 30%)	(137)	(139)	(141)	(135)
Tax effect of differences between recognition of Income statement items for accounting and those deductible/assessable in calculating taxable income:				
Non deductible / assessable items	51	48	21	32
Under/(over) provision in previous years	(7)	10	(7)	10
Tax offsets and credits	5	-	5	-
Deferred tax write down due to change in tax rate	7	-	7	-
Other	(44)	(17)	(10)	(5)
Income tax (expense) / credit attributable to shareholders	(125)	(98)	(125)	(98)
Income tax expense attributable to policyholders	(50)	35	(50)	35
Income tax (expense) / credit per Income statement	(175)	(63)	(175)	(63)

(c) Analysis of deferred tax asset

Amounts recognised in income:

- Tax losses	12	-	12	-
- Other	63	61	63	61
Total deferred tax assets	75	61	75	61

(d) Analysis of deferred tax liability

Amounts recognised in income:

- Unrealised investment gains	243	246	243	246
- Other	104	105	104	105
Total deferred tax liability	347	351	347	351

Notes to the Financial Statements

For the year ended 31 December 2010

6. RECEIVABLES

	Consolidated 2010 A\$M	2009 A\$M	Parent 2010 A\$M	2009 A\$M
Reinsurers' share of life insurance contract liabilities	65	44	65	44
Investment income and sales proceeds receivable	8	61	8	58
Life insurance contract premiums receivable	271	284	271	284
Other receivables				
- related entities	179	125	172	110
- other entities	79	66	47	24
Total receivables⁽¹⁾	602	580	563	520

Footnote:
⁽¹⁾ \$22m of receivables are non current (2009: \$44m)

7. FINANCIAL ASSETS

	Consolidated 2010 A\$M	2009 A\$M	Parent 2010 A\$M	2009 A\$M
Investments in financial assets measured at fair value through profit and loss				
Equity securities and listed managed investment schemes	4,042	4,456	3,698	4,270
Debt securities	7,988	7,624	9,349	9,101
Investments in unlisted managed investment schemes	7,267	7,637	5,757	6,190
Derivative financial assets	403	930	358	872
Investments in controlled entities	-	-	1,216	981
Total investments in financial assets at fair value through profit and loss	19,700	20,647	20,378	21,414
Investments in financial assets measured at amortised cost				
Loans	67	42	-	-
Total investments in financial assets at amortised cost	67	42	-	-
Total investments in financial assets	19,767	20,689	20,378	21,414

8. INVESTMENT PROPERTY

	Consolidated 2010 A\$M	2009 A\$M	Parent 2010 A\$M	2009 A\$M
Investment property				
Directly held	1,343	1,341	121	122
Total investment property	1,343	1,341	121	122
Movements in investment property				
Balance at the beginning of the period	1,341	1,474	122	147
Additions				
- through direct acquisition	-	-	-	-
- subsequent expenditure recognised in carrying amount	13	2	2	2
Disposals	-	(8)	-	(6)
Net (losses) / gains from fair value adjustments	(11)	(127)	(3)	(21)
Balance at the end of the period	1,343	1,341	121	122

Valuation of investment property

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

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

Notes to the Financial Statements

For the year ended 31 December 2010

8. INVESTMENT PROPERTY (CONTINUED)

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

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

	2010	2009
Primary assumptions used in valuing investment property		
Capitalisation rates	6.25% - 9.75%	6.25% - 9.00%
Market determined, risk adjusted discount rate	7.00% - 10.35%	8.73% - 11.00%

9. PROPERTY, PLANT AND EQUIPMENT

2010 – Consolidated

	Leasehold Improvements A\$M	Plant & Equipment A\$M	Total A\$M
Property, plant and equipment			
Gross carrying amount	61	78	139
Less: accumulated depreciation and impairment losses	(52)	(60)	(112)
Property, plant and equipment at written down value	9	18	27
Movements in property, plant and equipment			
Balance at the beginning of the period	13	21	34
Additions	-	3	3
- through direct acquisitions	-	-	-
Disposals	-	-	-
Depreciation expense for the period	(4)	(6)	(10)
Balance at the end of the period	9	18	27

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	-	5	5
- through direct acquisitions	-	(2)	(2)
Disposals	-	(6)	(12)
Depreciation expense for the period	(6)	(6)	(12)
Balance at the end of the period	13	21	34

Notes to the Financial Statements

For the year ended 31 December 2010

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2010 – Parent	Leasehold Improvements A\$M	Plant & Equipment A\$M	Total A\$M
Property, plant and equipment			
Gross carrying amount	61	66	127
Less: accumulated depreciation and impairment losses	(52)	(51)	(103)
Property, plant and equipment at written down value	9	15	24
Movements in property, plant and equipment			
Balance at the beginning of the period	13	18	31
Additions			
- through direct acquisitions	-	3	3
Disposals	-	-	-
Depreciation expense for the period	(4)	(6)	(10)
Balance at the end of the period	9	15	24

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

10. OTHER ASSETS

	Consolidated 2010 A\$M	2009 A\$M	Parent 2010 A\$M	2009 A\$M
Inventories	8	10	-	-
Prepayments	2	2	1	1
Other assets	8	5	-	-
Total other assets ⁽¹⁾	18	17	1	1

Footnote:

⁽¹⁾ All other assets are current (2009: 100% current).

11. PAYABLES

	Consolidated 2010 A\$M	2009 A\$M	Parent 2010 A\$M	2009 A\$M
Accrued expenses	6	9	6	9
Interest payable	2	2	-	-
Life insurance policies in process of settlement	117	88	117	88
Other payables				
- related entities	273	-	294	11
- other entities	87	175	58	169
Total payables ⁽¹⁾	485	274	475	277

Footnote:

⁽¹⁾ \$2m of payables (both consolidated & parent) are non current (2009 consolidated: \$nil, parent: \$10.1m).

Notes to the Financial Statements

For the year ended 31 December 2010

12. PROVISIONS

	Consolidated 2010 A\$M	2009 A\$M	Parent 2010 A\$M	2009 A\$M
Provisions				
Systems and other project expenditure	3	4	1	1
Total provisions	3	4	1	1
Movements in provisions				
Balance at the beginning of the period	4	27	1	9
Additional provisions recognised	20	17	1	2
Payments / other sacrifices of economic benefits	(21)	(40)	(1)	(10)
Balance at the end of the period ⁽¹⁾	3	4	1	1

⁽¹⁾ All provisions are current (2009: 100% current).

13. BORROWINGS

	Consolidated 2010 A\$M	2009 A\$M	Parent 2010 A\$M	2009 A\$M
Borrowings				
Bank loans	2	3	-	-
Deposits				
- other entities	139	154	139	154
Other loans				
- related entities	184	170	260	261
- other entities	207	206	-	-
Total borrowings ⁽¹⁾	532	533	399	415

⁽¹⁾ All Consolidated borrowings are current (2009: \$206m non current). All Parent borrowings are current (2009: all current).

14. LIFE INSURANCE CONTRACTS

	Note	Consolidated and Parent 2010 A\$M	Consolidated and Parent 2009 A\$M
(a) Analysis of life insurance contract premium and related revenue			
Total life insurance contract premiums received and receivable		1,802	1,871
Less: component recognised as a change in life insurance contract liabilities	14(e)	(751)	(854)
Life insurance contract premium revenue ⁽¹⁾		1,051	1,017
Reinsurance recoveries		49	32
Total life insurance contract premium and related revenue		1,100	1,049
(b) Analysis of life insurance contract claims and related expenses			
Total life insurance contract claims paid and payable		(2,344)	(2,227)
Less: component recognised as a change in life insurance contract liabilities	14(e)	1,103	1,024
Life insurance contract claims expenses		(1,241)	(1,203)
Outwards reinsurance expense		(48)	(48)
Total life insurance contract claims and related expenses		(1,289)	(1,251)
(c) Analysis of life insurance contract operating expenses			
Life insurance contract acquisition expenses			
- Commission		(56)	(45)
- Other		(88)	(87)
Life insurance contract maintenance expenses			
- Commission		(91)	(85)
- Other		(286)	(268)
Investment management expenses		(39)	(39)

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

Notes to the Financial Statements

For the year ended 31 December 2010

14. LIFE INSURANCE CONTRACTS (continued)

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

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.

	Note	Consolidated and Parent 2010 A\$M	Consolidated and Parent 2009 A\$M
(e) Reconciliation of changes in life insurance contract liabilities			
Total life insurance contract liabilities at the beginning of the period		18,380	19,250
Change in life insurance contract liabilities recognised in the Income statement		(202)	(641)
Premiums recognised as an increase in life insurance contract liabilities	14(a)	751	854
Claims recognised as a decrease in life insurance contract liabilities	14(b)	(1,103)	(1,024)
Change in reinsurers share of life insurance contract liabilities		21	(10)
Foreign exchange adjustment		(85)	(49)
Total life insurance contract liabilities at the end of the period	14(d)	17,762	18,380

Notes to the Financial Statements

For the year ended 31 December 2010

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 2010		31 December 2009	
		Australia	New Zealand	Australia	New Zealand
Retail Risk	10 year government bond rate	5.6%	6.0%	5.7%	6.2%
Group Risk	Outstanding Claims				
	2 year government bond rate	5.2%	4.0%	4.6%	4.3%
Life Annuities	Non-CPI	Zero coupon interbank swap curve	4.9% - 6.3%	3.1% - 6.0%	4.1% - 6.5%
	CPI	Commonwealth Indexed Bond curve + 20 bp	2.8% - 3.0%	2.8%	1.9% - 3.1%
					2.7% - 6.6%
					3.0%

(ii) Participating business discount rates

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

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

	Local equities	International equities	Property	Fixed interest	Cash
Australia					
31 December 2010	3.0%	2.5%	2.0%	0.5%	(0.5%)
31 December 2009	3.0%	2.5%	2.0%	0.5%	(0.5%)
New Zealand					
31 December 2010	3.0%	2.5%	2.0%	0.5%	(0.5%)
31 December 2009	3.0%	2.5%	2.0%	0.5%	(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 2010

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 2010	30%	11%	39%	20%
31 December 2009	30%	11%	40%	19%
New Zealand				
31 December 2010	40%	17%	37%	6%
31 December 2009	40%	17%	37%	6%

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

(iii) Future participating benefits

For participating business, the total value of future bonuses (and the associated 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	0.7% - 1.1% (2009: 0.9% - 1.3%)	1.1% - 1.3% (2009: 1.3% - 1.7%)
New Zealand	0.8% - 1.1% (2009: 0.7% - 1.0%)	0.8% - 1.1% (2009: 0.7% - 1.0%)

Terminal bonus

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

Crediting rates (investment account)

Australia	2.8% - 8.0% (2009: 3.3% - 8.9%)
New Zealand	3.5% - 4.0% (2009: 3.3% - 4.2%)

(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 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 2010	2.9% CPI, 3.0% Expenses	3.3% CPI, 3.0% Expenses
31 December 2009	2.8% CPI, 3.0% Expenses	3.4% CPI, 3.0% Expenses

Notes to the Financial Statements

For the year ended 31 December 2010

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 2010 are unchanged from those assumed at 31 December 2009 except for:

- Australia – reduction in lapse rates for conventional superannuation
- New Zealand – higher withdrawal rates on lump sum risk, and a small reduction in lapse rates for whole of life conventional business.

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

Business type	31 December 2010		31 December 2009	
	Australia	New Zealand	Australia	New Zealand
Conventional	2.1% - 3.0%	1.3% - 2.5%	3.2% - 4.0%	2.5% - 2.6%
Investment account	n/a	n/a	n/a	n/a
Retail risk	10.5% - 11.0%	10.5% - 12.0%	10.5% - 11.0%	9.5% - 12.0%
FLS risk business (ultimate rate)	7.5% - 9.0%	n/a	7.5% - 9.0%	n/a

(viii) Surrender values

The surrender bases assumed 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 2010 are unchanged from those assumed at 31 December 2009 in Australia and New Zealand, except for a 3% reduction for Australia and New Zealand conventional business.

Typical mortality assumptions, in aggregate, are as follows:

Risk products	Conventional - % of IA95-97		Term - % of IA95-97		FLS Risk - % of IA95-97	
	Male	Female	Male	Female	Male	Female
Australia	75%	75%	63%	63%	63%	63%
New Zealand	73%	73%	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 and termination rates are unchanged from those at 31 December 2009.

For trauma cover, standard tables are not available and so assumptions are mostly based on Australian population statistics, with adjustment for smoking status as well as AMP Life's recent claim experience. Assumptions at 31 December 2010 are unchanged from those used at 31 December 2009.

Notes to the Financial Statements

For the year ended 31 December 2010

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 2009 to 31 December 2010 in respect of life insurance contracts (excluding new business contracts which are measured using assumptions at reporting date) is as shown in the table below.

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

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

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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.

Variable	Change in variable	Change in life insurance contract liabilities		Change in shareholder profit after income tax, and equity	
		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	11	7	(8)	(5)
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 2010

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
<i>Non-participating life insurance contracts with fixed and guaranteed terms (term life and disability)</i>	These policies provide guaranteed benefits, which are paid on 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.
<i>Life annuity contracts</i>	In exchange for an initial single premium, these policies provide a guaranteed regular income for the life of the insured.	The amount of the guaranteed regular income is set at inception of the policy including any indexation.	Longevity, expenses and market earning rates on assets backing the liabilities.
<i>Conventional life insurance contracts with discretionary participating benefits (endowment and whole of life)</i>	These policies combine life insurance and savings. The policyholder pays a regular premium and receives the specified sum 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.
<i>Investment account contracts with discretionary participating features</i>	The gross value of premiums received is invested in the investment account with fees and premiums for any associated insurance cover being deducted from the account balance. 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 2010	903	2,416	5,420	8,739
31 December 2009	1,129	3,120	5,741	9,990

Notes to the Financial Statements

For the year ended 31 December 2010

15. OTHER LIFE INSURANCE AND INVESTMENT CONTRACTS DISCLOSURES

	Consolidated and Parent 2010 A\$M	Consolidated and Parent 2009 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	279	280
- Profits arising from difference between actual and assumed experience	(8)	22
- Capitalised (losses) reversals	1	-
Profit related to change in life insurance and investment contract liabilities	272	302
Attributable to:		
- Life insurance contracts	254	321
- Investment contracts	18	(19)
Investment earnings on assets in excess of life insurance and investment contract liabilities	272	302

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 2010 and 2009.

(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 2010 A\$M	Consolidated and Parent 2009 A\$M
(c) Capital guarantees		
Life insurance contracts with a discretionary participating feature		
- Amount of the liabilities that relate to guarantees	13,758	14,082
Investment linked contracts		
- Amount of the liabilities subject to investment performance guarantees	2	2
Other life insurance and investment contracts with a guaranteed termination value		
- Current termination value	131	138

Notes to the Financial Statements

For the year ended 31 December 2010

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 2010 were 68% (2009: 75%).

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 2010 was 33% (2009: 33%).

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:

		2010 A\$M	2009 A\$M
Solvency requirement			
- Minimum Termination Value – MTV		18,342	18,570
- Other liabilities		1,805	2,006
- Solvency reserve	B	2,075	2,178
Total solvency requirement	A	22,222	22,754
Assets available for solvency			
- Net assets		1,476	1,508
- Liability for unvested policy owner benefits		1,376	1,344
- Excess of net policy liabilities (including policy owner bonuses) over MTV		638	957
Total assets available for solvency	C	3,490	3,809
Solvency reserve %	$(B/(A-B))*100$	10.3%	10.6%
Coverage of solvency reserve	C/B	1.7	1.7
Excess assets over solvency reserve	$((C-B)/B)*100$	68%	75%

Notes to the Financial Statements

For the year ended 31 December 2010

15. 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 14.

As at 31 December 2010, the policy liabilities (being the sum of the life insurance contract and investment contract liabilities, including any asset or liability arising in respect of the management services element of an investment contract) and solvency reserves have been determined at the reporting date in accordance with the *Life Act*.

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

Based on assumptions as to likely withdrawal patterns in the various product groups, it is estimated that approximately \$2.8bn (2009: \$2.9bn) of policy liabilities may be settled within 12 months of the balance date.

(g) Disaggregated Income statement

	Non- Investment Linked 2010 A\$M	Investment Linked 2010 A\$M	Total Parent 2010 A\$M
Income and expenses of policyholder, shareholders, external unitholders and minority interests			
Life insurance premium and related revenue	1,100	-	1,100
Fee and other revenue	43	2	45
Investment gains	1,221	7	1,228
Life insurance claims and related expenses	(1,289)	-	(1,289)
Operating expenses	(616)	(1)	(617)
Finance costs	(16)	-	(16)
Change in life insurance contract liabilities	202	-	202
Change in investment contract liabilities	(127)	(7)	(134)
Profit before income tax	518	1	519
Income tax expense	(174)	(1)	(175)
Net profit after income tax	344	-	344

	Non- Investment Linked 2009 A\$M	Investment Linked 2009 A\$M	Total Parent 2009 A\$M
Income and expenses of policyholders, shareholder, external unitholders and minority interests			
Life insurance premium and related revenue	1,049	-	1,049
Fee and other revenue	42	4	46
Investment gains / (losses)	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

Notes to the Financial Statements

For the year ended 31 December 2010

15. OTHER LIFE INSURANCE AND INVESTMENT CONTRACTS DISCLOSURES (continued)

(h) Disaggregated Statement of financial position

	Non- Investment Linked 2010 A\$M	Investment Linked 2010 A\$M	Elimination 2010 A\$M	Total Parent 2010 A\$M
Assets				
Investments in financial assets measured at fair value through profit and loss	19,050	93	19	19,162
Investment property	121	-	-	121
Investments in controlled entities	1,160	56	-	1,216
Other assets	2,715	(72)	294	2,937
Total assets of policyholders, shareholder, external unit holders and minority interests	23,046	77	313	23,436
Liabilities				
Life insurance contract liabilities	17,762	-	-	17,762
Investment contract liabilities	2,562	98	-	2,660
Other liabilities	1,246	(21)	313	1,538
Total liabilities of policyholders, shareholder, external unit holders and minority interests	21,570	77	313	21,960
Total equity attributable to shareholder	1,476	-	-	1,476

	Non- Investment Linked 2009 A\$M	Investment Linked 2009 A\$M	Elimination 2009 A\$M	Total Parent 2009 A\$M
Assets				
Investments in financial assets measured at fair value through profit and loss	20,316	152	(35)	20,433
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

Notes to the Financial Statements

For the year ended 31 December 2010

15. OTHER LIFE INSURANCE AND INVESTMENT CONTRACTS DISCLOSURES (continued)

(i) Disaggregated movement in retained earnings

	Non- Investment Linked	Investment Linked	Total Parent	Total Consolidated
	2010 A\$M	2010 A\$M	2010 A\$M	2010 A\$M
Opening retained earnings	1,222	-	1,222	1,222
Net profit after tax for the year attributable to the shareholder	344	-	344	344
Transfers between Statutory and Shareholder Funds	(360)	-	(360)	(360)
Closing retained earnings	1,206	-	1,206	1,206

	Non- Investment Linked	Investment Linked	Total Parent	Total Consolidated
	2009 A\$M	2009 A\$M	2009 A\$M	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

16. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS DISCLOSURES

Financial Risk Management Objectives

The AMP Life 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) framework is to ensure the existence of a robust structure for identifying, assessing, measuring, managing and escalating risks. The framework operates under the AMP Group's risk appetite statement that includes consideration of risk to capital and risk to earnings.

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 directors and boards of AMP Life Limited are required to comply with the Board approved risk appetite and are responsible for approving policy holder asset and liability strategy and allocating subsidiary shareholder capital investment and reporting to the AMP Life audit committee (AMP Life AC) and the AMP Life Asset and Liability Committee (AMP Life ALCO).

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 (Life AC) is delegated this responsibility for the elements specific to AMP Life.

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 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 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 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 2010

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 Life 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, policy holders 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

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

Financial risk in AMP Life Limited is managed by reference to the probability of loss relative to expected income over a one-year time horizon at a 90% confidence level (Profit at Risk). In respect of investments held in AMP Life SF1, the loss tolerance over the discretionary investments is set at a low level because AMP Life Limited has equity market exposure in its business (for example through fees on Assets under Management).

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

(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 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 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.

Interest rate risk arises from interest bearing financial assets and financial liabilities in various activities of AMP Life SF1. 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 Limited 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 2010

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 2010 and 2009) and there are concurrent movements in interest rates and parallel shifts in the yield curves.

Change in variables	31 st December 2010	Impact on	31 st December 2009	Impact on
	Impact on	equity	Impact on	equity
	profit after		profit after	
	tax	A\$M	tax	A\$M
	A\$M		A\$M	
+100 basis points	(14)	(14)	(30)	(30)
-100 basis points	16	16	31	31

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

(ii) Currency risk

Currency risk is the risk of an impact on AMP Life SF1's profit after tax and equity from movements in foreign exchange rates. Changes in value would occur in respect of 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 Life 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.

Change in variables	31 st December 2010	Impact on	31 st December 2009	Impact on
	Impact on	equity	Impact on	equity
	profit after		profit after	
	tax	\$m	tax	\$m
	\$m		\$m	
+10%	8	8	9	9
-10%	(8)	(8)	(9)	(9)

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 2010

16. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS DISCLOSURES (continued)

(iv) *Investment risk(continued)*

Change in variables	31 st December 2010		31 st December 2009	
	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	9	9	15	15
10% increase in international equities	8	8	9	9
10% decrease in Australian equities	(9)	(9)	(15)	(15)
10% decrease in International equities	(8)	(8)	(9)	(9)

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 2010 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 2010

16. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS DISCLOSURES (continued)

Maturity profiles of undiscounted financial liabilities

2010 – 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	482	2	-	-	1	485
Borrowings	532	-	-	-	-	532
Investment contract liabilities	749	946	1,463	-	98	3,256
External unit-holders' liabilities	-	-	-	-	712	712
Total undiscounted financial liabilities^{(1) (2)}	1,763	948	1,463	-	811	4,985
2009 – Consolidated	A\$M	A\$M	A\$M	A\$M	A\$M	A\$M
Payables	110	3	4	155	2	274
Borrowings	235	-	-	298	-	533
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	453	851	4868
2010 – 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	472	2	-	-	1	475
Borrowings	399	-	-	-	-	399
Investment contract liabilities	749	946	1,463	-	98	3,256
Total undiscounted financial liabilities^{(1) (2)}	1,620	948	1,463	-	99	4,130
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

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 2010

16. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS DISCLOSURES (continued)

(c) Credit risk

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

The 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 2010 was \$634m (2009: \$634m) 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	
	2010	2009
	A\$m	A\$m
AAA	4,121	3,647
AA	4,084	3,774
A	2,128	1,196
BBB	1,458	869
Below BBB	207	240
Total financial assets with credit risk exposure managed by Treasury	11,998	9,726
Financial assets with credit exposure not managed by Treasury ⁽¹⁾	10,264	13,114
Other ⁽²⁾	2,065	2,142
Total assets	24,327	24,982

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 2010

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				Total A\$M
	Less than 31 days A\$M	31 to 60 days A\$M	61 – 90 days A\$M	More than 91 days A\$M	
2010 – Consolidated					
Receivables					
- Reinsurance and other recoveries receivable	-	-	-	-	-
- Other receivables	1	-	-	1	2
Total ⁽¹⁾	1	-	-	1	2

	Past due but not impaired				Total A\$M
	Less than 31 days A\$M	31 to 60 days A\$M	61 – 90 days A\$M	More than 91 days A\$M	
2009 – Consolidated					
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				Total A\$M
	Less than 31 days A\$M	31 to 60 days A\$M	61 – 90 days A\$M	More than 91 days A\$M	
2010 – Parent					
Receivables					
- Reinsurance and other recoveries receivable	-	-	-	-	-
- Other receivables	1	-	-	1	2
Total ⁽¹⁾	1	-	-	1	2

	Past due but not impaired				Total A\$M
	Less than 31 days A\$M	31 to 60 days A\$M	61 – 90 days A\$M	More than 91 days A\$M	
2009 – Parent					
Receivables					
- Reinsurance and other recoveries receivable	2	1	-	-	3
- Other receivables	1	-	-	-	1
Total ⁽¹⁾	3	1	-	-	4

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 2010

16. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS DISCLOSURES (continued)

(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 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.

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

(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:

2010 – Consolidated	Level 1 \$AM	Level 2 \$AM	Level 3 \$AM	Total fair value \$AM
Assets				
Equity securities and listed managed investment schemes	3,594	-	448	4,042
Debt securities	-	7,853	135	7,988
Investments in unlisted managed investment schemes	-	7,140	127	7,267
Derivative financial assets	186	217	-	403
Total financial assets	3,780	15,210	710	19,700
Liabilities				
Borrowings	-	532	-	532
Derivative financial liabilities	36	173	-	209
Investment contract liabilities	-	1,994	666	2,660
Total financial liabilities	36	2,699	666	3,401

Notes to the Financial Statements

For the year ended 31 December 2010

16. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS DISCLOSURES (continued)**(e) Fair value measures (continued)**

2009 – Consolidated	Level 1 \$AM	Level 2 \$AM	Level 3 \$AM	Total fair value \$AM
Assets				
Equity securities and listed managed investment schemes	3,998	-	458	4,456
Debt securities	-	7,418	206	7,624
Investments in unlisted managed investment schemes	273	7,187	177	7,637
Derivative financial assets	405	525	-	930
Total financial assets	4,676	15,130	841	20,647
Liabilities				
Borrowings	-	533	-	533
Derivative financial liabilities	298	182	-	480
Investment contract liabilities	-	1,719	815	2,534
Total financial liabilities	298	2,434	815	3,547

2010 - Parent	Level 1 A\$M	Level 2 A\$M	Level 3 A\$M	Total fair value A\$M
Assets				
Equity securities and listed managed investment schemes	3,471	106	121	3,698
Debt securities	-	9,241	108	9,349
Investments in unlisted investment schemes	-	5,629	128	5,757
Derivative financial assets	158	200	-	358
Investment in controlled entities	-	1,216	-	1,216
Total financial assets	3,629	16,392	357	20,378
Liabilities				
Borrowings	-	399	-	399
Derivative financial liabilities	33	161	-	194
Investment contract liabilities	-	1,994	666	2,660
Total financial liabilities	33	2,554	666	3,253

2009 - Parent	Level 1 A\$M	Level 2 A\$M	Level 3 A\$M	Total fair value A\$M
Assets				
Equity securities and listed managed investment schemes	3,745	389	136	4,270
Debt securities	-	8,921	180	9,101
Investments in unlisted investment schemes	169	5,843	178	6,190
Derivative financial assets	355	517	-	872
Investment in controlled entities	-	981	-	981
Total financial assets	4,269	16,651	494	21,414
Liabilities				
Borrowings	-	415	-	415
Derivative financial liabilities	295	158	-	453
Investment contract liabilities	-	1,719	815	2,534
Total financial liabilities	295	2,292	815	3,402

Notes to the Financial Statements

For the year ended 31 December 2010

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:

2010 - Consolidated

	At 1 Jan 2010	Total gains/(losses) in Income statement	Total gains/(losses) in other comprehensive income	Purchases	Sales	Net transfers in/(out)	At 31 Dec 2010	Total gain or (loss) for the period included in profit or loss for assets held at 31 Dec 2010
	A\$M	A\$M	A\$M	A\$M	A\$M	A\$M	A\$M	A\$M
Assets								
Equity securities and listed managed investments	458	19	-	4	(6)	(27)	448	2
Debt securities	206	59	-	14	(169)	25	135	59
Investments in unlisted managed investments	177	(47)	-	4	(13)	6	127	(47)
Total financial assets	841	31	-	22	(188)	4	710	14
Liabilities								
Investment contract liabilities	815	23	-	3	(175)	-	666	32
Total financial liabilities	815	23	-	3	(175)	-	666	32

2009 Consolidated

Assets								
Equity securities and listed managed investments	485	(22)	-	34	(39)	-	458	(22)
Debt securities	210	19	-	43	(66)	-	206	19
Investments in unlisted managed investments	191	(12)	-	7	(9)	-	177	(11)
Total financial assets	886	(15)	-	84	(114)	-	841	(14)
Liabilities								
Investment contract liabilities	1,045	(41)	-	14	(285)	-	815	(24)
Total financial liabilities	1,045	(41)	-	14	(285)	-	815	(24)

Notes to the Financial Statements

For the year ended 31 December 2010

2010 - Parent

	At 1 Jan 2010	Total gains/(losses) in Income statement	Total gains/(losses) in other comprehensive income	Purchases	Sales	Net transfers in/(out)	At 31 Dec 2010	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 and listed managed investments	136	(25)	-	4	(2)	8	121	(42)
Debt securities	180	60	-	12	(169)	25	108	60
Investments in unlisted managed investments	178	(47)	-	4	(13)	6	128	(47)
Total financial assets	494	(12)	-	20	(184)	39	357	(29)
Liabilities								
Investment contract liabilities	815	23	-	3	(175)	-	666	32
Total financial liabilities	815	23	-	3	(175)	-	666	32

2009 - Parent

Assets								
Equity securities and listed managed investments	168	(34)	-	2	-	-	136	(34)
Debt securities	186	20	-	40	(66)	-	180	20
Investments in unlisted managed investments	191	(12)	-	8	(9)	-	178	(10)
Total financial assets	545	(26)	-	50	(75)	-	494	(24)
Liabilities								
Investment contract liabilities	1,045	(41)	-	14	(285)	-	815	(24)
Total financial liabilities	1,045	(41)	-	14	(285)	-	815	(24)

Notes to the Financial Statements

For the year ended 31 December 2010

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:

Consolidated	2010			2009		
	Carrying amount	Effect of reasonably possible alternative assumptions (+/-)		Carrying amount	Effect of reasonably possible alternative assumptions (+/-)	
	A\$M	A\$M		A\$M	A\$M	
Assets						
Equity securities and listed managed investments	448	20	(20)	458	31	(31)
Debt securities	135	-	-	206	-	-
Investments in unlisted managed investments	127	-	-	177	-	-
Total financial assets	710	20	(20)	841	31	(31)
Liabilities						
Investment contract liabilities	666	(10)	10	815	(13)	13
Total financial assets	666	(10)	10	815	(13)	13

Parent	2010			2009		
	Carrying amount	Effect of reasonably possible alternative assumptions (+/-)		Carrying amount	Effect of reasonably possible alternative assumptions (+/-)	
	A\$M	A\$M		A\$M	A\$M	
Assets						
Equity securities and listed managed investments	121	4	(4)	136	5	(5)
Debt securities	108	-	-	180	-	-
Investments in unlisted managed investments	128	-	-	178	-	-
Total financial assets	357	4	(4)	494	5	(5)
Liabilities						
Investment contract liabilities	666	(10)	10	815	(13)	13
Total financial assets	666	(10)	10	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.

Notes to the Financial Statements

For the year ended 31 December 2010

17. CAPITAL MANAGEMENT (continued)

Regulatory capital

AMP Life Limited is subject to externally imposed regulatory capital requirements. Specifically, AMP Life Limited 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 Limited 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.

18. NOTES TO THE STATEMENT OF CASH FLOWS

	Consolidated		Parent	
	2010	2009	2010	2009
	A\$M	A\$M	A\$M	A\$M
(a) Reconciliation of the net profit after income tax to cash flows from operating activities				
Net profit after income tax	344	352	344	352
Depreciation of operating assets	10	12	10	12
Net loss (profit) on sale of investments and operating assets	(69)	486	(123)	578
Unrealised (gains) losses in investment asset values	266	295	91	(120)
Other losses recognised in comprehensive income	(14)	(10)	(14)	(10)
Decrease in receivables and other assets	(24)	218	(43)	225
(Decrease) in investment and life insurance contract liabilities	(492)	(1,117)	(492)	(1,117)
(Decrease) Increase in income tax provisions and balances	162	(312)	164	(310)
(Decrease) in other operating payables	(55)	(247)	(27)	(38)
Cash flows (used in) operating activities	128	(323)	(90)	(428)
(b) Reconciliation of cash				
Cash on hand and on deposit	2,495	2,151	2,274	1,807
Cash for the purposes of the Statement of cash flows	2,495	2,151	2,274	1,807
(c) Financing arrangements				
(i) Overdraft facilities - Bank overdraft facility available	307	307	306	306
(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	1,243	1,477	-	-
Used	(805)	(1,136)	-	-
Unused	438	341	-	-

(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 2010 or 2009.

Notes to the Financial Statements

For the year ended 31 December 2010

19. HOLDINGS IN CONTROLLED ENTITIES

Details of investments in significant controlled entities are as follows:

NAME OF COMPANY	COUNTRY OF INCORPORATION	Share type	% Holdings	
			2010	2009
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 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/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 ⁽¹⁾	Republic of China	Ord	-	81
KiwiKat Limited ⁽²⁾	New Zealand	Ord	70	-

Footnote:⁽¹⁾ Entity was disposed in January 2010.⁽²⁾ A further 21 % of KiwiKat was acquired during the reporting period, bringing the total shareholding up to 70 %. In 2009 KiwiKats was treated as an associate entity, while in 2010 it is treated as a controlled entity.

Notes to the Financial Statements

For the year ended 31 December 2010

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	
		2010	2009
AMP Capital Asian Equity Growth Fund	Australia	88	88
AMP Capital Investors Australian Equity Long Short Fund	Australia	100	100
AMP Capital Credit Strategies	Australia	90	100
AMP Capital Macro Strategies	Australia	78	100
Australia Pacific Airports Fund	Australia	66	66
AMP Capital Investors Infrastructure Fund 1	Australia	100	54
AMP Private Capital Trust No.4	Australia	100	100
AMP UK Shopping Centre Fund	Australia	100	100
AMP US Property Trust ⁽¹⁾	Australia	-	100
AMP Capital Pacific Fair and Macquarie Shopping Centre Fund (previously AMP Wholesale Shopping Centre Trust No.2)	Australia	76	76
Asian Giants Infrastructure Fund ⁽²⁾	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	52	100
The Glendenning Trust	Australia	100	100
Global Credit Strategies Fund	Australia	87	100
Floating Rate Income Fund	Australia	81	71

Footnote:

⁽¹⁾ Trusts disposed during 2010⁽²⁾ Investment dropped below 50 % in 2010

20. INVESTMENTS IN ASSOCIATED ENTITIES

Details of investments in associated companies are as follows:

NAME OF COMPANY	PRINCIPAL ACTIVITY	Ownership interest		Carrying amount	
		2010 %	2009 %	2010 A\$M	2009 A\$M
TOA Pty Limited CTG	Investment Company	50	50	164	164
AMP Pencarrow Private Capital	Investment Company	34	34	9	26
Others (less than \$10m)	Various	Various	Various	-	-
Total Parent				173	190
Investment by Controlled Entities of AMP Life Statutory Fund No. 1					
Zeacom Group Limited	Computer Technology	27%	27%	2	3
Total				2	3
Total Consolidated				175	193

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.

Notes to the Financial Statements

For the year ended 31 December 2010

20. INVESTMENTS IN ASSOCIATED ENTITIES (continued)

Details of investments in associated unit trusts are as follows:

NAME OF TRUST	Principal Activity	Ownership Interest		Carrying amount	
		2010 %	2009 %	2010 A\$M	2009 A\$M
AIGE AIF Strategic Equity	Investment Trust	33	23	127	90
AMP Equity Fund	Investment Trust	46	46	101	118
AMP Global Equities Fund ⁽¹⁾	Investment Trust	26	-	33	-
AMP Investments World Index Fund	Investment Trust	46	31	67	88
AMP Property Portfolio	Investment Trust	38	38	262	281
AMP Shopping Centre Fund	Investment Trust	35	44	560	570
Enhanced Index International Share Fund	Investment Trust	31	35	553	662
Managed Treasury Fund ⁽¹⁾	Investment Trust	20	-	667	-
Principle Healthcare Finance Unit Trust 1	Investment Trust	24	24	28	39
Principle Healthcare Finance Unit Trust 2	Investment Trust	24	24	28	39
Strategic Infrastructure Trust Europe No 1	Investment Trust	25	25	39	47
Strategic Infrastructure Trust Europe No 2	Investment Trust	25	25	39	47
Wholesale Australian Bond Fund	Investment Trust	25	23	702	564
Others (less than \$30m)	Investment Trust	Various	Various	67	62
Total				3,273	2,607

Footnote:⁽¹⁾ During 2010 AMP Life SF1's investment holding increased above 20%.**21. CONTINGENT LIABILITIES AND FORWARD INVESTMENTS***Contingent liabilities*

AMP Life SF1 from time to time may incur obligations arising from litigation or various types of contracts entered into 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 SF1 in a dispute, accounting standards allow AMP Life SF1 not to disclose such information and it is the policy of AMP Life SF1 that such information is not to be disclosed in this note.

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

Forward investments – callable at any time

	Consolidated and Parent	
	2010 A\$M	2009 A\$M
Uncalled capital on shares in relation to: ⁽¹⁾		
- Controlled entities	-	38
- Associated entities	41	4
- Other entities	7	10
Uncalled capital on units in relation to: ⁽¹⁾		
- Controlled entities	23	23
- Other entities	-	-

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.

Notes to the Financial Statements

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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:

Richard John Grellman	Chairman	
Craig William Dunn	Director, Chief Executive Officer – AMP Limited	
Catherine Brenner	Non-Executive Director	
Anthony Maxwell Coleman	Non-Executive Director	Appointed: 14/02/2011
Ian William Laughlin	Non-Executive Director	Resigned: 10/06/2010
Craig Duncan Meller	Director	
John Leonard Palmer	Non-Executive Director	
Peter Roger Shergold	Non-Executive Director	

(b) Remuneration of key management personnel

The following table provides aggregate details of the compensation of key management personnel of AMP Life Limited 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 A\$	Post- employment benefits A\$	Other long- term benefits A\$	Termination benefits A\$	Share-based payments A\$	Total A\$
2010	6,058,136	73,482	-	-	3,025,000	9,156,618
2009	6,284,497	76,606	-	-	2,179,000	8,540,103

(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.

Notes to the Financial Statements

For the year ended 31 December 2010

(d) Other related party transactions

Transactions with related parties are made at arms length and on normal commercial terms. Outstanding balances at 31 December 2010 and 31 December 2009 are unsecured, non interest bearing and settlement occurs in cash or through inter-company accounts as necessary.

The following table provides the total amount of significant transactions which AMP Life SF1 has entered into with related parties for the relevant financial year.

		Investment revenue \$M	Service, management and other fees paid to related parties \$M	Amounts owed by related parties \$M	Amounts owed to related parties \$M	Cash holdings \$M
Fellow subsidiaries of AMP Limited						
AMP Bank Limited	2010	89	-	-	-	2,183
	2009	74	-	-	-	1,883
AMP Capital Investors	2010	-	65	-	-	-
	2009	-	54	-	-	-
AMP CMBS No. 2 Pty Ltd	2010	-	-	65	-	-
	2009	-	-	115	-	-
AMP Financial Planning	2010	-	108	-	-	-
	2009	-	101	-	-	-
AMP Life Ltd Australia Shareholders Funds	2010	-	-	-	200	-
	2009	-	-	-	-	-
AMP Life Ltd Statutory Fund 3	2010	-	-	-	52	-
	2009	-	-	-	-	-
AMP Life Ltd Statutory Fund 2	2010	-	-	213	-	-
	2009	-	-	334	269	-
AMP Planner Register Company	2010	-	-	88	-	-
	2009	-	-	-	-	-
AMP Services Limited	2010	-	281	-	-	-
	2009	-	269	-	-	-
AMP Services NZ Limited	2010	-	56	-	-	-
	2009	-	58	-	215	-
TOA Pty Limited	2010	-	-	-	159	-
	2009	-	-	-	159	-
Investment Trusts (various)	2010	182	-	-	-	-
	2009	166	-	-	-	-

23. EVENTS OCCURRING AFTER THE 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 statutory fund, 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 2010

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, 05 May 2011

AMP LIFE LIMITED STATUTORY FUND NO.1 FINANCIAL REPORT

DIRECTORS' REPORT

For the year ended 31 December 2010

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

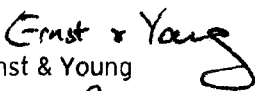
INCOME STATEMENT

For the year ended 31 December 2010

		Consolidated		Parent	
	Note	2010 A\$M	2009 A\$M	2010 A\$M	2009 A\$M
Income and expenses of policyholders, shareholder, external unitholders and minority interests					
Life insurance premium and related revenue	3(a), 14(a)	1,100	1,049	1,100	1,049
Fee and other revenue	3(b)	50	49	45	46
Investment gains and losses	3(c)	1,176	553	1,228	614
Life insurance claims and related expenses	4(a), 14(b)	(1,289)	(1,251)	(1,289)	(1,251)
Operating expenses	4(b)	(663)	(630)	(617)	(583)
Finance costs	4(c)	(24)	24	(16)	12
Change in investment contract liabilities		(134)	(113)	(134)	(113)
Change in life insurance contract liabilities	14(e)	202	641	202	641
Movement in external unitholders' liabilities		87	107	-	-
Profit before income tax		505	429	519	415
Income tax (expense) / credit	5(a)	(175)	(63)	(175)	(63)
Net profit after income tax		330	366	344	352
(Profit) / loss attributable to minority interests in controlled companies		14	(14)	-	-
Net profit after income tax attributable to the shareholder of AMP Life Limited		344	352	344	352

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 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

The logo for Ernst & Young, featuring a stylized 'EY' symbol followed by the text 'Ernst & Young' in a cursive script.

Ernst & Young

A handwritten signature in black ink, appearing to read 'AP', located below the printed name of Andrew Price.

Andrew Price
Partner

Sydney
5 May 2011

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 2010, 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 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. The directors are also responsible for such controls as they determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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.

Independence

In conducting our audit we have met the independence requirements of the Australian professional accounting bodies.

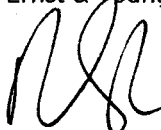
Auditor's Opinion

In our opinion the financial report presents fairly, in all material respects, the company's and consolidated entity's financial positions as of 31 December 2010 and their financial performance and cash flows for the year then ended in accordance with the accounting policies described in Note 1 to the financial statements.

Basis of accounting

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under Section 9A(3) of the New Zealand Financial Reporting Act 1993. As a result, the financial report may not be suitable for another purpose.

Ernst & Young
Ernst & Young

A handwritten signature in black ink, appearing to read 'AP', written over the printed name 'Andrew Price'.

Andrew Price
Partner
Sydney
5 May 2011