AMP Life Limited
(New Zealand Branch)
ABN 84 079 300 379

Consolidated financial statements for the year ended 31 December 2018

AMP Life Limited (New Zealand Branch)
ABN 84 079 300 379
FULL YEAR FINANCIAL STATEMENTS
31 DECEMBER 2018

TABLE OF CONTENTS

Registered office:
33 Alfred Street
Sydney NSW 2000 Australia

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

Consolidated income statement

for the year ended 31 December 2018

	Note	2018 NZ$000	2017 NZ$000
Income and expenses of the shareholder and policyholders [1]			
Life insurance contract related revenue	4.2	**656,452**	368,489
Life insurance claims recovered from reinsurers	4.2	**18,965**	16,563
Fee revenue	1.1	**137,168**	133,162
Other revenue		**14,297**	13,130
Investment gains	1.1	**224,782**	633,386
Life insurance contract claims expense	4.2	**(355,021)**	(344,482)
Life insurance contract premium ceded to reinsurers	4.2	**(49,039)**	(20,548)
Operating expenses	1.2	**(220,572)**	(235,818)
Finance costs		**(1,011)**	(938)
Change in policyholder liabilities			
- life insurance contracts	4.2	**(213,662)**	(260,253)
- investment contracts	4.5	**1,630**	(43,583)
Profit for the year before income tax		**213,989**	259,108
Income tax expense	1.3	**(106,577)**	(110,059)
Profit for the year		**107,412**	149,049
Profit for the year is attributable to:			
Non-controlling interests		**(1,569)**	828
Shareholder		**108,981**	148,221
Profit after tax		**107,412**	149,049

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

The accompanying notes form part of these consolidated financial statements

Consolidated statement of comprehensive income

for the year ended 31 December 2018

	Note	2018 NZ$000	2017 NZ$000
Profit for the year		**107,412**	149,049
Other comprehensive income - items that will not be reclassified subsequently to profit or loss:			
Recognised in retained earnings			
Defined benefit plans			
- actuarial (losses) and gains	5.2	**(2,004)**	53
- income tax credit (expense)		**561**	(15)
		(1,443)	38
Recognised in reserves			
- share-based payments	5.3	**181**	(315)
		181	(315)
Total comprehensive income for the year		**106,150**	148,772
Total comprehensive income for the year is attributable to:			
Non-controlling interests		**(1,569)**	828
Shareholder		**107,719**	147,944
Total comprehensive income for the year		**106,150**	148,772

The accompanying notes form part of these consolidated financial statements

Consolidated statement of financial position

as at 31 December 2018

	Note	2018 NZ$000	2017 NZ$000
Assets			
Cash and cash equivalents	7.1	**877,360**	613,586
Receivables and prepayments	2.3	**114,129**	138,146
Current tax assets		**21,008**	6,164
Investment in financial assets	2.1	**4,934,900**	5,027,499
Plant and equipment	7.2	**-**	5,430
Intangibles	2.2	**146**	25,818
Reinsurance asset – ceded life insurance contracts	4.2	**41,667**	50,362
Assets held for sale	6.4	**110,636**	-
Total assets of shareholder and policyholders		**6,099,846**	5,867,005
Liabilities			
Payables	2.4	**395,652**	253,264
Provisions	2.5	**-**	4,587
Derivative financial liabilities	2.6	**63,303**	51,285
Deferred tax liabilities	1.3	**282,055**	250,429
Life insurance contract liabilities	4.2	**3,920,779**	4,012,836
Investment contract liabilities	4.5	**302,647**	341,791
Reinsurance liability – ceded life insurance contracts	4.2	**292,728**	-
Pension liabilities	5.2	**-**	4,395
Liabilities held for sale	6.4	**33,018**	-
Total liabilities of shareholder and policyholders		**5,290,182**	4,918,587
Net assets of shareholder		**809,664**	948,418
Equity			
Share-based payment reserve		**3,452**	3,271
Retained earnings		**787,641**	923,235
Total equity of shareholder		**791,093**	926,506
Non-controlling interests		**18,571**	21,912
Total equity of shareholder and non-controlling interests		**809,664**	948,418

For and on behalf of the Board who authorised these consolidated financial statements for issue on 14 February 2019.

Trevor Matthews
Chairman

Megan Beer
Managing Director

The accompanying notes form part of these consolidated financial statements

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Consolidated statement of changes in equity

for the year ended 31 December 2018

	Retained earnings	Share-based payments reserve	Total shareholder equity	Non-controlling interest	Total equity
	NZ$000	*NZ$000*	*NZ$000*	*NZ$000*	*NZ$000*
31 December 2018					
Balance at 31 December 2017	**923,235**	**3,271**	**926,506**	**21,912**	**948,418**
Impact of adoption of new accounting standards (Note 7.6)	**(209)**	**-**	**(209)**	**-**	**(209)**
Balance at the beginning of the year	**923,026**	**3,271**	**926,297**	**21,912**	**948,209**
Profit for the year	**108,981**	**-**	**108,981**	**(1,569)**	**107,412**
Other comprehensive income	**(1,443)**	**181**	**(1,262)**	**-**	**(1,262)**
Total comprehensive income	**107,538**	**181**	**107,719**	**(1,569)**	**106,150**
Capital movements relating to non-controlling interest	**-**	**-**	**-**	**(1,772)**	**(1,772)**
Transfer of profit to AMP Life Limited Shareholder Fund	**(242,923)**	**-**	**(242,923)**	**-**	**(242,923)**
Balance at the end of the year	**787,641**	**3,452**	**791,093**	**18,571**	**809,664**
31 December 2017					
Balance at the beginning of the year	621,569	3,586	625,155	21,084	646,239
Transfer of NMLA NZ Insurance business	314,120	-	314,120	-	314,120
Profit for the year	148,221	-	148,221	828	149,049
Other comprehensive income	38	(315)	(277)	-	(277)
Total comprehensive income	148,259	(315)	147,944	828	148,772
Transfer of profit to AMP Life Limited Shareholder Fund	(160,713)	-	(160,713)	-	(160,713)
Balance at the end of the year	923,235	3,271	926,506	21,912	948,418

The accompanying notes form part of these consolidated financial statements

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Consolidated statement of cash flows

for the year ended 31 December 2018

	Note	2018 NZ$000	2017 NZ$000
Cash flows from operating activities			
Cash receipts in the course of operations		**840,722**	551,038
Interest received		**123,434**	121,354
Dividends and distributions received		**22,205**	2,370
Cash payments in the course of operations		**(659,222)**	(655,842)
Finance costs		**(1,011)**	(938)
Income tax paid		**(93,048)**	(49,980)
Cash flows from (used in) operating activities	7.1	**233,080**	(31,988)
Cash flows from investing activities			
Net proceeds from sale of / (payments to acquire):			
- investments in financial assets measured at fair value		**186,356**	206,040
- investments in financial assets measured at amortised cost		**319**	12,186
Additions of plant and equipment		**(2,588)**	(2,563)
Additions of intangibles		**(6,130)**	(4,188)
Cash flows from investing activities		**177,957**	211,475
Cash flows from financing activities			
Transfer of funds to AMP Life Limited Shareholder Fund		**(121,262)**	(157,535)
Cash flows used in financing activities		**(121,262)**	(157,535)
Net increase (decrease) in cash and cash equivalents		**289,775**	21,942
Cash and cash equivalents at the beginning of the year		**613,586**	361,930
Cash from NMLA transfer	6.5	**-**	229,714
Cash and cash equivalents at the end of the year[1]	7.1	**903,361**	613,586

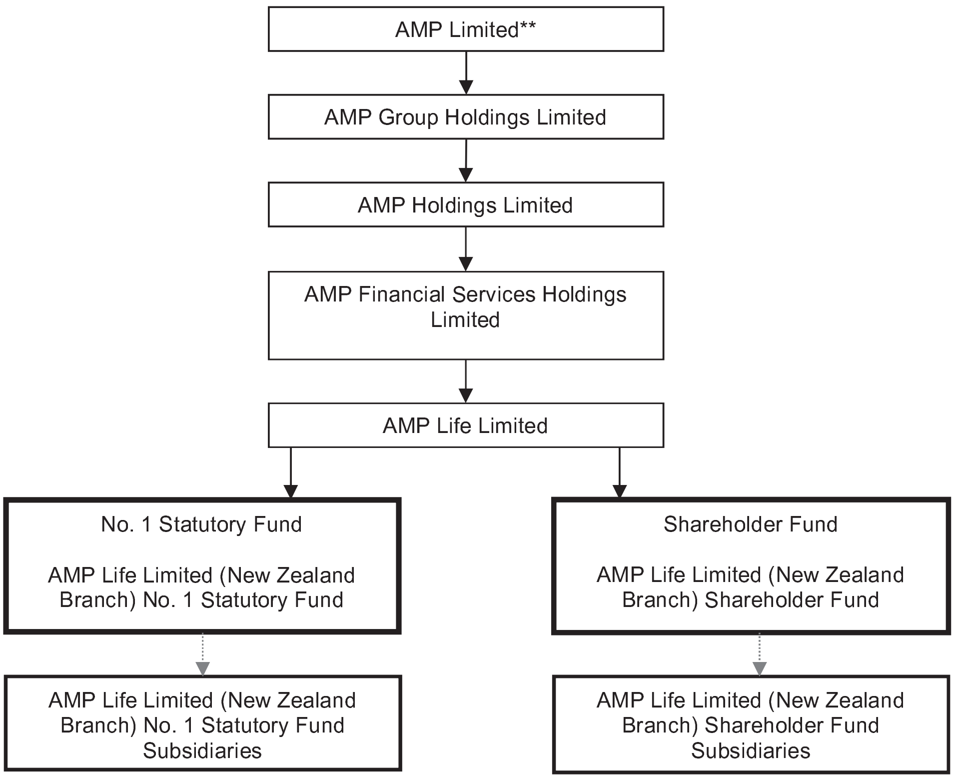
[1] Cash and cash equivalents that are related to AMP Services (NZ) Limited (AMPS) have been classified as held for sale (Note 6.4). As a result, total cash and cash equivalents balance, in the note above, does not reconcile to the statement of financial position.

The accompanying notes form part of these consolidated financial statements

About these financial statements

(a) Understanding these financial statements

In September 2013 the Reserve Bank of New Zealand (“RBNZ”) granted AMP Life Limited (“AMP Life”) a full licence to carry on insurance business under the Insurance (Prudential Supervision) Act 2010* (“IPSA”). AMP Life is incorporated in New South Wales and registered under Australia's Life Insurance Act 1995 ("Life Act"). AMP Life carries out its life insurance business in New Zealand through a Branch establishment and is deemed to be a “FMC Reporting entity” as defined by the Financial Markets Conduct Act 2013. AMP Life is not a self-contained legal entity in New Zealand except to the extent that New Zealand incorporated subsidiaries carry out their business. A summarised group structure is as follows:



* As part of the grant of that licence, AMP Life was granted certain exemptions from IPSA by virtue of its status as an Australian regulated entity. This status requires AMP Life to ensure that it meets all standards and regulations applicable in Australia and enforced by the Australian Prudential Regulation Authority.

**AMP Limited is the ultimate holding company of AMP Life Limited (including the New Zealand branch) and is dual listed on the Australian and New Zealand stock exchanges.

The life insurance operations of the AMP Life New Zealand branch (hereafter referred to as “the Branch”) are conducted within a statutory fund as required by the Life Act, and are reported in aggregate in the Income statement, Statement of comprehensive income, Statement of financial position, Statement of changes in equity and the Statement of cash flows. Further information on the Statutory Fund and Shareholders’ Fund is provided in Section 4. From 1 January 2017, the statutory fund and shareholder fund of the Branch includes the NMLA New Zealand branch as set out in section 6.5 (“NMLA Transfer”).

For the purpose of these financial statements the consolidated entities comprise AMP Life Limited (New Zealand Branch) No. 1 Statutory Fund (the “Statutory Fund”), AMP Life Limited (New Zealand Branch) Shareholder Fund (“Shareholder Fund”) and the subsidiaries of each of the Statutory Fund and the Shareholder Fund. These consolidated financial statements have been prepared as if this were a group formed and registered in New Zealand. In line with this approach the AMP Life interest in the Branch and its consolidated entities has been disclosed as equity in these consolidated financial statements. The consolidated financial statements are prepared in this way to comply with Sections 6 and 7 of the New Zealand Financial Reporting Act 2013.

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

About these financial statements

(a) Understanding these financial statements (continued)

Significant changes in the state of affairs and likely developments

i) On 25 October 2018 AMP announced an agreement to sell its Australian and New Zealand wealth protection (WP) and mature businesses to Resolution Life Australia Pty Ltd (Resolution). AMP and Resolution will work together to complete the necessary steps to effect legal and operational separation. The sale is subject to regulatory approvals and is expected to complete in the second half of 2019. The Wealth management (WM) business held by AMP Life is excluded from the sale and will be retained by the AMP group.

   Resolution Life's business model as an in-force specialist is to focus on existing customers; there will be a transition over time for AMP Life to reduce its focus on new business. From 31 January 2019, no new customers will be accepted and there will be a transition to stop accepting new policy applications over time. This will not impact existing policy holders who will continue to have access to a range of in-force services including alterations and changes to benefits types. For the group business, new employees into existing plans will continue to be accepted. We will honour commitments made in existing tenders.

ii) The Financial Markets Authority and Reserve Bank of New Zealand have released their report into 16 life insurers' culture and conduct. The report is currently generic across all insurers and we await our specific report on the Branch. This is due in late February, and the Branch will address the report findings accordingly.

(b) Materiality

Information has only been included in the financial statements to the extent it has been considered material and relevant to the understanding of the financial statements. A disclosure is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature;
- It is important for understanding the results of the Branch;
- It helps explain the impact of significant changes in the Branch, for example acquisitions; and/or
- It relates to an aspect of the Branch's operations that is important to its future performance.

(c) Basis of preparation

These consolidated financial statements for the year ended 31 December 2018 were authorised by the Directors of AMP Life on 14 February 2019. 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 Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013.

The consolidated financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($000), unless otherwise stated.

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

- The Insurance (Prudential Supervision) Act 2010 ("IPSA")
- The Australian Life Insurance Act 1995 ("Life Act"), and
- Prudential Standards issued by Australian Prudential Regulation Authority (APRA) ("Prudential Standards").

The Branch is predominantly a life insurance and wealth management business. Where permitted under accounting standards, the assets and liabilities associated with life insurance and investment contracts are generally measured on a fair value basis and other assets and liabilities are generally measured on a historical cost basis.

Assets and liabilities have been presented on the face of the Statement of financial position in decreasing order of liquidity and do not distinguish between current and non-current items. The majority of the assets of 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 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 notes to the relevant section.

The consolidated financial statements comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS'). The consolidated financial statements also comply with International Financial Reporting Standards ('IFRS'). For the purposes of NZGAAP the Branch is classified as a for-profit entity.

(d) Basis of consolidation

The financial statements are for the consolidated entity, which consists of the Branch and all entities controlled by the Branch during the year and at balance sheet date.

These consolidated financial statements consolidate the financial information of controlled entities. Control arises from exposure, or rights, to variable returns from involvement with an entity where the Branch has the ability to affect those returns through its power over the entity. The majority of the Branch's investments are held through controlling interests in unit trusts and companies.

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

About these financial statements

(d) Basis of consolidation (continued)

The Branch conducts its life insurance business (see note 4) through the Statutory Fund. Income, expenses, assets and liabilities attributable to policyholder activities within the Statutory Fund are consolidated into the Branch consolidated financial statements, along with those attributable to the Shareholder Fund.

Consolidation principles require the total amounts of each underlying asset, liability, income and expense of the controlled entities to be recognised in the consolidated financial statements. When a controlled unit trust is consolidated, the share of the unitholder's liability attributable to the Branch is eliminated but amounts due to external unitholders remain as liabilities in the consolidated Statement of financial position.

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 Branch obtains control until such time as control ceases. Where the Branch ceases to control an entity, the consolidated financial statements include the results for the part of the reporting period during which the Branch had control.

All inter-company balances and transactions within the consolidated group are eliminated in full, including unrealised profits arising from intra-group transactions.

(e) Significant accounting policies

The significant accounting policies adopted in the preparation of the financial statements are contained in the notes to the financial statements to which they relate. All accounting policies have been consistently applied to the current year and comparative period, unless otherwise stated. Where an accounting policy relates to more than one note or where no note is provided, the accounting policies are set out below.

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

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 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.

(f) Critical judgements and estimates

Preparation of the financial statements requires management to make judgements, estimates and assumptions about future events. Information on critical judgements and estimates considered when applying the accounting policies can be found in the following section:

Accounting judgements and estimates	Section
Tax	Section 1.3 Taxes
Fair value of financial assets	Section 2.1 Investments in financial instruments
Intangible assets	Section 2.2 Intangibles
Provisions	Section 2.5 Provisions
Life insurance contract liabilities	Section 4.1 Accounting for life insurance and investment contracts
Investment contract liabilities	Section 4.1 Accounting for life insurance and investment contracts
Pension liability	Section 5.2 Pension liability
Consolidation	Section 6.1 Controlled entities

Section 1: Results for the year

- 1.1 Fee revenue and investment income
- 1.2 Operating expenses
- 1.3 Taxes

1.1 Fee revenue and investment income

	2018 *NZ$000*	2017 *NZ$000*
(a) Fee revenue		
Investment management fees	**5,868**	5,169
Service fees[1]		
- related parties	**60,734**	61,704
- other entities	**70,566**	66,289
Total fee revenue	**137,168**	133,162
(b) Investment gains		
Interest, net realised and unrealised gains	**53,432**	536,144
Dividends and distributions		
- associated entities[2]	**116,933**	43,931
- related parties[2]	**55,041**	50,445
- other entities	**22**	2,976
Other investment losses	**(646)**	(110)
Total investment gains	**224,782**	633,386
Investments in financial assets at fair value through profit or loss		
Debt securities[3]	**100,593**	108,197
Investments in unlisted investment schemes	**(18,451)**	443,359
Derivative financial assets	**123,033**	60,730
Investments in financial assets at amortised cost		
Debt securities[3]	**-**	3,231
Other investment gains		
Bank and other	**20,253**	17,979
Miscellaneous expenses	**(646)**	(110)
Total investment gains	**224,782**	633,386

[1] Service fees includes admin fees, portfolio servicing fees, advice fees. It also includes servicing commissions of $79.10m (2017: $76.26m).
[2] Dividend income of $30.3m has been reclassified from related parties to associated entities due to the incorrect classification in 2017.
[3] During 2018, income from loans on policies that was previously measured at amortised cost, has been reclassified as measured at fair value through profit or loss. This policy differs from that described in prior year financial statements but does not alter the recorded amount of the income.

Accounting policy – recognition and measurement

Fee revenue
Service fees are fees earned on administration services provided to entities within the AMP Group and also from the WealthView platform which is managed by AMP Services. Revenue is recognised as it is earned by reference to the completion of the services being provided.

Commissions are earned from third party providers and other AMP entities for products sold by both external and internal advisers. When commissions are not earned upfront and there is no active management performed, there is still an implicit promise as part of AMP's customary business practices to maintain the client's needs and as such, there remains a performance obligation that is satisfied over time.

Investment management 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.

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Section 1: Results for the year

1.1 Fee revenue and investment income (continued)

Accounting policy – recognition and measurement (continued)

Interest, dividends and distributions income
Dividend and interest income are recognised in the Income statement on an accruals basis when the Branch obtains control of the right to receive the revenue.

Net realised and unrealised gains and losses include realised gains and losses being the change in value between the previously reported value and the amount received on de-recognition of the asset or liability and unrealised gains and losses being changes in the fair value of financial assets recognised in the period.

1.2 Operating expenses

	2018 NZ$000	2017 NZ$000
Operating expenses		
Commission expense[1]	**90,185**	87,991
Investment management expenses	**9,832**	12,393
Fee and commission expenses	**100,017**	100,384
Wages and salaries	**47,303**	50,169
Superannuation costs – defined contribution scheme	**7,262**	7,275
Other staff costs	**998**	558
Staff and related expenses	**55,563**	58,002
Service fee expense – related parties	**7,123**	7,308
Auditor's remuneration	**568**	574
Minimum lease payments – operating lease	**3,135**	3,663
Depreciation and amortisation	**7,891**	8,282
Impairment of intangible assets	**-**	1,027
IT and communication	**14,115**	14,369
IT consulting	**14,956**	4,346
Other expenses	**27,851**	37,863
Related party group recovery	**(10,647)**	-
Other operating expenses	**64,992**	77,432
Total operating expenses	**220,572**	235,818

[1]Commission expense includes related parties expenses of NZ$16,774 thousand (2017: NZ$17,447 thousand)

Accounting policy – recognition and measurement

All operating expenses, other than those allocated to life insurance contracts (see note 4.2), are expensed as incurred.

The majority of investment contracts issued result in payments to external service and advice providers. Where the amount paid equates to a fee charged to policyholders for the provision of advice, the amount is expensed either at inception or over the period of the contract consistent with the basis for recognising the fee revenue on the respective contracts (see note 1.1).

Section 1: Results for the year

1.3 Taxes

(a) Income tax expense
The following provides a reconciliation of differences between prima facie tax calculated at 28% (2017: 28%) of the profit before income tax for the year and the actual income tax expense recognised in the Income statement for the year. The income tax expense amount 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 28% (2017: 28%).

	2018 NZ$000	*2017 NZ$000*
Profit before income tax	**213,989**	259,108
Policyholder tax expense recognised as part of the change in policyholder liabilities in determining profit before income tax	**(62,177)**	(57,561)
Profit before income tax excluding policyholder tax	**151,812**	201,547
Prima facie shareholder tax at the rate of 28% (2017: 28%)	**42,507**	56,433
Tax effect of the differences between recognition of income statement items for accounting and those deductible / assessable in calculating taxable income:		
Shareholder impact of life tax treatment	**443**	17,551
Non-taxable or deductible items	**155**	200
Investment revenue related items	**4,938**	(14,297)
Benefit arising from a previously unrecognised tax loss	**-**	(6,638)
(Under) / over provided in previous years after excluding amounts attributable to policyholders	**(3,643)**	(751)
Income tax expense attributable to shareholder	**44,400**	52,498
Income tax expense attributable to policyholders	**62,177**	57,561
Income Tax expense	**106,577**	110,059

(b) Analysis of income tax expense

	2018 ***NZ$000***	2017 *NZ$000*
Current tax expense	**82,299**	72,035
Decrease in deferred tax liabilities - net	**27,654**	45,363
(Over) / under provided in previous years including amounts attributable to policyholders:		
- current tax	**(3,937)**	(687)
- deferred tax	**-**	-
Benefit arising from a previously unrecognised tax loss	**-**	(6,638)
Other	**561**	(14)
Income tax expense	**106,577**	110,059

Section 1: Results for the year

1.3 Taxes (continued)

(c) Analysis of deferred tax balances

	2018 NZ$000	2017 NZ$000
Analysis of net deferred tax liability		
Fair value adjustment on investments	**25,050**	3,847
Accruals and provisions	**(3,704)**	(4,312)
Plant and equipment and intangibles	**2,315**	2,149
Defined benefit superannuation scheme	**(1,624)**	(1,231)
Other	**(967)**	(916)
Deferred acquisition cost within policy liabilities	**222,270**	216,037
Non-Life risk margins	**2,416**	2,756
Portfolio Investment Entity allocated income	**32,316**	32,099
Net deferred tax liability	**278,072**	250,429

Deferred taxes on defined benefit superannuation scheme, plant and equipment, provisions and accruals that are related to AMPS have been classified as held for sale. The net deferred tax liability at 31 December 2018, is represented by:

Net deferred tax liability excluding held for sale	**282,055**
Deferred tax asset – Held for sale (note 6.4)	**(3,983)**
	278,072

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

The Branch has no unrecognised tax losses (2017:Nil). The Branch has recognised all deductible temporary differences in 2018 and 2017.

(e) Imputation credit account

Under the imputation system, the Branch may allocate or impute the tax it pays on its income attributable to its shareholder on the distributions it makes to its shareholder.

	2018 NZ$000	2017 NZ$000
Closing balance	**388,776**	363,898

Accounting policy – recognition and measurement

Income tax expense
Income tax expense/credit 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:

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

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

Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised directly in equity or other comprehensive income.

Tax consolidation
The following Group entities joined the AMP Life Consolidated Tax Group with effect from 1 January 2017: The Branch, to the extent of its life insurance business, Allmarg Corporation Limited, AMP Services (NZ) Limited and AMP/ERGO Mortgage and Savings Limited.

Income tax for investment contracts and life insurance contracts business
The income tax expense/credit recognised in the Income statement arising in the Branch reflects tax imposed on the shareholder as well as policyholders.

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

Section 1: Results for the year

1.3 Taxes (continued)

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 the Life Act. Risk business policy liabilities for Life Act purposes are calculated on a before tax basis.

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 at the reporting date.

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 Branch 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
All income, expenses and assets (excluding receivables) 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.

Critical accounting estimates and judgements:

The application of tax law to the specific circumstances and transactions of the Branch requires the exercise of judgement by management. The tax treatments adopted by management in preparing the financial statements may be impacted by changes in legislation and interpretations or be subject to challenge by tax authorities.

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

Section 2: Investments, intangibles and working capital

- 2.1 Investments in financial instruments
- 2.2 Intangibles
- 2.3 Receivables and prepayments
- 2.4 Payables
- 2.5 Provisions
- 2.6 Fair value information

2.1 Investments in financial instruments

	Note	2018 NZ$000	2017 NZ$000
Investments in financial assets measured at fair value through profit or loss			
Debt securities		**2,148,075**	2,098,497
Investments in unlisted managed investment schemes		**2,496,080**	2,677,665
Derivative financial assets		**290,745**	188,988
Total investments in financial assets measured at fair value through profit or loss		**4,934,900**	4,965,150
Investments in financial assets measured at amortised cost			
Loans		**-**	62,349
Total investments measured at amortised cost		**-**	62,349
Total investment in financial assets		**4,934,900**	5,027,499

Loans on policies amounting to $56,724 thousand, that were previously measured at amortised cost (2017: $56,605 thousand), have been reclassified as measured at fair value through profit or loss. This policy differs from that described in prior year financial statements, but does not alter the recorded value of the relevant assets.

Accounting policy – recognition and measurement

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

Recognition and de-recognition of financial assets and liabilities
Financial assets and financial liabilities are recognised at the date the Branch becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised 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 de-recognised when the obligation specified in the contract is discharged, cancelled or expires.

Impairment of financial assets
Assets measured at fair value, where changes in fair value are reflected in the Income statement, are not subject to impairment testing.

For financial assets measured at amortised cost, see note 2.3.

Investments in financial assets measured at amortised cost
Investments in financial assets measured at amortised cost 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 measured at amortised cost using the effective interest rate method.

Section 2: Investments, intangibles and working capital

2.1 Investments in financial instruments (continued)

Critical accounting estimates and judgements:

Financial assets measured at fair value
Where available, quoted market prices for the same or similar instruments are used to determine fair value. Where there is no market price available for an instrument, a valuation technique is used. Management applies judgement in selecting valuation techniques and setting valuation assumptions and inputs.

Further detail on the determination of fair value of financial instruments is set out in Section 2.6.

2.2 Intangibles

31 December 2018	Software *NZ$000*	Client Bases *NZ$000*	Total *NZ$000*
Gross carrying amount	6,329	-	6,329
Less: accumulated amortisation and impairment losses	(6,183)	-	(6,183)
Intangibles at written down value	146	-	146
Movements in intangibles			
Balance at the beginning of the year	22,308	3,510	25,818
Additions	82	2,583	2,665
Additions – assets under construction	3,465	-	3,465
Amortisation expense for the year	(6,206)	(245)	(6,451)
Assets held for sale (Note 6.4)	(19,503)	(5,848)	(25,351)
Balance at the end of the year	146	-	146

31 December 2017	Software *NZ$000*	Client Bases *NZ$000*	Total *NZ$000*
Gross carrying amount	65,095	3,821	68,916
Less: accumulated amortisation and impairment losses	(42,787)	(311)	(43,098)
Intangibles at written down value	22,308	3,510	25,818
Movements in intangibles			
Balance at the beginning of the year	25,840	2,963	28,803
NMLA transfer (Note 6.5)	322	-	322
Additions	406	725	1,131
Additions – assets under construction	3,057	-	3,057
Amortisation expense for the year	(6,290)	(178)	(6,468)
Impairment of intangible assets	(1,027)	-	(1,027)
Balance at the end of the year	22,308	3,510	25,818

Section 2: Investments, intangibles and working capital

2.2 Intangibles (continued)

Accounting policy – Recognition and measurement

Intangible assets

Intangible assets are initially recognised at cost and subsequently measured at cost less accumulated amortisation and any impairment.

Intangible assets consist of software, capitalised software development costs and client bases. Intangible assets mainly include capitalised project costs in respect of the development of various internal software assets as well as finance, product, planner and customer related information management systems. Costs are capitalised when they meet the criteria specified in NZ IAS 38 Intangible Assets referring to the creation of an asset with expected future economic benefits to the Branch. Capitalised costs are amortised over the estimated useful life of the asset.

Software

Software and software development costs, are capitalised only when the Branch can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Otherwise, all costs are recognised as expenses in the period in which they are incurred.

Software is amortised on a straight-line basis over the useful life of the asset, being a period not exceeding 5 years, adjusted for any accumulated impairment losses.

Client bases

Client bases are acquired from external advisors. Client bases are considered to have a useful economic life of 20 years and are amortised on a straight-line basis.

At each reporting date an assessment is carried out to determine whether there is any indication that capitalised costs may be impaired.

Impairment of non-financial assets

At each reporting date, the Branch assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Branch makes a formal estimate of recoverable amount.

Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the greater of fair value less costs to sell and value in use.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Critical accounting estimates and judgements:
Management applies judgement in selecting valuation techniques and setting valuation assumptions to determine whether there are any impairment indicators and, where required, in determining the recoverable amount.

Section 2: Investments, intangibles and working capital

2.3 Receivables and prepayments

	2018 NZ$000	2017 NZ$000
Investment related receivables[1]	**5,813**	6,269
Investment sales and margins accounts receivable[1]	**40,003**	33,496
Life insurance contract premiums receivable[1]	**53,040**	54,176
Reinsurance and other recoveries receivable	**5,430**	6,181
Other receivables		
- related entities	**3,925**	16,318
- other entities	**5,954**	20,031
Prepayments	**-**	1,675
Provision for doubtful debts	**(36)**	-
Total receivables	**114,129**	138,146

All receivables are expected to be recovered within 12 months from the reporting date.

Investment sales and margin accounts receivable include NZ$126 thousand (2017: NZ$18,166 thousand) of collateral posted with counterparties to meet standard derivative trading obligations.

[1] Receivables backing insurance and investment liabilities are carried at fair value.

Accounting policy – recognition and measurement

Receivables
Receivables that back investment contract and life insurance contract liabilities are designated as financial assets measured at fair value through profit or loss. Reinsurance and other recoveries are discounted to present value. Receivables that do not back investment contract and life insurance contract liabilities are measured at amortised cost, less any allowance for Expected Credit Loss (ECLs).

The Branch applies a simplified approach in calculating ECLs for receivables. Therefore, the Branch does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Branch has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.4 Payables

	2018 NZ$000	2017 NZ$000
Investment purchases and margin accounts payable[1]	**135,076**	109,961
Life insurance contracts in process of settlement	**50,461**	37,455
Employee entitlement	**-**	10,428
Other payables		
- related entities	**189,467**	73,956
- reinsurers	**2,163**	2,202
- other entities	**18,476**	19,262
Total payables	**395,652**	253,264

For the Branch, no payables are expected to be settled more than 12 months from reporting date (2017: NZ$1,148 thousand).

[1] Investment purchases and margin accounts payable include NZ$135,088 thousand (2017: NZ$90,263 thousand) posted by counterparties to meet standard derivative trading obligations in the current year.

Section 2: Investments, intangibles and working capital

2.4 Payables (continued)

Accounting policy – recognition and measurement

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 amortised cost using the effective interest method. Given the short-term nature of most payables, the carrying amount approximates fair value.

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

Employee entitlements
Provision is made for employee entitlements accumulated as a result of employees rendering services up to the reporting date. These entitlements include salaries, wages, bonuses, annual leave and long service leave but exclude pension benefits.

Liabilities arising in respect of salaries and wages, annual leave and any other employee entitlements expected to be wholly settled within 12 months of balance date, are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave is recognised and 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 sheet date. In determining the present value of future cash outflows, discount rates used are based on the interest rates attaching to government securities, which have terms to maturity approximating the terms of the related liability.

2.5 Provisions

	2018	2017
	NZ$000	*NZ$000*
(a) Provisions		
Restructuring	-	356
Rectification	-	3,877
Make-good provision	-	354
Total provisions	**-**	4,587

31 December 2018	**Restructuring** ***NZ$000***	**Rectification** ***NZ$000***	**Make-good** ***NZ$000***	**Total** ***NZ$000***
(b) Movements in provision				
Balance at the beginning of the year	**356**	**3,877**	**354**	**4,587**
Additional provisions made	**-**	**1,948**	**-**	**1,948**
Provisions utilised	**(79)**	**(1,956)**	**-**	**(2,035)**
Provisions reversed	**(9)**	**(105)**	**-**	**(114)**
Provisions directly associated with assets held for sale (Note 6.4)	**(268)**	**(3,764)**	**(354)**	**(4,386)**
Balance at the end of the year	**-**	**-**	**-**	**-**

2018	**Restructuring** ***NZ$000***	**Rectification** ***NZ$000***	**Make-good** ***NZ$000***	**Total** ***NZ$000***
Current	**-**	**-**	**-**	**-**
Non-Current	**-**	**-**	**-**	**-**
	-	**-**	**-**	**-**

2017	**Restructuring** ***NZ$000***	**Rectification** ***NZ$000***	**Make-good** ***NZ$000***	**Total** ***NZ$000***
Current	356	3,877	-	4,233
Non-Current	-	-	354	354
	356	3,877	354	4,587

Section 2: Investments, intangibles and working capital

2.5 Provisions (continued)

Restructuring
The provision relates to costs incurred in the process of significantly restructuring operational areas of the business. Prior to the reporting date, the Branch undertook action, incurred the obligation and was committed to this expenditure.

The provision is determined based on the Branch's following policy:

- Eight times One Week's Salary for the employee's first year of current continuous service with the Branch or part year thereof; plus
- Two times One Week's Salary for each subsequent year of service or part year thereof.

The amount is based on their current salary determined at the date of termination.

Rectification
This provision primarily relates to the expected costs associated with fulfilling and rectifying certain service level obligations to some AMP related entities and entities where AMP provides, or has provided administration services. The liabilities are based on 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 over the next year.

Make good
This provision represents the future obligation for make good costs relating to one of the current premises occupied by AMP. This provision is expected to be utilised by 2021.

Accounting policy – recognition and measurement

Provisions
Provisions are recognised when the Branch has a present legal or constructive obligation 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 the amount can be reliably estimated.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at balance date.

Restructuring provision
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 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.

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

Section 2: Investments, intangibles and working capital

2.6 Fair value information

The following table shows the carrying amount and estimated fair values of financial instruments, including their levels in the fair value hierarchy. It does not include fair value information for financial instruments not measured at fair value if the carrying amount is a reasonable approximation of fair value.

2018	**Level 1** *NZ$000*	**Level 2** *NZ$000*	**Level 3** *NZ$000*	**Total fair value** *NZ$000*
Assets				
Measured at fair value				
Investment related receivables	**-**	**5,813**	**-**	**5,813**
Investment sales and margins accounts receivable	**-**	**40,003**	**-**	**40,003**
Life insurance contract premiums receivable	**-**	**53,040**	**-**	**53,040**
Debt securities	**-**	**2,148,075**	**-**	**2,148,075**
Investment in unlisted managed investment schemes	**-**	**2,496,080**	**-**	**2,496,080**
Derivative financial assets	**118,000**	**172,745**	**-**	**290,745**
Total financial assets measured at fair value[1]	**118,000**	**4,915,756**	**-**	**5,033,756**
Liabilities				
Measured at fair value				
Derivative financial liabilities	**27,996**	**35,307**	**-**	**63,303**
Investment contract liabilities	**-**	**9,013**	**293,634**	**302,647**
Total financial liabilities measured at fair value	**27,996**	**44,320**	**293,634**	**365,950**

2017	Level 1 *NZ$000*	Level 2 *NZ$000*	Level 3 *NZ$000*	Total fair value *NZ$000*
Assets				
Measured at fair value				
Investment related receivables	-	6,269	-	6,269
Investment sales and margins accounts receivable	-	33,496	-	33,496
Life insurance contract premiums receivable	-	54,176	-	54,176
Debt securities	-	2,098,497	-	2,098,497
Investment in unlisted managed investment schemes	-	2,677,665	-	2,677,665
Derivative financial assets	46,547	142,441	-	188,988
Total financial assets measured at fair value	46,547	5,012,544	-	5,059,091
Liabilities				
Measured at fair value				
Derivative financial liabilities	8,620	42,665	-	51,285
Investment contract liabilities	-	10,213	331,578	341,791
Total financial liabilities measured at fair value	8,620	52,878	331,578	393,076

AMP's methodology and assumptions used to estimate the fair value of financial instruments are described below:

Debt securities — 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.

Unlisted managed investment schemes — The fair value of investments in unlisted managed investment schemes is determined on the basis of published redemption prices of those managed investment schemes at the reporting date.

Derivative financial assets and liabilities — The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices (current bid price or current offer price) at the reporting date. The fair value of financial instruments not traded in an active market (e.g. over-the-counter derivatives) is determined using valuation techniques. Valuation techniques include net present value techniques, option pricing models, discounted cash flow methods and comparison to quoted market prices or dealer quotes for similar instruments. The models use a number of inputs, including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, interest rate curves and forward rate curves of the underlying instruments.

Section 2: Investments, intangibles and working capital

2.6 Fair value information (continued)

Some derivative contracts are significantly cash collateralised, thereby minimising both counterparty risk and the Branch's own non-performance risk.

Investment contract liabilities	See note 4.1.

The financial assets and liabilities measured at fair value are categorised using the fair value hierarchy which reflects the significance of inputs into the determination of fair value as follows:

- Level 1: the fair value is valued by reference to quoted prices and active markets for identical assets
- Level 2: the fair value is estimated 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)
- Level 3: the fair value is estimated using inputs for the asset or liability that are not based on observable market data

There have been no significant transfers between Level 1 and Level 2 during the 2018 and 2017 financial years.

Level 3 fair values

The following table shows the valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used.

Type	**Valuation technique**	**Significant unobservable inputs**
Investment contract liabilities	Valuation model based on published unit prices and the fair value of backing assets. Fixed retirement income policies - discounted cash flow.	Fair value of financial instruments. Cash flow forecasts. Credit risk.

Reconciliation of level 3 values
The following table shows movements in the fair values of financial instruments categorised as level 3 in the fair value hierarchy:

2018	**Balance at the beginning of the year**	**Total gains / (losses)**	**Purchases / deposits**	**Sales / withdrawals**	**Net transfer in / (out)**	**Balance at the end of the year**	**Total gains and losses on assets and liabilities held at reporting date**
	NZ$000	***NZ$000***	***NZ$000***	***NZ$000***	***NZ$000***	***NZ$000***	***NZ$000***
Liabilities							
Investment contract liabilities	**331,578**	**(7,176)**	**9,214**	**(39,982)**	**-**	**293,634**	**(6,924)**

2017	Balance at the beginning of the year	Total gains / (losses) (1)	Purchases / deposits	Sales / withdrawals	Net transfer in / (out) (2)	Balance at the end of the year	Total gains and losses on assets and liabilities held at reporting date
	NZ$000	*NZ$000*	*NZ$000*	*NZ$000*	*NZ$000*	*NZ$000*	*NZ$000*
Liabilities							
Investment contract liabilities	94,863	37,399	9,952	(37,020)	226,384	331,578	35,908

(1) Gains and losses are classified in investment gains and losses or change in policyholder liabilities in the Income statement.
(2) The Branch recognises transfers as at the end of the reporting period during which the transfer has occurred. Transfers are recognised when there are changes in the observability of the pricing of the relevant securities. The transfer in 2017 of NZD$226,384 thousand related to the NMLA transfer (Note 6.5).

The fair value of the assets increase/decrease as the inputs increase/decrease. Each individual asset and industry profile will determine the appropriate valuation to be utilised in each specific valuation and vary from asset to asset. Reasonably possible alternative assumptions have been calculated by changing one or more of significant unobservable inputs for individual assets to reasonably possible alternative assumptions. On investment contract liabilities this included adjustments to credit risk by 50bps.

Section 2: Investments, intangibles and working capital

2.6 Fair value information (continued)

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

The Branch recognises loans against policies with a carrying value of NZ$56,724 thousand (2017: NZ$56,605 thousand) at fair value. These loans attract interest at a rate of 5.77 % p.a. (2017: 5.77 % p.a.) because the loans are 100 % secured against policies no impairment is expected to occur and the fair value of the loans approximates the carrying value. The loans are categorised as Level 2.

[3] AMP Capital is a subsidiary of AMP Limited (ultimate parent of the Branch)

Section 3: Capital structure and financial risk management

- 3.1 Financial risk management
- 3.2 Derivatives
- 3.3 Capital management

3.1 Financial risk management

The AMP Limited Board has overall responsibility for the risk management framework including the approval of AMP's strategic plan, risk management strategy and risk appetite. Specifically, financial risk arises from the holding of financial instruments and financial risk management (FRM) is an integral part of the Branch's enterprise risk management framework.

This note discloses financial risk in accordance with the categories in NZ IFRS 7 *Financial Instruments: Disclosures*:

- Market risk
- Liquidity risk
- Credit risk

These risks are managed in accordance with the board approved risk appetite statement and the individual policies for each risk category and business approved by the CFO under delegation from Group ALCO (AMP Group Asset and Liability Committee).

(a) Market risk

Market risk is the risk that the fair value of assets and liabilities, or future cash flows of a financial instrument will fluctuate due to movements in the financial markets including interest rates, foreign exchange rates, equity prices, property prices, credit spreads, commodity prices, market volatilities and other financial market variables.

The following table provides information on significant market risk exposures for Branch, which could lead to an impact on AMP Limited and its subsidiaries' (hereafter referred to as the "AMP Group") profit after tax and equity, and the management of those exposures.

Market risk	Exposures	Management of exposures and use of derivatives
Interest rate risk		
The risk of an impact on the Branch's profit after tax and equity arising from fluctuations of the fair value or future cash flows of financial instruments due to changes in market interest rates. Interest rate movements could result from changes in the absolute levels of interest rates, the shape of the yield curve, the margin between yield curves and the volatility of interest rates.	Interest bearing investment assets of the shareholder and statutory funds.	The Branch manages interest rate and other market risks pursuant to an asset and liability management policy and are also subject to the relevant regulatory requirements governed by the Life Act.
Currency risk		
The risk of an impact on the Branch's profit after tax and equity arising from fluctuations of the fair value of a financial asset, liability or commitment due to changes in foreign exchange rates.	Foreign currency denominated assets and liabilities. Foreign exchange rate movements on specific cash flow transactions.	The AMP Group uses swaps to hedge the interest rate risk and foreign currency risk on foreign currency denominated borrowings. The AMP Group hedges material foreign currency risk originated by receipts and payments once the value and timing of the expected cash flow is known excluding the international equities portfolio attributable to shareholders within the AMP Life Statutory Fund No.1.
Equity price risk		
The risk of an impact on the Branch's profit after tax and equity arising from fluctuations of the fair value or future cash flows of a financial instrument due to changes in equity prices.	Exposure for shareholder includes listed and unlisted shares and participation in equity unit trusts.	AMP Group Treasury may, with AMP Group ALCO approval, use equity exposures or equity futures or options to hedge other enterprise-wide equity exposures.

Section 3: Capital structure and financial risk management

3.1 Financial risk management (continued)

(a) Market risk (continued)

Sensitivity analysis
The table below includes sensitivity analysis showing how the profit after tax and equity would have been impacted by changes in market risk variables. The analysis:

- Shows the direct impact of a reasonably possible change in market rate and is not intended to illustrate a remote, worst case stress test scenario.
- Assumes that all underlying exposures and related hedges are included and the change in variable occurs at the reporting date.
- Does not include the impact of any mitigating management actions over the period to the subsequent reporting date.

		2018		2017	
Sensitivity analysis	**Change in variables**	**Impact on profit after tax Increase (decrease)**	**Impact on equity Increase (decrease)**	**Impact on profit after tax Increase (decrease)**	**Impact on equity Increase (decrease)**
		NZ$000	**NZ$000**	**NZ$000**	**NZ$000**
Interest rate risk Impact of a 100 basis point (bp) change in New Zealand and international interest rates.	- 100bp	26,504	28,747	39,529	41,827
	+100bp	(25,474)	(27,404)	(35,521)	(37,501)
Currency risk Impact of a 10% movement of exchange rates against the New Zealand dollar on currency sensitive monetary assets and liabilities.	10% depreciation of NZD	3,670	3,670	4,534	4,534
	10% appreciation of NZD	(3,671)	(3,671)	(4,536)	(4,536)
Equity price risk Impact of a 10% movement in New Zealand and international equities. Any potential impact on fees from the Branch's investment linked business is not included.	10% increase in:				
	New Zealand equities	2,097	2,097	2,035	2,035
	International equities	4,410	4,410	5,230	5,230
	10% decrease in:				
	New Zealand equities	(2,098)	(2,098)	(2,035)	(2,035)
	International equities	(4,411)	(4,411)	(5,232)	(5,232)

(b) Liquidity risk

Liquidity risk
The risk that the Branch is not able to meet its obligations as they fall due because of an inability to liquidate assets or obtain adequate funding when required.

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Section 3: Capital structure and financial risk management

3.1 Financial risk management (continued)

(b) Liquidity risk (continued)

Maturity analysis
Below is a summary of the maturity profiles of the Branch's undiscounted financial liabilities and off-balance sheet items at the reporting date, based on contractual undiscounted repayment obligations. Repayments that are subject to notice are treated as if notice were to be given immediately.

2018	**Up to 1 year or no term** *NZ$000*	**1 to 5 years** *NZ$000*	**More than 5 years** *NZ$000*	**Other** *NZ$000*	**Total** *NZ$000*
Payables	**395,652**	**-**	**-**	**-**	**395,652**
Derivative financial liabilities	**50,136**	**2,129**	**11,038**	**-**	**63,303**
Investment contract liabilities[1]	**28,268**	**87,870**	**165,666**	**92,922**	**374,726**
Total undiscounted financial liabilities	**474,056**	**89,999**	**176,704**	**92,922**	**833,681**

2017	Up to 1 year or no term *NZ$000*	1 to 5 years *NZ$000*	More than 5 years *NZ$000*	Other *NZ$000*	Total *NZ$000*
Payables	248,802	1,058	90	3,314	253,264
Derivative financial liabilities	21,160	3,381	26,744	-	51,285
Investment contract liabilities	30,305	96,248	200,453	107,653	434,659
Total undiscounted financial liabilities	300,267	100,687	227,287	110,967	739,208

[1] Investment contract liabilities are liabilities to policyholders for investment linked business linked to the performance and value of assets that back those liabilities. If all those policyholders claimed their funds, there may be some delays in settling the liability as assets are liquidated, but the shareholder has no direct exposure to any liquidity risk. External unitholders' liabilities all relate to controlled entities of the life entity's statutory fund and would only be paid when corresponding assets are realised.

(c) Credit risk

Credit risk management is decentralised in business units within the AMP Group, with the exception of credit risk directly and indirectly impacting shareholder capital, which is measured and managed on an aggregate basis by AMP Group Treasury at the AMP Group level and reported to AMP Group ALCO.

Risk	**Exposures**	**Management of exposures and use of derivatives**
Credit default risk is the risk of financial or reputational loss due to a counterparty failing to meet their contractual commitments in full and on time.	Wholesale credit risk on the invested fixed income portfolios in the AMP Life statutory fund.	Managed by the AMP Capital[2] Risk and Compliance Committee and reported to the fund managers, within specified credit criteria in the mandate approved by the AMP Life board.
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.		Responsibility of the individual investment teams. There is also a dedicated credit research team and a specific credit investment committee.

The AMP Aggregate Risk Exposures and Intra-Group Transactions and Exposures Policy sets out the assessment and determination of what constitutes credit concentration risk through the AMP Concentration Risk Standard. This Standard sets limits based on each counterparty's credit rating (unless special considerations are defined). Additional limits are set for the distribution of the total portfolio by credit rating bands. Compliance with the Standards is monitored and exposures and breaches are reported to portfolio managers, senior management, Enterprise Risk Management and the AMP Board Risk Committee through periodic financial risk management reports.

The exposures on interest bearing securities and cash equivalents which impact the AMP Group's capital position are managed by AMP Group Treasury within limits set by the AMP Concentration & Credit Default Risk Policy.

[2] AMP Capital is a subsidiary of AMP Limited (ultimate parent of the Branch).

Section 3: Capital structure and financial risk management

3.1 Financial risk management (continued)

(c) Credit risk (continued)

Past due but not impaired receivables
Ageing of past due but not impaired receivables is used by the AMP Group to measure and manage emerging credit risks. The following table provides an ageing analysis of receivables that are past due as at reporting date but not impaired.

	Past due but not impaired				
2018	**Less than 30 days** ***NZ$000***	**31 to 60 days** ***NZ$000***	**61 – 90 days** ***NZ$000***	**More than 91 days** ***NZ$000***	**Total** ***NZ$000***
Reinsurance and other recoveries	**1,146**	**368**	**-**	**308**	**1,822**
Total (1)	**1,146**	**368**	**-**	**308**	**1,822**

	Past due but not impaired				
2017	Less than 30 days *NZ$000*	31 to 60 days *NZ$000*	61 – 90 days *NZ$000*	More than 91 days *NZ$000*	Total *NZ$000*
Reinsurance and other recoveries	1,266	2,319	444	715	4,744
Total (1)	1,266	2,319	444	715	4,744

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

Collateral and master netting or similar agreements
The AMP Group obtains collateral and utilises netting agreements to mitigate credit risk exposures from certain counterparties.

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

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

As at 31 December 2018, if these netting arrangements were applied to the derivative portfolio, the derivative assets of NZ$290,744 thousand would be reduced by NZ$12,559 thousand to the net amount of NZ$278,185 thousand and derivative liabilities of NZ$63,303 thousand would be reduced by NZ$12,559 thousand to the net amount of NZ$50,744 thousand (31 December 2017: derivative assets of NZ$188,988 thousand reduced by NZ$23,712 thousand to the net amount of NZ$165,276 thousand and derivative liabilities of NZ$51,285 thousand reduced by NZ$23,712 thousand to the net amount of NZ$27,573 thousand).

(ii) Other collateral
The Branch has collateral arrangements in place with some counterparties. Collateral generally consists of loans and deposits and is exchanged between the counterparties to reduce the exposure from the net fair value of derivative assets and liabilities between the counterparties.

As at 31 December 2018 NZ$135,088 thousand of collateral was posted by counterparties to meet standard derivative trading obligations (2017: NZ$90,263 thousand) and NZ$126 thousand of collateral was posted with counterparties to meet standard derivative trading obligations (2017: NZ$18,166 thousand).

Section 3: Capital structure and financial risk management

3.2 Derivatives

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

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

Derivatives held in the Branch are not designated as hedging instruments. As such, changes in the fair value of derivative financial instruments are recognised in the Income statement in the period in which they arise.

3.3 Capital management

AMP Life and its subsidiaries hold capital to protect customers, creditors and shareholders and policyholders against unexpected losses to a level that is consistent with the AMP Group's risk appetite, approved by the board. AMP Life and its subsidiaries aim to optimise the mix of capital resources in order to minimise the cost of capital and maximise shareholder value.

The Branch is an operating entity within the AMP Life group. AMP Life is an APRA regulated company. Controlled entities of AMP Life also include an APRA regulated approved superannuation trustee (RSE) and companies that hold Australian Financial Services Licences (AFSL).

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

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

At all times during the current and prior financial year, all of the AMP Life group regulated entities complied with the applicable externally imposed capital requirements.

Section 4: Life insurance and investment contracts

4.1 Accounting for life insurance contracts and investment contracts

The two major contract classifications 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
The investment contracts of NZ Branch relate to wealth management products such as savings, investment-linked and retirement income policies. The nature of this business is that NZ Branch receives deposits from policyholders and those funds are invested on behalf of the policyholders. Fees and other charges are passed to the shareholder and reported as revenue.

The liability to policyholders, other than for fixed retirement income policies, is linked to the performance and value of the assets that back those liabilities. The fair value of such liabilities is therefore the same as the fair value of those assets. For fixed retirement income policies, the liability is linked to the fair value of the fixed retirement income payments and associated management services element.

The fair value of the fixed retirement income payments is calculated as their net present value using a fair value discount rate. The fair value of the associated management services element is the net present value, using a fair value discount rate, of all expenses associated with the provision of services and any profit margins thereon.

Life insurance contracts
The Branch issues contracts that transfer significant insurance risk from the policyholder, covering death, disability or longevity of the insured. In addition, there are some policies known as *discretionary participating contracts* that are similar to investment contracts, but the timing of the vesting of the profit attributable to the policyholders is at the discretion of NZ Branch. Such contracts are defined as *life insurance contracts* and accounted for using *Margin on Services* (MoS).

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

Life insurance contract liabilities are usually determined using a projection method, whereby estimates of policy cash flows (premiums, benefits, expenses and profit margins to be released in future periods) are projected using best-estimate assumptions about the future. The liability is calculated as the net present value of these projected cash flows. When the benefits under a life insurance contract are linked to the assets backing it, the discount rate applied is based on the expected future investment earnings rate of those assets. Where the benefits are not linked to the performance of the backing assets, a risk-free discount rate is used. The risk-free discount rate is based on the zero coupon government bond rate and a liquidity margin, which depend 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* (Cth) (Life Act) and the Participating Business Management Framework.

Once profit is allocated to participating policyholders it can only be distributed to these policyholders.

Profit allocated to participating policyholders is recognised in the Income statement as an increase in policy liabilities. The policy liabilities include 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).

Bonus distributions to participating policyholders do not alter the amount of profit attributable to shareholders. They are merely changes in the nature of the liability from unvested to vested.

Section 4: Life insurance and investment contracts

4.1 Accounting for life insurance contracts and investment contracts (continued)

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

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

(ii) Other MoS profits arising from discretionary participating 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 profits arising from discretionary participating investment account business where 100% of investment profit is allocated to policyholders and 100% of any other profit or loss is allocated to shareholders, with the over-riding provision being that at least 80% of any profit and not more than 80% of any loss be allocated to policyholders' retained profits of the relevant statutory fund

Allocation of expenses within the statutory funds
All operating expenses relating to the life insurance contract and investment contract activities are apportioned between acquisition, maintenance and investment management expenses. Expenses which are directly attributable to an individual life insurance contract or investment contract 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 to the activities to which that expense relates to. 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 the margin described in section 4.1.

Investment management expenses of the life statutory funds are classified as operating expenses.

Reinsurance
Life insurance contract premium ceded to reinsurers is recognised as an expense and Life insurance contract claims recovered from reinsurers is recognised as income.

Upfront commission received on quota share reinsurance contracts is recognised as commission revenue and a corresponding reinsurance liability is recognised representing the obligation to pay future premiums to the reinsurer. The establishment of the reinsurance liability is reflected in Change in policyholder liabilities. The liability will be released in line with the release of the profit margin on the underlying insurance contracts.

The present value of AMP's net contractual rights and obligations under reinsurance contracts is presented as a reinsurance asset or a reinsurance liability.

Changes in the reinsurance asset and the reinsurance liability during the period are recognised as Changes in policyholder liabilities. On-going commission from reinsurers is recognised as revenue at the time the commission is received or receivable.

Critical accounting judgments and estimates

Life insurance contract liabilities
The measurement of insurance contract liabilities is determined using the MoS methodology. The determination of the liability amounts involves judgement in selecting the valuation methods, profit carriers and valuation assumptions for each type of business. The determination is subjective and relatively small changes in assumptions may have a significant impact on the reported profit. The board of AMP Life is responsible for these judgements and assumptions, after taking advice from the Appointed Actuary.

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

Section 4: Life insurance and investment contracts

4.2 Life insurance contracts – premiums, claims, expenses and liabilities

	2018 *NZ$000*	2017 *NZ$000*
(a) Analysis of life insurance contract related revenue – net of reinsurance		
Life insurance contract related premiums received and receivable [(1)]	**365,901**	368,489
Life insurance contract premium ceded to reinsurers	**(49,039)**	(20,548)
Commission received from reinsurers[(1)]	**290,551**	-
Life insurance contract related revenue – net of reinsurance	**607,413**	347,941
(b) Analysis of life insurance contract claims expenses – net of reinsurance		
Life insurance contract claims expense	**355,021**	344,482
Life insurance claims recovered from reinsurers	**(18,965)**	(16,563)
Life insurance contract claims expenses – net of reinsurance	**336,056**	327,919
(c) Analysis of life insurance operating expenses		
Life insurance contract acquisition expenses		
- Commission	**4,737**	4,966
- Other expenses	**31,042**	36,703
Life insurance contract maintenance expenses		
- Commission	**24,060**	23,477
- Other expenses	**44,947**	39,477
Investment management expenses	**8,299**	10,547
(d) Life insurance contract liabilities		
Life insurance contract liabilities determined using projection method		
Best estimate liability		
- Value of future life insurance contract benefits	**3,219,985**	3,833,071
- Value of future expenses	**633,586**	657,884
- Value of future premiums	**(2,099,952)**	(3,371,414)
Value of future profits		
- Life insurance contract holder bonuses	**971,989**	1,070,696
- shareholders' profit margins	**318,715**	644,945
Total life insurance contract liabilities determined using projection method	**3,044,323**	2,835,182
Life insurance contract liabilities determined using accumulation method		
Best estimate liability		
- Value of future life insurance contract benefits	**242,518**	246,670
Total life insurance contract liabilities determined using accumulation method	**242,518**	246,670
Value of declared bonus	**43,475**	37,094
Unvested policyholder benefits liabilities[(2)]	**841,524**	843,528
Total life insurance contract liabilities before reinsurance	**4,171,840**	3,962,474
Reinsurance liability – ceded life insurance contracts[(3)]	**(292,728)**	-
Reinsurance asset – ceded life insurance contracts	**41,667**	50,362
Total life insurance contract liabilities per the Statement of financial position	**3,920,779**	4,012,836

[(1)] Life insurance contract related premiums received and receivable consists entirely of direct insurance premiums, there is no inward reinsurance component. The sum of "Life insurance contract related premiums received and receivable" (NZ$365,901 thousand) and "Commission received from reinsurers" (NZ$290,551 thousand) of NZ$656,452 thousand is shown as "Life insurance contract related revenue" in the Consolidated income statement.
[(2)] 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 policyholder benefits liabilities and is included within life insurance contract liabilities even though it is yet to be vested as specific policyholder entitlements.
[(3)] Reinsurance liability – ceded life insurance contracts reflects the present value of the net obligation to transfer cashflows under the 60% quota share reinsurance arrangement with Swiss Re, in return for upfront commission received. It also reflects the reinsurance position of the surplus reinsurance arrangement with Swiss Re.

Section 4: Life insurance and investment contracts

4.2 Life insurance contracts - premiums, claims, expenses and liabilities (continued)

Accounting policy
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.
(ii) amounts credited directly to investment contract liabilities.

Insurance claims and related expenses

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.

	2018 **NZ$000**	2017 NZ$000
(e) Reconciliation of changes in life insurance contract liabilities		
Total life insurance contract liabilities at the beginning of the year	**4,012,836**	2,360,187
NMLA transfer (Note 6.5)	**-**	1,402,117
Change in life insurance contract liabilities recognised in the Income statement	**213,662**	260,253
Change in reinsurance asset – ceded life insurance contracts	**(8,695)**	1,344
Change in reinsurance liability – ceded life insurance contracts	**(292,728)**	-
Premiums recognised as an increase in life insurance contract liabilities	**30,386**	21,132
Claims recognised as a decrease in life insurance contract liabilities	**(34,682)**	(32,197)
Total life insurance contract liabilities at the end of the year	**3,920,779**	4,012,836

Section 4: Life insurance and investment contracts

4.3 Life insurance contracts - assumptions and valuation methodology

Life insurance contract liabilities, and hence the net profit from life insurance contracts, are calculated by applying the principles of margin on services (MoS) described in section 4.1. The key assumptions and methods used in the calculation of life insurance contract liabilities are outlined below.

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

Business Type	Method	Profit carriers (for business valued using projection method)
Conventional	Projection	Bonuses
Investment account	Modified accumulation	N/A
Retail Risk (lump sum)	Projection	Expected premiums
Retail risk (income protection)	Projection	Expected premiums
Group Risk (lump sum)	Accumulation	N/A
Group Risk (income benefits)	Accumulation	N/A
Participating allocated annuities	Modified accumulation	N/A
Life annuities	Projection	Annuity payments

(a) 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 are used. The rates are determined as shown in the following table:

Business Type	**Basis**	**31 December 2018**	31 December 2017
Retail risk (other than income benefit open claims)[1]	Zero coupon government bond yield curve	1.7% - 3.0%	1.8% - 3.6%
Retail risk and group risk (income benefit open claims)	Zero coupon government bond yield curve (including liquidity premium)	2.0% - 3.3%	2.0% - 3.9%
Life annuities (non-CPI)	Zero coupon government bond yield curve (including liquidity premium)	2.0% - 3.4%	1.8% - 3.6%
Life annuities (CPI)	Government indexed bond yield curve (including liquidity premium)	1.1% - 2.3%	0.5% - 2.2%

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

(b) 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 (c) below. These expenses include fees charged to the life statutory funds by service companies in the AMP Group. Unit costs vary by product line and class of business based on an apportionment that is supported by expense analyses.

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

Section 4: Life insurance and investment contracts

4.3 Life insurance contracts - assumptions and valuation methodology (continued)

(c) Inflation and indexation

Benefits and premiums of 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 the Branch's own experience. The annual future CPI rates are largely derived from New Zealand Treasury forecasts.

The expense inflation assumptions have been set based on the inflation rates, recent expense performance, the Branch's current plans and the terms of the relevant service company agreement, as appropriate. In addition, higher expense inflation has been assumed for New Zealand wealth protection portfolios compared to that assumed at 31 December 2017. The higher expense inflation assumption adopted due to the announcement of the transition to in-force specialist life insurer reflects an expectation that costs are not fully variable and will decrease more slowly that the run-off of policies.

The assumed annual CPI and expense inflation rates at 31 December 2018 are 1.7% for CPI and 2.0% - 6.0% for expenses (31 December 2017: 1.7% for CPI and 2.0% for expenses).

(d) Bases of taxation

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

(e) Voluntary discontinuance

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

The assumptions for future rates of discontinuance of the major classes of life insurance contracts have been reviewed. Discontinuance assumptions were changed from those assumed at 31 December 2017 for New Zealand retail risk and conventional portfolios.

Note that the wealth protection discontinuance rate ranges are calculated based on current business mix and various assumption rating factors. Discontinuance rate for conventional products are calculated based on average expected for the next five years.

Business Type	31 December 2018	31 December 2017
Conventional	1.5% - 2.7%	1.5% - 2.8%
Retail risk (lump sum)	4.9% - 15.2%	11% - 12%
Retail risk (income benefit) (1)	5.0% - 14.7%	9% - 12%

(f) 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.

(g) Mortality and morbidity

Standard mortality and morbidity tables, based on national or industry wide data, are used.

The following assumptions have changed from those assumed at 31 December 2017:
- Mortality
- Retail trauma and TPD.

The mortality assumptions are summarised in the following table:

Conventional	73% (M/F) % of IA95 – 97
Risk Products	104%-120% (M) / 86%-98% (F) Retail Lump Sum % of IA04-08 (1)
Annuities	95% IML00* / 80% IFL00* (2)

(1) Base IA 04-08 death without riders table modified based on our aggregated experience but with overall product specific adjustment factors (estimated methodology used).
(2) Annuities table modified for future mortality improvements

Section 4: Life insurance and investment contracts

4.3 Life insurance contracts - assumptions and valuation methodology (continued)

(g) Mortality and morbidity (continued)

Typical morbidity assumptions, in aggregate, are as follows:

	Incidence rates - % of ADI 07-11	Termination rates (ultimate) - % of ADI 07-11
Income protection	83%-149%	82%-105%

Retail Lump Sum	Male % of IA04-08	Female % of IA04-08
TPD [3]	120%	120%
Trauma [4]	110%-114%	110%-114%

[3] Base IA04-08 TPD table modified based on our aggregated experience but with overall product specific adjustment factors (estimated methodology used).
[4] Base IA04-08 Trauma table modified based on our aggregated experience but with overall product specific adjustment factors (estimated methodology used).

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 to 1997. The table has been modified to allow for future mortality improvement.
IML00* / IFL00*	IML00 and IFL00 are mortality tables developed by the Institute and Faculty of Actuaries based on United Kingdom annuitant lives experience from 1999 to 2002. The tables refer to male and female lives respectively and incorporate factors that allow for mortality improvements since the date of the investigation. IML00 * and IFL00* are these published tables amended for some specific AMP Life experience.
IA04-08 DTH	This was published by the Institute of Actuaries of Australia under the name "A graduation of the 2004-2008 Lump Sum Investigation Data". The table has been modified based on aggregated experience with overall product specific adjustment factors.
IA04-08 TPD	This is the TPD graduation published in the same paper as above.
IA04-08 Trauma	This is the Trauma graduation published in the same paper as above.
ADI 07-11	A disability table developed by KPMG at the request of the Financial Services Council (FSC) based on Australian disability income experience for the period 2007-2011. This table has been adjusted for AMP Life with overall product specific adjustment factors.

(h) Other participating business assumptions

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 assets backing the participating business are largely driven by long-term (e.g. 10 year) government bond yields. The 10 year government bond yields used at the relevant valuation dates are as shown in the following table.

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

		Risk premiums				
	10 Year Government Bonds	Local equities	International equities	Property & Infrastructure	Fixed interest	Cash
31 December 2018	**2.4%**	**4.5%**	**3.5%**	**2.5%**	**0.5%**	**(0.5%)**
31 December 2017	2.8%	4.5%	3.5%	2.5%	0.5%	(0.5%)

EY

Section 4: Life insurance and investment contracts

4.3 Life insurance contracts - assumptions and valuation methodology (continued)

(h) Other participating business assumptions (continued)

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

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

Average asset mix [(1)]

	Equities	Property & Infrastructure	Fixed interest	Cash
31 December 2018	**35%**	**17%**	**38%**	**10%**

	Equities	Property	Fixed interest	Cash
31 December 2017	34%	17%	40%	9%

[(1)] The asset mix in the table above includes both conventional and investment account business.

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 date as the total return has varied.

For participating business, the total value of future bonuses (and the associated shareholders' profit margins) 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 margins assumed to emerge in each future year depends on the assumed relationship between reversionary bonuses (or interest credits) and terminal bonuses. This relationship is set to reflect the philosophy underlying actual bonus declarations.

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

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

Typical supportable bonus rates on major product lines are as follows (31 December 2017 in parentheses):

Reversionary Bonus

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

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

Crediting Rates (investment account) 1.7%-2.3% (2.7%-5.8%)

(i) Impact of changes in assumptions

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

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

The impact on future profit margins of actual changes in actuarial assumptions from 31 December 2017 to 31 December 2018 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.

Section 4: Life insurance and investment contracts

4.3 Life insurance contracts - assumptions and valuation methodology (continued)

(i) Impact of changes in assumptions (continued)

Assumption change	Change in future profit margins (NZ$000)	Change in life insurance contract liabilities[2] (NZ$000)	Change in shareholder profit and equity[3] (NZ$000)
Non-market related changes to discount rates	-	-	-
Mortality and morbidity	(12,198)	-	-
Discontinuance rates	(67,993)	-	-
Maintenance expenses	(58,195)	-	-
Other assumptions [1]	(143,325)	14,576	(10,495)

[1] Other assumption changes include the impact of modelling, reinsurance, product and premium changes.
[2] Change in life insurance contract liabilities is net of reinsurance, gross of tax.
[3] Change in shareholders' profit and equity is net of reinsurance, net of tax.

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 non-participating 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 for all forecasted future periods 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.

4.4 Life insurance contracts - risk

(a) Life insurance risk

The Branch issues contracts that transfer significant insurance risk from the policyholder, covering death, disability or longevity of the insured, often in conjunction with the provision of wealth management products.

The products carrying insurance risk are designed 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. The variability inherent in insurance risk, including concentration risk, is managed by having a large geographically diverse portfolio of individual risks, underwriting and the use of reinsurance.

Underwriting is managed through a dedicated underwriting department, with formal underwriting limits and appropriate training and development of underwriting staff. Individual policies carrying insurance risk are generally underwritten individually on their merits. 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 with an objective to ensure payment of all genuine claims. Claims experience is assessed regularly and appropriate actuarial reserves are established to reflect up-to-date experience and any anticipated future events. This includes reserves for claims incurred but not yet reported.

The Branch reinsures (cedes) to reinsurance companies a proportion of their portfolio or certain types of insurance risk, including catastrophe. This serves primarily to:

- reduce the net liability on large individual risks;
- obtain greater diversification of insurance risks;
- provide protection against large losses;
- reduce overall exposure to risk; and
- reduce the amount of capital required to support the business.

The reinsurance companies are regulated by the Australian Prudential Regulation Authority (APRA); or industry regulators in other jurisdictions and have strong credit ratings from A+ to AA+.

Section 4: Life insurance and investment contracts

4.4 Life insurance contracts - risk (continued)

(b) Key terms and conditions of life insurance contracts

The nature of the terms of the 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 following table provides an overview of the key variables upon which the timing and uncertainty of future cash flows of the various life insurance contracts issued by the Branch depend.

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

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Section 4: Life insurance and investment contracts

4.4 Life insurance contracts - risk (continued)

(c) Insurance risk sensitivity analysis – life insurance contracts

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

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

		Change in life insurance contract liabilities		Change in shareholder profit after income tax and equity	
Variable		**Gross of reinsurance (NZ$000)**	**Net of reinsurance (NZ$000)**	**Gross of reinsurance (NZ$000)**	**Net of reinsurance (NZ$000)**
Mortality	10 % increase in mortality rates	**57,588**	**22,142**	**(41,047)**	**(15,526)**
Annuitant mortality	50 % increase in the rate of mortality improvement	**967**	**967**	**(967)**	**(967)**
Morbidity – lump sum disablement	20 % increase in lump sum disablement rates	**28,197**	**11,279**	**(20,302)**	**(8,121)**
Morbidity – disability income	10 % increase in incidence rates	**5,622**	**2,249**	**(4,048)**	**(1,619)**
Morbidity – disability income	10 % decrease in termination rates	**14,887**	**6,976**	**(10,719)**	**(5,023)**
Discontinuance rates	10 % increase in discontinuance rates	**119,437**	**47,775**	**(85,995)**	**(34,398)**
Maintenance expenses	10 % increase in maintenance expenses	**7,176**	**7,176**	**(5,180)**	**(5,180)**

(d) 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 NZ$000	1 to 5 years NZ$000	Over 5 years NZ$000	Total NZ$000
31 December 2018	**100,249**	**282,686**	**1,968,524**	**2,351,459**
31 December 2017	36,992	103,478	1,634,908	1,775,378

Section 4: Life insurance and investment contracts

4.5 Other disclosure - life insurance contracts and investment contracts

	2018 NZ$000	2017 NZ$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	**52,128**	56,743
- Losses arising from difference between actual and assumed experience	**(3,827)**	(82)
- Profits arising from changes in assumptions	**21,350**	28,968
- Capitalised (losses) reversals	**(10,495)**	-
Profit related to life insurance and investment contract liabilities	**59,156**	85,629
Attributable to:		
- Life insurance contracts	**56,190**	83,642
- Investment contracts	**2,966**	1,987
Profit related to life insurance and investment contract liabilities	**59,156**	85,629
Investment earnings on assets in excess of life insurance and investment contract liabilities	**24,424**	43,076

(b) Restrictions on assets in statutory funds

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

AMP Life has three statutory funds. All of the business of the Branch is held in the No.1 statutory fund. The business includes whole of life, endowment, investment account, retail and group risk, investment linked and immediate annuities.

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

(c) Capital guarantees

	2018 NZ$000	2017 NZ$000
Life insurance contracts with a discretionary participating feature		
- Amount of the liabilities that relate to guarantees	**2,369,499**	2,281,871
Investment linked contracts		
- Amount of the liabilities subject to investment performance guarantees	**753**	862

(d) Capital requirements

The RBNZ has granted AMP Life a full licence to carry on insurance business in New Zealand under IPSA. As part of the grant of that license, AMP Life was granted certain exemptions from IPSA by virtue of its status as an Australian regulated entity. This status requires AMP Life to ensure that it meets all standards and regulations applicable in Australia and enforced by the Australian Prudential Regulation Authority.

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

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

The excess of AMP Life Limited No.1 Statutory Fund and Shareholders' Fund capital base over the PCA as at 31 December 2018 was AU$1,360m (2017: AU$2,038m).

Section 4: Life insurance and investment contracts

4.5 Other disclosure - life insurance contracts and investment contracts (continued)

The Appointed Actuary of AMP Life has confirmed that the capital base of the AMP Life Limited No. 1 Statutory Fund has exceeded PCA at all times during 2018 and 2017.

2018 Prescribed Capital Amount (PCA) [1]		**No.1 Statutory Fund** *AUD $m*	**Shareholders' Fund** *AUD $m*	**Total** *AUD $m*
Capital base				
Net assets as per Life Insurance Act				
- Common equity Tier 1 Capital		**1,871**	**332**	**2,203**
- Additional Tier 1 Capital		**-**	**305**	**305**
Total regulatory adjustments to net assets				
- Total regulatory adjustments to Common equity Tier 1 Capital		**(115)**	**(248)**	**(363)**
Common equity Tier 1 Capital		**1,756**	**389**	**2,145**
Tier 2 Capital		**220**	**-**	**220**
Total regulatory adjustments to Tier 2 Capital		**-**	**-**	**-**
Total capital base	**A**	**1,976**	**389**	**2,365**
Prescribed capital				
Insurance risk charge		**359**	**-**	**359**
Asset risk charge		**511**	**20**	**531**
Asset concentration risk charge		**-**	**2**	**2**
Operational risk charge		**127**	**-**	**127**
Less aggregation benefit		**(189)**	**-**	**(189)**
Combined stress scenario adjustment		**171**	**4**	**175**
Total Prescribed Capital Amount (PCA)	**B**	**979**	**26**	**1,005**
Capital adequacy multiple	**A/B**	**202%**	**1496%**	**235%**

2017 Prescribed Capital Amount (PCA) [1]		No.1 Statutory Fund *AUD $m*	Shareholders' Fund *AUD $m*	Total *AUD $m*
Capital base				
Net assets as per Life Insurance Act				
- Common equity Tier 1 Capital		1,978	1,334	3,312
- Additional Tier 1 Capital		-	305	305
Total regulatory adjustments to net assets				
- Total regulatory adjustments to Common equity Tier 1 Capital		(168)	(632)	(800)
Common equity Tier 1 Capital		1,810	1,007	2,817
Tier 2 Capital		249	-	249
Total regulatory adjustments to Tier 2 Capital		-	-	-
Total capital base	**A**	2,059	1,007	3,066
Prescribed capital				
Insurance risk charge		310	-	310
Asset risk charge		603	18	621
Asset concentration risk charge		-	-	-
Operational risk charge		129	-	129
Less aggregation benefit		(182)	-	(182)
Combined stress scenario adjustment		142	8	150
Total Prescribed Capital Amount (PCA)	**B**	1,002	26	1,028
Capital adequacy multiple	**A/B**	205%	3873%	298%

(e) Actuarial information
Mr Greg Bird (BEc, FIAA, FNZSA, CERA), the Appointed Actuary of AMP Life, is satisfied as to the accuracy of the data used in the valuations in the consolidated financial statements and in the tables in this note and notes 4.2-4.4.

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

[1] This only relates to of AMP Life Limited No. 1 Statutory Fund and Shareholders' Fund.

Section 4: Life insurance and investment contracts

4.5 Other disclosure - life insurance contracts and investment contracts (continued)

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

Based on assumptions as to likely withdrawal patterns of the various product groups, it is estimated that approximately NZ$394,335 thousand (2017: NZ$411,409 thousand) 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 the Branch to be conducted within a life statutory fund that is separate to the AMP Life Shareholder Fund. Information for all major components of the consolidated financial statements disaggregated between the Statutory Fund and the Shareholder Fund is provided within this note.

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

	Investment Linked 2018 *NZ$000*	Non Investment Linked 2018 *NZ$000*	Elimination 2018 *NZ$000*	Total Statutory Fund 2018 *NZ$000*	Shareholder Fund 2018 *NZ$000*	Total 2018 *NZ$000*
Income and expenses of policyholders and the shareholder						
Life insurance contract related revenue – net of reinsurance	**-**	**607,413**	**-**	**607,413**	**-**	**607,413**
Fee and other revenue	**5,872**	**1,672**	**-**	**7,544**	**-**	**7,544**
Investment gains and (losses)	**(403)**	**221,989**	**-**	**221,586**	**20,080**	**241,666**
Life insurance contract claims expenses – net of reinsurance	**-**	**(336,056)**	**-**	**(336,056)**	**-**	**(336,056)**
Operating expenses	**(2,184)**	**(106,064)**	**-**	**(108,248)**	**(170)**	**(108,418)**
Finance costs	**-**	**(1,073)**	**-**	**(1,073)**	**91**	**(982)**
Change in policyholder liabilities						
-Life insurance contracts	**-**	**(213,662)**	**-**	**(213,662)**	**-**	**(213,662)**
-Investment contracts	**1,630**	**-**	**-**	**1,630**	**-**	**1,630**
Profit (loss) before income tax	**4,915**	**174,219**	**-**	**179,134**	**20,001**	**199,135**
Income tax credit (expense)	**(1,501)**	**(94,070)**	**-**	**(95,571)**	**-**	**(95,571)**
Net profit for the year	**3,414**	**80,149**	**-**	**83,563**	**20,001**	**103,564**

	Investment Linked 2017 *NZ$000*	Non Investment Linked 2017 *NZ$000*	Elimination 2017 *NZ$000*	Total Statutory Fund 2017 *NZ$000*	Shareholder Fund 2017 *NZ$000*	Total 2017 *NZ$000*
Income and expenses of policyholders and the shareholder						
Life insurance contract related revenue – net of reinsurance	-	347,941	-	347,941	-	347,941
Fee and other revenue	5,166	497	-	5,663	-	5,663
Investment gains and (losses)	45,787	585,880	-	631,667	133	631,800
Life insurance contract claims expenses – net of reinsurance	-	(327,919)	-	(327,919)	-	(327,919)
Operating expenses	(2,527)	(113,399)	-	(115,926)	(27)	(115,953)
Finance costs	-	(1,027)	-	(1,027)	91	(936)
Change in policyholder liabilities						
-Life insurance contracts	-	(260,253)	-	(260,253)	-	(260,253)
-Investment contracts	(43,583)	-	-	(43,583)	-	(43,583)
Profit (loss) before income tax	4,843	231,720	-	236,563	197	236,760
Income tax credit (expense)	(2,856)	(105,002)	-	(107,858)	(55)	(107,913)
Net profit for the year	1,987	126,718	-	128,705	142	128,847

Section 4: Life insurance and investment contracts

4.5 Other disclosure - life insurance contracts and investment contracts (continued)

(g) Disaggregated information (continued)

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

	Investment Linked 2018 *NZ$000*	Non Investment Linked 2018 *NZ$000*	Elimination 2018 *NZ$000*	Total Statutory Fund 2018 *NZ$000*	Shareholder Fund 2018 *NZ$000*	Total 2018 *NZ$000*
Assets						
Investments in financial assets	**428,458**	**5,448,227**	**(1,667)**	**5,875,018**	**-**	**5,875,018**
Other assets	**(153,509)**	**755,884**	**-**	**602,375**	**20,341**	**622,716**
Held for sale (Note 6.4)	**-**	**-**	**-**	**-**	**2,000**	**2,000**
Total assets of policyholders and the shareholder	**274,949**	**6,204,111**	**(1,667)**	**6,477,393**	**22,341**	**6,499,734**
Liabilities						
Life insurance contract liabilities	**-**	**3,920,779**	**-**	**3,920,779**	**-**	**3,920,779**
Investment contract liabilities	**302,647**	**-**	**-**	**302,647**	**-**	**302,647**
Other liabilities	**(31,112)**	**1,595,493**	**(1,667)**	**1,562,714**	**198**	**1,562,912**
Total liabilities of policyholders and the shareholder	**271,535**	**5,516,272**	**(1,667)**	**5,786,140**	**198**	**5,786,338**
Net assets	**3,414**	**682,839**	**-**	**691,253**	**22,143**	**713,396**
Equity						
Retained earnings	**3,414**	**687,839**	**-**	**691,253**	**22,143**	**713,396**
Total equity	**3,414**	**687,839**	**-**	**691,253**	**22,143**	**713,396**

	Investment Linked 2017 *NZ$000*	Non Investment Linked 2017 *NZ$000*	Elimination 2017 *NZ$000*	Total Statutory Fund 2017 *NZ$000*	Shareholder Fund 2017 *NZ$000*	Total 2017 *NZ$000*
Assets						
Investments in financial assets	454,927	5,404,611	(2,423)	5,857,115	2,000	5,859,115
Other assets	(142,594)	494,192	-	351,598	646	352,244
Total assets of policyholders and the shareholder	312,333	5,898,803	(2,423)	6,208,713	2,646	6,211,359
Liabilities						
Life insurance contract liabilities	-	4,012,836	-	4,012,836	-	4,012,836
Investment contract liabilities	341,791	-	-	341,791	-	341,791
Other liabilities	(31,444)	1,037,326	(2,423)	1,003,459	504	1,003,963
Total liabilities of policyholders and the shareholder	310,347	5,050,162	(2,423)	5,358,086	504	5,358,590
Net assets	1,986	848,641	-	850,627	2,142	852,769
Equity						
Retained earnings	1,986	848,641	-	850,627	2,142	852,769
Total equity	1,986	848,641	-	850,627	2,142	852,769

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Section 4: Life insurance and investment contracts

4.5 Other disclosure - life insurance contracts and investment contracts (continued)

(g) Disaggregated information (continued)

(iii) *Retained earnings by non-investment linked and investment linked*

	Investment Linked 2018 *NZ$000*	Non Investment Linked 2018 *NZ$000*	Total Statutory Fund 2018 *NZ$000*	Shareholder Fund 2018 *NZ$000*	Total 2018 *NZ$000*
Opening retained earnings	**1,986**	**848,641**	**850,627**	**2,142**	**852,769**
Profit for the year	**3,414**	**80,149**	**83,563**	**20,001**	**103,564**
Impact of adoption of new accounting standards (Note 7.6)	**-**	**(14)**	**(14)**	**-**	**(14)**
Transfer of profit to AMP Life Limited Shareholder Fund	**-**	**(242,923)**	**(242,923)**	**-**	**(242,923)**
Transfer	**(1,986)**	**1,986**	**-**	**-**	**-**
Closing retained earnings	**3,414**	**687,839**	**691,253**	**22,143**	**713,396**

	Investment Linked 2017 *NZ$000*	Non Investment Linked 2017 *NZ$000*	Total Statutory Fund 2017 *NZ$000*	Shareholder Fund 2017 *NZ$000*	Total 2017 *NZ$000*
Opening retained earnings	809	567,706	568,515	2,000	570,515
NMLA transfer (Note 6.5)	1,427	301,152	302,579	11,541	314,120
Profit for the year	1,987	126,718	128,705	142	128,847
Transfer of profit to AMP Life Limited Shareholder Fund	-	(149,172)	(149,172)	(11,541)	(160,713)
Transfer	(2,237)	2,237	-	-	-
Closing retained earnings	1,986	848,641	850,627	2,142	852,769

	2018 ***NZ$000***	2017 *NZ$000*
(h) Analysis of other life insurance and investment contract operating expenses		
Other life insurance and investment contract acquisition expenses		
- Commission	**170**	162
- Other expenses	**69**	78
Other life insurance and investment contract maintenance expenses		
- Commission	**251**	325
- Other expenses	**1,748**	1,688
Investment management expenses	**683**	637

Section 5: Employee disclosures

- 5.1 Key management personnel
- 5.2 Pension liability
- 5.3 Share-based payments

5.1 Key management personnel

(a) Key management personnel details

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

Name	Position	
Trevor Matthews	Chairman, Non-executive Director	
Megan Beer	Managing Director	
Andrew Harmos	Non-executive Director	
Craig Meller	Executive Director	Resigned 20 April 2018
Geoffrey Roberts	Non-executive Director	Appointed 09 May 2018
Michael Wilkins	Non-executive Director	
Holly Kramer	Non-executive Director	Appointed 20 April 2018, resigned 08 May 2018

(b) Compensation to key management personnel[1]

The following table provides aggregate details of the compensation of the key management personnel of AMP Life Limited (in thousands of Australian dollars).

	Short Term Benefits	Post Employment Benefits	Share-Based Payments[2]	Other Long Term Benefits[3]	Termination Benefits	Total
2018	**3,854**	**134**	**(1,800)**	**(116)**	**1,882**	**3,954**
2017	5,750	119	2,331	53	-	8,253

[1] For key management personnel of the company who are also key management personnel of AMP Limited, the amounts include compensation from AMP Limited.
[2] The negative balance represents share based payments expense, offset by reversals during the year where awards were forfeited or where the performance conditions were not met.
[3] Other long-term benefits includes reversals of long-service-leave provisions where individuals are no longer employees of AMP and their respective length of service requirements have not been met.

(c) Key management personnel access to AMP's products
During the year, key management personnel and their personally related entities may also have had access to AMP's products. They are provided to key management personnel within normal employee terms and conditions. The products include personal banking with AMP Bank Limited, the purchase of AMP insurance and investment products and 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 these financial statements, or the discharge of accountability by the specified executives or specified directors.

Accounting policy – recognition and measurement

Short-term benefits - Liabilities arising in respect of salaries and wages and any other employee entitlements expected to be settled within 12 months of the reporting date are measured at their nominal amounts.

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

Other long-term benefits - Other employee entitlements are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, discount rates are determined with reference to market yields at the end of the reporting period on high quality corporate bonds.

Section 5: Employee disclosures

5.2 Pension liability

AMPS, a subsidiary of the Shareholder Fund, contributes to an employer-sponsored superannuation scheme that provides lump sum benefits for defined contribution members and pension benefits for defined benefit members on retirement (the “Plan”). The Plan is closed to new members. During 2018, the pension liability has been transferred to and classified under liabilities held for sale, as it relates to AMPS. See Note 6.4.

Plan Information
All active members have accumulation benefits with a lump sum payable on retirement. The majority of the Plan’s liabilities relate to the pensioner members.

Contributions
The following tables summarise the components of the net amounts recognised in the Income statement and Statement of Comprehensive Income and the net amounts recognised in the Statement of Financial Position for the Branch's obligations in relation to the Plan. AMPS is one of two participating employers within the AMP (New Zealand) Staff Superannuation Plan and so the figures below represent the AMPS’s share of the total Plan. AMPS’s share is determined using information on the actual liability owed to individual members of the Plan, as a result AMPS recognises approximately 96% of the total Plan.

	2018 *NZ$000*	2017 *NZ$000*
(a) Defined benefit expense		
Current service cost	-	9
Interest cost	83	95
Contributions tax	40	51
Total defined benefit expense	**123**	155
(b) Amounts recognised in the Statement of comprehensive income (SOCI)		
Actuarial losses*	898	1,402
Actual return on plan assets less interest income	445	(1,437)
Tax	661	(18)
Total loss / (gain) recognised via the SOCI	2,004	(53)
(c) Movement in defined benefit obligation		
Balance at the beginning of the year	24,017	24,228
Current service cost	-	9
Interest cost	643	762
Actuarial losses*	898	1,402
Benefits paid	(2,252)	(2,383)
Taxes, premium and expenses paid	(1)	(1)
Balance at the end of the year	**23,305**	24,017

**Actuarial losses*
These can be broken down further into losses from changes in financial assumptions (2018: NZ$931 thousand; 2017: NZ$954 thousand) and (gains) / losses in liability experience (2018: NZ$(33) thousand); 2017: NZ$447 thousand).

Section 5: Employee disclosures

5.2 Pension liability (continued)

	2018 NZ$000	2017 NZ$000
(d) Movement in fair value of plan assets		
Balance at beginning of the year	**21,073**	21,351
Interest income	**561**	669
Actual return on plan assets	**(445)**	1,437
Contributions by the employer	**482**	-
Benefits paid	**(2,252)**	(2,383)
Taxes, premium and expenses paid	**(1)**	(1)
Balance at the end of the year	**19,418**	21,073

	2018 NZ$000	2017 NZ$000
(e) Defined benefit (deficit)		
Defined benefit obligations	**(23,305)**	(24,017)
Less fair value of plan assets	**19,418**	21,073
Contributions tax	**(1,915)**	(1,451)
Liability associated with assets held for sale (note 6.4)	**5,802**	-
Net liability recognised in the Statement of financial position	**-**	(4,395)

	2018 NZ$000	2017 NZ$000
(f) Movement in net defined benefit (deficit)		
Opening liability at the beginning of the year	**(4,395)**	(4,293)
Total expense recognised in income	**(123)**	(155)
Employer contributions	**720**	-
Actuarial (loss) / gain recognised in other comprehensive income	**(2,004)**	53
Transfer to liabilities associated with assets held for sale (note 6.4)	**5,802**	-
Deficit at the end of the year	**-**	(4,395)

Expected Employer Contributions

Expected employer contributions (net of tax) for the year ended 31 December 2019 are expected to be nil.

The expected contributions are based on the latest report from the external actuaries, Mercer (N.Z.) Limited dated 14 December 2018.

Fair Value of Plan Assets

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

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

*Almost 100% of the Plan assets are invested in investment products issued by AMP Group.

The asset category of the Plan assets consists of investment funds in balanced funds and aggressive funds all available in an active market.

(g) Sensitivity analysis

The defined benefit obligation under different scenarios is as follow:

	2018 NZ$000
Base Case	**23,304**
Scenario A: 1% lower discount rate assumption	**25,392**
Scenario B: 1 year additional life expectancy	**24,651**
Scenario C: 1% higher pension increase rate assumption	**24,738**

(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:

	2018 %	2017 %
Discount rate	**2.3**	**2.8**
Future pension increases	**1.5**	**1.5**
Inflation increase	**2.0**	**2.0**

Section 5: Employee disclosures

5.2 Pension liability (continued)

(h) Principal actuarial assumptions at reporting date (continued)

The increase in the pension liability totals NZ$1,407 thousand (2017: NZ$102 thousand). The discount rate of 2.3% used in the 31 December 2018 disclosures was determined based on the risk free spot rate published by the New Zealand Treasury at 30 September 2018 for a duration of 8 years (equal to the duration of the benefit obligation) and updated to reflect changes in New Zealand government bond yields to 11 December 2018.

Pensioner mortality is based on the New Zealand Period Life Tables 2012-2014 set back by one year, together with an age related future mortality improvement scale.

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

At the dates of the most recent financial statements of the Plan, AMPS's share of the deficit of the defined-benefit fund, measured as the difference between the fair value of the Plan assets and the defined benefit obligations of the Plan, was NZ$3,887 thousand (2017: NZ$2,944 thousand).

Funding methods and current recommendations
The defined-benefit fund 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 defined-benefit fund.

(j) Maturity profile of defined benefit obligations

	2018 ***NZ$000***
The following are the expected benefit payment obligations for the financial year ending on:	
31 December 2019	**2,137**
31 December 2020	**2,072**
31 December 2021	**1,997**
31 December 2022	**1,915**
31 December 2023	**1,827**
Following 5 years	**7,678**

The weighted average duration of the defined benefit obligation is 8.3 years.

(k) Allocation of assets

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

	2018 **%**	2017 %
The percentage invested in each asset class at the reporting date:		
Equity	**38%**	38%
Fixed income	**38%**	38%
Property	**4%**	4%
Other	**6%**	6%
Cash	**14%**	14%

Accounting policy – recognition and measurement

The cost of providing benefits under the defined benefit section is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised directly in other comprehensive income. Past service costs are recognised immediately to the extent that the benefits are already vested, and otherwise amortised on a straight-line basis over the average period until the benefits become vested. For the defined contribution section, the subsidiary of the Shareholder Fund pays contributions to the Plan on a mandatory basis. The subsidiary of the Shareholder Fund has no further payment obligations once the contributions have been paid.

The subsidiary of the Shareholder Fund recognises the pension asset or liability in the Statement of Financial Position. The deficit or surplus is measured as the difference between the fair value of the section's assets and the discounted defined benefit obligation of the liabilities, adjusted for unrecognised past service cost. Any asset resulting from this calculation is limited to past service costs, plus the present value of available refunds and reductions in future contributions to the section.

Critical accounting estimates and judgements:
A subsidiary of the Shareholder Fund operates an employer sponsored superannuation scheme which requires contributions to the Plan to be made to a separately administered fund. The fair value of the pension liability of the Branch is measured using actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in the assumptions. All assumptions are reviewed at each valuation date. The discount rate is determined with reference to market yields on New Zealand government bonds with a term that is consistent with the estimated term of the benefit obligation.

Section 5: Employee disclosures

5.3 Share-based payments

AMP Limited has a number of employee share-based payment plans. Share-based payments place employees participating in those plans (participants) in the position of the shareholder, and in doing so, reward employees for the generation of value for shareholders. Information on plans which AMP currently offers is provided below. The share-based payment plans are maintained by AMPS, net assets of which are classified as held for sale (Note 6.4). The share-based payment reserve shall be transferred to the Branch's retained earnings upon disposal of the net assets of AMPS.

The following table shows the expense recorded for AMP share-based payment plans during the year:

Plans currently offered	**2018** ***NZ$'000***	**2017** ***NZ$'000***
Performance rights	(18)	(367)
Share rights	714	641
Total share-based payment expense	**696**	**274**

(a) Performance rights

The AMP Group Leadership Team, as well as selected senior executives, are required to take their long-term incentive (LTI) awards in the form of performance rights. This is to ensure that the interests of those executives, who are most directly able to influence company performance, are appropriately aligned with the interests of shareholders.

Plan	**LTI award plan**
Overview	Performance rights give the participant the right to acquire one fully paid ordinary share in AMP Limited upon meeting specific performance hurdles. They are granted at no cost to the participant and carry no dividend or voting rights until they vest. Performance rights may be settled through a cash payment in lieu of shares, at the discretion of the board.
Vesting conditions	The performance hurdles for rights granted in 2015 and 2016 are: • 60% subject to AMP's total shareholder return (TSR) performance relative to that of the entities in the Comparator Group^ (being the top 50 industrial companies in the S&P/ASX 100 Index, based on market capitalisation rank on the start of the applicable performance period) over three-years. • 40% subject to a return on equity (RoE) measure. The performance hurdles for rights granted in 2017 are: • 100% subject to AMP's TSR performance relative to entities in the Comparator Group^ (being the top 50 industrial companies in the S&P/ASX 100 Index, based on market capitalisation rank on the start of the applicable performance period) over four-years. No performance rights awards were granted under an LTI plan in 2018. ^ In determining the Comparator Group, all entities other than those in the global industry classification standard (GICS) energy sector and GICS metals and mining industry are classified as industrial companies.
Vesting period	• 3 years for rights granted in 2015 and 2016. • 4 years for rights granted in 2017.
Vested awards	Vested performance rights are automatically converted to shares on behalf of participants.
Unvested awards	Unvested awards are forfeited if the participant voluntarily ceases employment or is dismissed for misconduct or poor performance.

Section 5: Employee disclosures

5.3 Share-based payments (continued)

(b) Valuation of performance rights

The allocation values for performance rights are based on valuations prepared by an independent external consultant. The valuations are based on the 10-day volume weighted average share price over the 10-day trading period prior to the start of the award's valuation period. Assumptions regarding the dividend yield and volatility have been estimated based on AMP's actual historic dividend yield and volatility over an appropriate period.

In determining the share-based payments expense, the number of instruments expected to vest has been adjusted to reflect the number of employees expected to remain with AMP until the end of the performance period.

The following table shows the factors considered in determining the allocation value of the performance rights granted during the period:

Grant Date	Share Price AUD	Contractual Life (years)	Dividend Yield	Volatility[1]	Risk-free rate[1]	TSR Performance hurdle discount	RoE Performance hurdle discount[2]	TSR performance rights fair value AUD	RoE performance rights fair value AUD
19/05/2017	$5.08	4.0 years	5.20%	23%	1.82%	56%	n/a	$2.24	n/a
02/06/2016	$5.54	3.0 years	4.70%	24%	1.60%	57%	0%	$2.37	$4.81
04/06/2015	$6.20	3.0 years	4.70%	23%	2.10%	55%	0%	$2.82	$5.39

(1) Applies to performance rights subject to a relative TSR performance hurdle only. These factors do not apply to performance rights subject to a RoE performance hurdle.

(2) In accordance with the accounting standard NZ IFRS 2, allowance cannot be made for the impact of a non-market based performance hurdle in determining fair value.

The following table shows the movement in performance rights outstanding during the period:

Grant Date	Exercise Period	Exercise price AUD	Balance at 1 Jan 2018	Exercised during the year	Granted during the year	Other changes[2]	Lapsed during the year	Balance at 31 Dec 2018[1]
19/05/2017	n/a	Nil	210,000	-	-	-	-	210,000
02/06/2016	n/a	Nil	227,281	-	-	-	21,362	205,919
04/06/2015	n/a	Nil	181,158	-	-	-	181,158	-
Total	**n/a**	**Nil**	**618,439**	**-**	**-**	**-**	**202,520**	**415,919**

(1) Performance rights have no exercise period; they are exercised in the first trading window following the approval of the vesting by the board.

(2) Other changes include employees transferred between AMPS and other entities within the AMP Limited group.

From the end of the financial year and up to the date of this report, no performance rights have been issued, no performance rights have been exercised, and no performance rights have lapsed. Of the performance rights outstanding at the end of the period, none have vested or become exercisable.

Section 5: Employee disclosures

5.3 Share-based payments (continued)

(c) Share rights

- LTI participants below the AMP Group Leadership Team may be awarded share rights as part of their overall LTI award.
- Nominated executives and selected other senior leaders who have the ability to impact AMP's financial soundness participate in the Short-Term Incentive Deferral Plan. This plan requires that 40% of the participants' short-term incentive outcome be awarded as share rights.
- Prior to 2017, high potential employees at a senior leader level were eligible for nomination to participate in the Short-Term Incentive Match Plan, which provided an award of share rights to the value of 50% of the individual's short-term incentive outcome (plan ceased in 2017).

Plan	LTI award plan	STI deferral plan	STI match plan
Overview	Share rights give the participant the right to acquire one fully paid ordinary share in AMP Limited after a specified service period. They are granted at no cost to the participant and carry no dividend or voting rights until they vest.		
Vesting conditions/ period	AMP Group employees - continued service for three years (2015 and 2016 grants) and four years for the 2017 grant. No LTI grant was made in 2018.	Vesting conditions/ period	AMP Group employees - continued service for three years (2015 and 2016 grants) and four years for the 2017 grant. No LTI grant was made in 2018.
Vested awards	Vested share rights are automatically converted to shares on behalf of participants.		
Unvested awards	Unvested awards are forfeited if the participant voluntarily ceases employment or is dismissed for misconduct or poor performance.		

(d) Plan valuation

The fair value of share rights has been calculated as at the grant date, by external consultants using a 'discounted cash flow' methodology. Fair value has been discounted for the present value of dividends expected to be paid during the vesting period to which the participant is not entitled. For the purposes of the valuation it is assumed share rights are exercised as soon as they have vested. Assumptions regarding the dividend yield have been estimated based on AMP's actual historic dividend yield over an appropriate period.

In determining the share-based payments expense, the number of instruments expected to vest has been adjusted to reflect the number of employees expected to remain with AMP until the end of the performance period.

The following table shows the factors considered in determining the independent fair value of the share rights granted during the period:

Grant Date	Share Price AUD	Contractual Life (years)	Dividend Yield	Dividend discount	Fair value AUD
02/04/2018	$4.99	1.9 years	5.70%	10%	$4.49
19/05/2017	$5.08	4.0 years	5.20%	17%	$4.21
27/04/2017	$5.12	1.8 years	5.20%	9%	$4.65
02/06/2016	$5.54	3.0 years	4.70%	13%	$4.81
28/04/2016	$5.84	1.8 years	4.70%	8%	$5.36
04/06/2015	$6.20	3.0 years	4.70%	13%	$5.39
30/04/2015	$6.44	1.8 years	4.75%	8%	$5.90

Section 5: Employee disclosures

5.3 Share-based payments (continued)

(d) Plan valuation (continued)

The following table shows the movement in share rights outstanding during the period:

Grant Date	Exercise Period[1]	Exercise price AUD	Balance at 1 Jan 2018	Exercised during the year	Granted during the year	Other changes[2]	Lapsed during the year	Balance at 31 Dec 2018
02/04/2018	n/a	Nil	-	-	135,632	-	-	135,632
19/05/2017	n/a	Nil	159,459	-	-	-	40,500	118,959
27/04/2017	n/a	Nil	70,042	-	-	-	3,655	66,387
02/06/2016	n/a	Nil	82,413	-	-	-	21,364	61,049
28/04/2016	n/a	Nil	126,414	126,414	-	-	-	-
04/06/2015	n/a	Nil	50,777	50,777	-	-	-	-
Total	n/a	Nil	**489,105**	**177,191**	**135,632**	**-**	**65,519**	**382,027**

(1) The share rights granted have no exercise period; they are exercised in the first trading window following the approval of the vesting by the board of directors of AMP.
(2) Other changes include employees transferred between AMPS and other entities within the AMP Limited group.

From the end of the financial year and up to the date of these financial statements, no share rights have been issued, no share rights have been exercised, and no share rights have lapsed due to resignation. Of the share rights outstanding at the end of the period, none have vested or become exercisable.

(e) Restricted shares

No restricted shares were granted during 2017 and 2018.

(f) Employee share acquisition plan

The employee share acquisition plan was suspended mid-way through 2009 in Australia but continues to operate in New Zealand.

Accounting policy – recognition and measurement

Equity-settled share-based payments

The cost of equity-settled share-based payments is measured using their fair value at the date at which they are granted. The fair value calculation takes into consideration a number of factors, including the likelihood of achieving market-based vesting conditions such as total shareholder return (market conditions).

The cost of equity-settled share-based payments is recognised, together with a corresponding increase in the share-based payment reserve in equity, over the vesting period of the instrument. At each reporting date, the AMP Limited reviews its estimates of the number of instruments that are expected to vest and any changes to the cost are recognised in the Income statement and the share-based payment reserve, over the remaining vesting period.

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

Where an equity-settled award does not ultimately vest, expenses are not reversed, except for awards where vesting is conditional upon a non-market condition, in which case all expenses are reversed in the period in which the instrument lapses.

Section 6: Group entities

- 6.1 Controlled entities
- 6.2 Investments in associates
- 6.3 Transactions with related parties
- 6.4 Assets held for sale

6.1 Controlled entities

Details of significant investments in controlled entities held by the Statutory and Shareholder Funds are as follows:

NAME OF ENTITY	INCORPORATION	Share type	% Holdings 2018	2017
Allmarg Corporation Limited [1]	New Zealand	Ordinary, Preference	**100.0**	100.0
AMP Capital Investments No. 2 Limited[1]	New Zealand	Ordinary A & B	**100.0**	100.0
AMP Capital Investments No. 8 Limited[1]	New Zealand	Ordinary A & B	**80.0**	80.0
AMP Capital Investments No. 14 Limited[1]	New Zealand	Ordinary A & B	**80.0**	80.0
AMP Life (NZ) Investments Holdings Limited[1]	New Zealand	Ordinary	**100.0**	100.0
AMP Life (NZ) Investments Limited[1]	New Zealand	Ordinary	**100.0**	100.0
AMP Services (NZ) Limited[2]	New Zealand	Ordinary	**100.0**	100.0
AMP/ERGO Mortgage and Savings Limited[1]	New Zealand	Ordinary	**100.0**	100.0
AMP Capital Australian Shares Fund[1]	New Zealand	Ordinary	**87.9**	87.9
NZ Core Fixed Income Non Par[1]	New Zealand	Ordinary	**100.0**	100.0
NZ Core Fixed Income Fund[1]	New Zealand	Ordinary	**100.0**	100.0
AMP Capital Wholesale Unit Trust Direct Property Fund[1]	New Zealand	Ordinary	**100.0**	100.0
AMP Capital Australasian Shares Multi-manager Fund 2[1]	New Zealand	Ordinary	**100.0**	100.0

[1] Controlled entities of AMP Life Limited (New Zealand Branch) No. 1 Statutory Fund
[2] Controlled entities of AMP Life Limited (New Zealand Branch) Shareholder Fund

Critical accounting estimates and judgements:

Judgement is applied in determining the relevant activities of each entity and determining, whether the Branch has power over these activities and whether control exists. This involves assessing the purpose and design of the entity and identifying the activities which significantly affect that entity's returns and how decisions are made about those activities. In assessing how decisions are made, management considers voting and veto rights, contractual arrangements with the entity or other parties, and any rights or ability to appoint, remove or direct key management personnel or entities that have the ability to direct the relevant activities of the entity. Management also considers the practical ability of other parties to exercise their rights.

Judgement is also applied in identifying the variable returns of each entity and assessing the Branch's exposure to these returns. Variable returns include distributions, exposure to gains or losses and fees that may vary with the performance of an entity.

Section 7: Other disclosures

6.2 Investments in associates

Investments in significant associates held by the life entity's statutory funds measured at fair value through profit or loss[1]

NAME OF UNIT TRUSTS AND OTHER ENTITIES	INCORPORATION	PRINCIPAL ACTIVITY	Ownership interest 2018 %	Ownership interest 2017 %	Carrying amount 2018 NZ$000	Carrying amount 2017 NZ$000
AMP Capital NZ Shares Fund	New Zealand	Equity Investment	**38**	27	**189,346**	151,614
AMP Capital Global Property Securities Fund	New Zealand	Property investment	**37**	26	**70,834**	55,884
Wholesale Unit Trust MSCI Global Index Share Fund	New Zealand	Equity Investment	**33**	36	**162,336**	194,429
AMP Capital Global Shares Fund	New Zealand	Equity Investment	**23**	24	**28,698**	34,318
AMP Capital Infrastructure Trust No 1 Class	New Zealand	Infrastructure Investment	**30**	29	**272,462**	274,510
NZ Shares Index Fund	New Zealand	Equity Investment	**28**	-	**163,549**	-
AMP Capital Hedged Global Fixed Interest Fund	New Zealand	Fixed income Investment	**34**	-	**33,733**	-
AMP Capital Global Listed Infrastructure Fund	New Zealand	Infrastructure Investment	**26**	-	**72,606**	-
AMP Capital Equity Fund Class C	New Zealand	Equity Investment	**27**	-	**162,130**	-
AMP Life Property Fund Class O	New Zealand	Property Investment	**27**	-	**328,313**	-
Total investments held by the life statutory fund in associated unit trusts and other entities					**1,484,007**	710,755

[1] Investment in associated entities that back investment contract and life insurance contract liabilities are treated as financial assets and are measured at fair value. The balance date for all associated entities is 31 March.

In the course of normal investment activities the Statutory Fund holds investments in various operating businesses. Investments in associated entities reflect investments where the Statutory Fund holds between a 20% and 50% equity interest.

Accounting Policy – recognition and measurement

Investments in associates
Investments in associates measured at fair value through profit or loss
Associated entities are defined as those entities over which the Branch has significant influence but there is no capacity to control. Investments in associates held to back investment contract liabilities and life insurance contract liabilities are exempt from the requirement to apply equity accounting and have been designated on initial recognition as financial assets measured at fair value through profit or loss.

Section 7: Other disclosures

6.3 Transactions with related parties

Transactions with related parties are made at arm's length and on normal commercial terms. Outstanding balances at 31 December 2018 and 31 December 2017 are unsecured, non-interest bearing and settlement occurs in cash or through inter-company accounts as necessary.

The Group provides administrative services to AMP Wealth Management New Zealand Limited and AdviceFirst Limited. The Group also receives administrative services from AMP Services Limited (Australia) and investment services from AMP Capital Investors Limited and AMP Capital Investors (New Zealand) Limited.

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

		For the year ended 31 December		As at 31 December	
Fellow subsidiaries of AMP Group		**Service, management and other fee revenue from related parties NZ$000**	**Service, management and other fee expense to related parties NZ$000**	**Amounts owed by related parties NZ$000**	**Amounts owed to related parties NZ$000**
AMP Life Limited Australia Shareholder Fund	**2018**	**-**	**-**	**-**	**187,929**
	2017	-	-	-	67,747
AMP Services Limited (Australia)	**2018**	**-**	**7,318**	**8,395**	**-**
	2017	-	11,159	-	3,638
AMP Financial Services Holding	**2018**	**-**	**-**	**29**	**-**
	2017	352	-	29	-
AMP Capital Investors Limited	**2018**	**-**	**6,630**	**-**	**788**
	2017	-	6,267	-	1,742
AMP Wealth Management New Zealand Limited	**2018**	**58,103**	**-**	**6,249**	**-**
	2017	54,035	-	11,307	-
AMP AAPH Limited	**2018**	**-**	**2,000**	**-**	**2,260**
	2017	-	2,000	-	260
Spicers Portfolio Management Limited	**2018**	**-**	**-**	**-**	**-**
	2017	2,692	-	-	-
AdviceFirst Limited	**2018**	**400**	**16,774**	**4,777**	**175**
	2017	181	8,220	4,572	250
Unit Trusts in other entities(1)	**2018**	**171,974**	**-**	**-**	**-**
	2017	94,376	-	-	-

(1)This includes associates and other entities.

6.4 Assets held for sale

On 25th October 2018, AMP Limited announced to the market (ASX) that it had signed a conditional agreement to divest its Australian and New Zealand wealth protection and mature businesses with Resolution Life Limited (Resolution). The agreement requires an internal restructure to create the group of companies that are to be sold to Resolution. This includes a restructure of some New Zealand subsidiaries. The Branch is one of the entities being sold to Resolution. AMP Services (NZ) Limited (AMPS) is a wholly owned subsidiary of the Branch's Shareholder Fund. AMPS, or the assets and liabilities of AMPS, are expected to be retained by the AMP Limited Group. These respective assets and liabilities will be transferred at carrying value, to another AMP Group company prior to completion. This transfer is expected to occur during the second quarter of 2019. Therefore, all the assets and associated liabilities of AMPS have been classified as 'held for sale' in the statement of financial position.

AMPS is in the business of providing administration services in relation to the provision of financial services to several entities both within the AMP Group and other AMP managed entities that fall outside the group.

Section 7: Other disclosures

6.4 Assets held for sale (continued)

Accounting policy:

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the noncurrent asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities associated with assets classified as held for sale are presented separately from other liabilities in the statement of financial position.

At 31 Dec 2018, AMPS held the following assets and liabilities that have been classified as held for sale:

Assets and liabilities of the disposal group classified as held for sale:

	Note	2018 *NZ$000*
Assets		
Cash and cash equivalents	7.1	**26,001**
Trade and other receivables		**33,480**
Investments		**10,000**
Loans receivable		**5,284**
Deferred tax asset	1.3	**3,983**
Plant and equipment	7.2	**6,537**
Intangible assets	2.2	**25,351**
Total assets of shareholder held for sale		**110,636**
Liabilities		
Trade and other payables		**22,099**
Provisions	2.5	**4,386**
Pension liability	5.2	**5,802**
Current tax liability		**731**
Total liabilities of shareholder held for sale		**33,018**
Net assets held for sale		**77,618**

The below table summarizes the income statement of AMPS for the year ended 31 December 2018[(1)]:

Total income	**211,851**
Total expenses	**(176,421)**
Profit before income tax	**35,430**
Income tax expense	**(10,018)**
Profit for the year	**25,412**

[(1)] This represents AMPS's net earnings and includes intercompany transactions with the Branch that will eliminate upon consolidation.

6.5 NMLA transfer

Transfer of NMLA Australian and New Zealand life insurance business to AMP Life

During 2017, the NMLA transfer involved all of the Australian and New Zealand life policies and insurance liabilities of NMLA, as well as certain assets and liabilities related to that business. Following the transfer, NMLA policies are treated as if they had been issued and administered by AMP Life rather than NMLA.

Assets of NZ$2,145 million and liabilities of $1,831 million were transferred at their carrying values in NMLA immediately prior to the transfer. Because NMLA and AMP Life have the same accounting policies for these assets and liabilities, there were no adjustments to the carrying values of the transferred assets and liabilities. NMLA and AMP Life have accounted for the transfer as equity transactions with their respective parents whereby the net assets decrease in NMLA and the net assets increase in AMP Life of NZ$314 million have been treated as changes in equity and there was no impact on profit and loss from the transfer transaction.

Section 7: Other disclosures

- 7.1 Notes to Statement of cash flows
- 7.2 Plant and equipment
- 7.3 Leases
- 7.4 Contingent liabilities
- 7.5 Auditor's remuneration
- 7.6 New accounting standards
- 7.7 Events occurring after reporting date

7.1 Notes to Statement of cash flows

(a) Reconciliation of cash flow from operation activities

	Note	**2018** **NZ$000**	2017 NZ$000
Net profit after income tax		**107,412**	149,049
Depreciation, amortisation, impairment and loss on disposals		**7,931**	9,346
Other non-cash items		**722**	274
Net realised and unrealised gains and losses on investment assets		**68,095**	(408,958)
Dividends and distributions reinvested		**(149,792)**	(94,982)
Defined benefit expense		**123**	155
Increase / (decrease) in life insurance contract liabilities		**(92,057)**	250,531
(Increase) / decrease in investment contract liabilities		**(39,144)**	10,519
Decrease in income tax balances		**13,529**	60,079
Decrease / (Increase) in other operating assets and liabilities		**316,261**	(8,011)
Cash flows from / (used in) operating activities		**233,080**	(31,998)

(b) Reconciliation of cash

For the purposes of the cash flow statement, cash and cash equivalents comprise the following at 31 December:

	Note	**2018** **NZ$000**	2017 NZ$000
Cash on hand		**877,360**	613,586
Cash on deposit		**-**	-
Cash and cash equivalents classified under assets held for sale	6.4	**26,001**	-
Balance at the end of the year[1]		**903,361**	613,586

Cash and cash equivalents earn interest at floating rates predominantly based on overnight cash rates.

[1] Cash and cash equivalents that are related to AMPS have been classified as held for sale (Note 6.4). As a result, total cash and cash equivalents balance, in the note above, does not reconcile to the statement of financial position.

Accounting policy – recognition and measurement

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. For the purpose of the Statement of cash flows, cash and cash equivalents also includes other highly liquid investments not subject to significant risk of change in value, with short periods to maturity, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in the Statement of financial position.

Section 7: Other disclosures

7.2 Plant and equipment

31 December 2018	Office fittings, furniture and equipment NZ$000	Computer & communication equipment NZ$000	Total NZ$000
Plant and equipment			
Gross carrying amount	**-**	**-**	**-**
Less: accumulated depreciation	**-**	**-**	**-**
Plant and equipment at written down value	**-**	**-**	**-**
Movements in plant and equipment			
Balance at the beginning of the year	**4,212**	**1,218**	**5,430**
Additions	**1,338**	**1,250**	**2,588**
Net Book Value of Disposals	**(26)**	**(14)**	**(40)**
Depreciation expense for the year	**(785)**	**(656)**	**(1,441)**
Assets held for sale (Note 6.4)	**(4,739)**	**(1,798)**	**(6,537)**
Balance at the end of the year	**-**	**-**	**-**

31 December 2017	Office fittings, furniture and equipment NZ$000	Computer & communication equipment NZ$000	Total NZ$000
Plant and equipment			
Gross carrying amount	6,614	13,268	19,882
Less: accumulated depreciation	(2,402)	(12,050)	(14,452)
Plant and equipment at written down value	4,212	1,218	5,430
Movements in plant and equipment			
Balance at the beginning of the year	3,595	1,486	5,081
Additions	59	65	124
Additions – assets under construction	1,734	705	2,439
Net Book Value of Disposals	(399)	(1)	(400)
Depreciation expense for the year	(777)	(1,037)	(1,814)
Balance at the end of the year	4,212	1,218	5,430

No assets have been pledged as security for outstanding liabilities and there is no restriction on the title of any assets as at 31 December 2018 (2017: nil).

Accounting policy – recognition and measurement

Plant and equipment
Plant and equipment is carried at cost less accumulated depreciation and any impairment losses.
Depreciation of plant and equipment is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Office fittings, furniture and equipment	8% - 36%
Computer and communication equipment	25% - 48%

Derecognition
An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is recognised in profit or loss.

Impairment of plant and equipment
Plant and equipment are subject to impairment testing.

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

Section 7: Other disclosures

7.3 Lease

The Branch has entered into commercial leases on certain property, motor vehicles and other items where it is not in the best interest of the Branch to purchase these assets. The motor vehicle leases have an average life of three years, with no renewal option included in the contracts. There are no restrictions placed upon the Branch by entering into these leases. All leases are related to assets held for sale and shall be transferred to another AMP Group company upon completion of the sale of such assets.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are, as follows:

	2018 *NZ$000*	2017 *NZ$000*
Due within one year	**4,796**	4,574
Due within one year to five years	**15,504**	16,954
Due later than five years	**9,182**	11,996
Total non-cancellable operating lease commitments	**29,482**	33,524

Accounting policy – recognition and measurement

Operating lease payments
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 lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

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

7.4 Contingent liabilities

The Branch from time to time may incur obligations arising from litigation or various types of contracts entered into in the normal course of business including guarantees issued for performance obligations to controlled entities of the Branch. A contingent liability is disclosed where a legal or constructive obligation is possible, but not probable, or where the obligation is probable, but the financial impact of the event is unable to be reliably estimated.

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

Industry and Regulatory Compliance Investigations

The Financial Markets Authority and Reserve Bank of New Zealand have released their report into 16 life insurers' culture and conduct. The report is currently generic across all insurers and we await our specific report on the Branch. This is due in late February, and the Branch will address the report findings accordingly.

7.5 Auditor's remuneration

Amounts paid to the Auditor of the Branch for:

	2018 ***NZ$000***	2017 *NZ$000*
Audit of the consolidated financial statements[(1)]	**562**	**563**
Other assurance-related services[(1)]	**6**	**6**
Tax advisory services	**-**	**5**

The above amounts are inclusive of non-recoverable GST.

[(1)] The fees apply to AMP Life Limited (NZ Branch), AMP NZ Holdings and their controlled entities. An allocation is made internally across the Group.

Section 7: Other disclosures

7.6 New accounting standards

a) New and amended accounting standards adopted by the Branch
The following new accounting standards and amendments have been adopted effective 1 January 2018. These have not had a material effect on the financial position or performance of the Branch.

NZ IFRS 9 *Financial Instruments*
NZ IFRS 9 Financial Instruments (NZ IFRS 9) became effective for periods beginning on 1 January 2018. NZ IFRS 9 makes changes to the classification and measurement of financial instruments, introduces a new expected loss model when recognising expected credit losses (ECL) on financial assets, and also introduces new general hedge accounting requirements.

The Branch has applied NZ IFRS 9 retrospectively without restating the comparative information for 2017 as permitted by the transitional provisions of the standard. The difference between the previous carrying amount of financial instruments and the carrying amount of those instruments at 1 January 2018 measured in accordance with NZ IFRS 9 has been recorded as an adjustment to retained earnings at 1 January 2018 as permitted by NZ IFRS 9.

From a classification perspective, the impact to the Branch was not significant as the majority of the Branch's financial instruments continue to be classified as measured at fair value through profit or loss.

The following table identifies the impacts of the adoption of NZ IFRS 9 on the retained earnings balances at 1 January 2018:

	Retained earnings NZ$000
Balance at 31 December 2017	923,235
Expected credit losses – trade receivables	(209)
Balance at 1 January 2018	923,026

NZ IFRS 15 *Revenue from Contracts with Customers*
NZ IFRS 15 Revenue from Contracts with Customers (NZ IFRS 15) became effective for periods beginning on 1 January 2018. NZ IFRS 15 defines principles for recognising revenue and introduces new disclosure requirements. Under NZ IFRS 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled to in exchange for transferring goods or services to a customer. Revenue from contracts with customers, as defined by NZ IFRS 15, is disclosed as Fee revenue and Other revenue on the Consolidated Income Statement.

The Branch has applied the 'cumulative effect' method in adopting NZ IFRS 15 which requires an adjustment to the retained earnings at 1 January 2018 for contracts that remained open as at that date. The cumulative effect at 1 January 2018 was not significant as the primary impact on the Branch was the change in presentation of some revenue to identify trail and initial commission separately, which did not have any profit impact.

b) New accounting standards issued but not yet effective

A number of new accounting standards and amendments have been issued but are not yet effective, none of which have been early adopted by the Branch in these financial statements. These new standards and amendments, when applied in future periods, are not expected to have a material impact on the financial position or performance of the Branch, other than as set out below.

NZ IFRS 16 *Leases*
NZ IFRS 16 Leases (NZ IFRS 16) is effective for periods beginning on 1 January 2019. The Group will apply this standard from 1 January 2019 using the cumulative effect method and therefore will not restate comparative figures. NZ IFRS 16 requires lessees to recognise most leases on balance sheet as lease liabilities, with the corresponding right-of-use assets. Lessees have the option not to recognise 'short-term' leases and leases of 'low-value' assets

Impact assessment for the adoption of NZ IFRS 16 has been completed. The approximate impact on the financial statements of the Group for 2019 is an increase in lease liabilities of $21.28m and an increase in right of use assets of $21.28m. This impact assessment relates to AMPS, which is held for sale (Note 6.4). Therefore, the impact of NZ IFRS 16 on the AMP Life is nil.

NZ IFRS 17 *Insurance Contracts*
NZ IFRS 17 Insurance Contracts (NZ IFRS 17) is effective for periods beginning on 1 January 2021. The new standard will introduce significant change to the accounting of life insurance contracts and the reporting and disclosures in relation to those contracts.

The new standard, of itself, does not change the underlying economics or cash flows of the life insurance business. However, it is anticipated that there will be an impact of profit emergence profiles from life insurance contracts. Subject to any changes to regulation or legislation which may be made in response to the new standard, there may also be an impact on the determination of capital requirements and income tax.

Section 7: Other disclosures

7.6 New accounting standards (continued)

NZ IFRS 17 *Insurance Contracts (continued)*

The detailed requirements of the standard are complex and, in some cases, the final impact of these requirements will not be determined until interpretations and regulatory responses to the new standard are developed. The Branch is continuing to develop its implementation plan for the adoption of NZ IFRS 17.

7.7 Events occurring after reporting date

As at the date of these consolidated financial statements, the directors are not aware of any matters or circumstances that have arisen since the end of the financial year that have significantly affected, or may significantly affect:

- The operations of the Branch in future years;
- The results of those operations in future years; or
- The state of affairs of the Branch in future financial years.

Profit transfer

Profit transfer of $188m included in these financial statements as a payable was made to the Parent after 1 January 2019.

Independent auditor’s report to the Shareholder of AMP Life Limited

Opinion

We have audited the financial statements of the New Zealand Branch of AMP Life Limited (“the company”) and its subsidiaries (together “the group”) on pages 2 to 61, which comprise the consolidated statement of financial position of the group as at 31 December 2018, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended of the group, and the notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the consolidated financial statements on pages 2 to 61 present fairly, in all material respects, the consolidated financial position of the group as at 31 December 2018 and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

This report is made solely to the company's shareholder. Our audit has been undertaken so that we might state to the company's shareholder 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 company and the company's shareholder, for our audit work, for this report, or for the opinions we have formed.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the group in accordance with Professional and Ethical Standard 1 (revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Ernst & Young provides taxation and agreed upon procedures services to the group. Partners and employees of our firm may deal with the group on normal terms within the ordinary course of trading activities of the business of the group. We have no other relationship with, or interest in, the group.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor’s responsibilities for the audit of the financial statements section of the audit report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Building a better working world

Valuation of life insurance contract liabilities

Why significant	How our audit addressed the key audit matter
► Life insurance contract liabilities total $3.9 billion and represent 74% of total liabilities. Note 4.1 provides more information about critical accounting judgements and estimates made in determining the valuation of life insurance contract liabilities. ► The valuation of the provisions for the settlement of future claims involves complex and subjective judgments about future events, both internal and external to the business. Small changes in assumptions can have a material impact on the valuation of these liabilities. Key areas of judgement included: ► Discount rates ► Inflation and indexation ► Forecast lapse rates, particularly for the wealth protection book of business ► Forecast rates of mortality and morbidity for the wealth protection and mature books of business ► Future maintenance and investment expenses	To assess the assumptions used to determine the value of life insurance contract liabilities, we have performed the following in conjunction with our actuarial experts. ► We conducted an independent examination of the life insurance contract liabilities and related disclosures included within the financial statements against the Insurance (Prudential Supervision) Act 2010 (IPSA), the Australian Life Insurance Act 1995, Life Prudential Standards issued by Australian Prudential Regulation Authority (APRA) ("Prudential Standards"), New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards. The company has exemptions from IPSA requirements to the extent that it meets all standards and regulations applicable in Australia and enforced by APRA, refer to note 4.5(d). ► We assessed the group's controls over the recording of new business, policy administration and claims processes. ► We assessed the policy liability valuation process including the key reconciliations supporting the data used in the valuation process. ► We evaluated the associated IT systems and the design and operating effectiveness of IT system controls relating to the policy valuations. ► We assessed the qualifications, competence and objectivity of the AMP Life Appointed Actuary. ► Our actuarial specialists assessed the reasonableness of the valuation methodology, key assumptions, including the impact of the recent reinsurance transactions, and the interpretation of Prudential Standards that affect the policy liability valuation. ► Where adjustments were made to the valuation model outputs outside the standard processes, our actuarial specialists performed testing necessary, on a sample basis, to validate the nature and accuracy of the adjustments. ► We assessed the adequacy and completeness of policy liability disclosures included in the financial report against the requirements of New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Building a better working world

Information technology (IT) environment

Why significant	How our audit addressed the key audit matter

► The operations of the group are heavily dependent on information technology systems and their associated IT controls.
► A fundamental component of our assessment of IT controls is ensuring appropriate user access management, program change management and IT operational protocols exist and are being adhered to.
	In obtaining sufficient audit evidence:
	► We assessed the controls in place over access to the group's IT systems and data, as well as system changes relevant to financial reporting. We tailored our audit approach based on the financial significance of the system and whether there were automated procedures supported by that system.
	► Where deficiencies were identified, we performed additional procedures to test the information produced from affected systems. These procedures included:
	  ► Identifying whether there had been unauthorised or inappropriate changes made to critical IT systems and databases.
	  ► Assessing the design and operating effectiveness of compensating controls.
	► Where required, we performed testing to validate the integrity and reliability of the specific information.

Directors' responsibilities for the financial statements

The directors are responsible, on behalf of the entity, for the preparation and fair presentation of the consolidated financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, 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.

In preparing the consolidated financial statements, the directors are responsible for assessing on behalf of the entity the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (New Zealand) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located at the External Reporting Board's website: https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/. This description forms part of our auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Emma Winsloe.

Ernst + Young

Chartered Accountants
Auckland
14 February 2019