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

Consolidated financial statements for the year ended 31 December 2019

AMP Life Limited (New Zealand Branch)
ABN 84 079 300 379
FULL YEAR FINANCIAL STATEMENTS
31 DECEMBER 2019

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Registered office:
33 Alfred Street
Sydney NSW 2000 Australia

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

Consolidated income statement

for the year ended 31 December 2019

	Note	2019 NZ$000	2018 NZ$000
Income and expenses of the shareholder and policyholders [1]			
Life insurance contract related revenue	4.2	**429,714**	656,452
Life insurance claims recovered from reinsurers	4.2	**57,667**	18,965
Fee revenue	1.1	**73,302**	137,168
Other revenue		**8,139**	14,297
Investment gains	1.1	**773,053**	224,782
Life insurance contract claims expense	4.2	**(346,020)**	(355,021)
Life insurance contract premium ceded to reinsurers	4.2	**(176,725)**	(49,039)
Operating expenses	1.2	**(155,264)**	(220,572)
Finance costs		**(1,349)**	(1,011)
Change in policyholder liabilities			
- life insurance contracts	4.2	**(464,361)**	(213,662)
- investment contracts	4.5	**(50,615)**	1,630
Loss on disposal of subsidiaries	6.4	**(72,399)**	-
Profit for the year before income tax		**75,142**	213,989
Income tax expense	1.3	**(100,244)**	(106,577)
(Loss) / profit for the year		**(25,102)**	107,412
(Loss) / profit for the year is attributable to:			
Non-controlling interests		**1,029**	(1,569)
Shareholder		**(26,131)**	108,981
(Loss) / profit after tax		**(25,102)**	107,412

[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 consolidated 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 2019

	Note	**2019**	2018
		NZ$000	*NZ$000*
(Loss) / profit for the year		**(25,102)**	107,412
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		**(3,109)**	(2,004)
- income tax credit (expense)		**871**	561
		(2,238)	(1,443)
Recognised in reserves			
- share-based payments		**317**	181
		317	181
Total comprehensive (loss) income for the year		**(27,023)**	106,150
Total comprehensive (loss) income for the year is attributable to:			
Non-controlling interests		**1,029**	(1,569)
Shareholder		**(28,052)**	107,719
Total comprehensive (loss) income for the year		**(27,023)**	106,150

The accompanying notes form part of these consolidated financial statements

Consolidated statement of financial position

as at 31 December 2019

	Note	2019 NZ$000	2018 NZ$000
Assets			
Cash and cash equivalents	7.1	**829,847**	877,360
Receivables and prepayments	2.2	**94,208**	114,129
Current tax assets		**-**	21,008
Investment in financial assets	2.1	**5,337,909**	4,934,900
Intangibles		**91**	146
Reinsurance asset – ceded life insurance contracts	4.2	**52,744**	41,667
Assets held for sale	6.4	**-**	110,636
Total assets of shareholder and policyholders		**6,314,799**	6,099,846
Liabilities			
Payables	2.3	**296,113**	395,652
Current tax liability		**26,137**	-
Derivative financial liabilities	2.4	**60,899**	63,303
Deferred tax liabilities	1.3	**217,106**	282,055
Life insurance contract liabilities	4.2	**4,445,475**	3,920,779
Investment contract liabilities	2.4	**314,315**	302,647
Reinsurance liability – ceded life insurance contracts	4.2	**231,523**	292,728
Liabilities held for sale	6.4	**-**	33,018
Total liabilities of shareholder and policyholders		**5,591,568**	5,290,182
Net assets of shareholder		**723,231**	809,664
Equity			
Share-based payment reserve		**-**	3,452
Retained earnings		**723,231**	787,641
Total equity of shareholder		**723,231**	791,093
Non-controlling interests		**-**	18,571
Total equity of shareholder and non-controlling interests		**723,231**	809,664

For and on behalf of the Board who authorised these consolidated financial statements for issue on 12 February 2020.

Trevor Matthews
Chairman

Megan Beer
Chief Executive Officer

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 2019

	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 2019					
Balance at the beginning of the year	**787,641**	**3,452**	**791,093**	**18,571**	**809,664**
Loss for the year	**(26,131)**	**-**	**(26,131)**	**1,029**	**(25,102)**
Other comprehensive (loss) / income	**(2,238)**	**317**	**(1,921)**	**-**	**(1,921)**
Total comprehensive (loss) / income	**(28,369)**	**317**	**(28,052)**	**1,029**	**(27,023)**
De-recognition of share-based payment reserve	**3,769**	**(3,769)**	**-**	**-**	**-**
De-consolidation of non-controlling interest	**-**	**-**	**-**	**(19,600)**	**(19,600)**
Transfer of profit to AMP Life Limited Shareholder Fund	**(39,810)**	**-**	**(39,810)**	**-**	**(39,810)**
Balance at the end of the year	**723,231**	**-**	**723,231**	**-**	**723,231**
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)
Restated 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

The accompanying notes form part of these consolidated financial statements

Consolidated statement of cash flows

for the year ended 31 December 2019

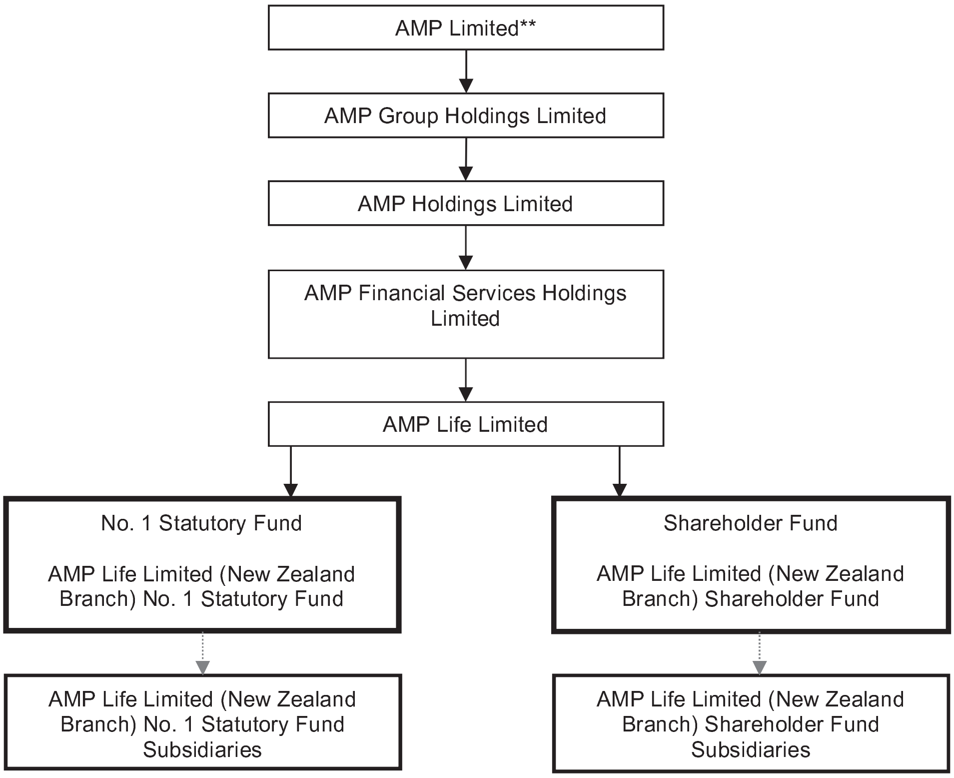
	Note	2019 NZ$000	2018 NZ$000
Cash flows from operating activities			
Cash receipts in the course of operations		**588,717**	840,722
Interest received		**106,826**	123,434
Dividends and distributions received		**14,201**	22,205
Cash payments in the course of operations		**(761,743)**	(659,222)
Finance costs		**(1,349)**	(1,011)
Income tax paid		**(122,172)**	(93,048)
Cash flows (used in) / from operating activities	7.1	**(175,520)**	233,080
Cash flows from investing activities			
Net proceeds from sale of / (payments to acquire):			
- investments in financial assets measured at fair value		**365,512**	186,356
- investments in financial assets measured at amortised cost		**-**	319
Additions of plant and equipment		**-**	(2,588)
Additions of intangibles		**(496)**	(6,130)
Net proceeds from disposal of subsidiaries	6.4	**2,121**	-
Cash flows from investing activities		**367,137**	177,957
Cash flows from financing activities			
Transfer of funds to AMP Life Limited Shareholder Fund		**(219,198)**	(121,262)
Cash flows used in financing activities		**(219,198)**	(121,262)
Net (decrease) / increase in cash and cash equivalents		**(27,581)**	289,775
Cash and cash equivalents at the beginning of the year		**903,361**	613,586
Transfer of cash related to disposal of subsidiaries	6.4	**(45,933)**	-
Cash and cash equivalents at the end of the year	7.1	**829,847**	903,361

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 (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 consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and the consolidated statement of cash flows. Further information on the Statutory Fund and Shareholders’ Fund is provided in Section 4.

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 Limited announced an agreement with Resolution Life Australia Pty Ltd ("Resolution") to sell its Australian and New Zealand wealth protection (WP) and mature businesses to Resolution. On 8 August 2019, AMP Limited announced a revised agreement with updated terms for the sale of these businesses, which is expected to complete in the first half of 2020. The sale is subject to a number of conditions, including regulatory approvals and the separation of the Wealth Management (WM) business held by AMP Life (which is excluded from the transaction with Resolution).

Under the agreement, an internal restructure was required to create the group of companies that are to be sold to Resolution, including a restructure of some New Zealand subsidiaries. Therefore, AMP Life ("the Seller"), during the year, has sold its 100% shareholding in AMP Services (NZ) Limited ("AMP Services") (a controlled entity of the Branch's Shareholder Fund) to AMP New Zealand Holdings Limited ("the Buyer") (an entity under the common control of AMP Group), at cost. The sale of shares was effected under a Sale and Purchase Agreement, signed on 28 June 2019. (See Note 6.4). This sale resulted in a one-off loss on disposal of NZ$72m which is eliminated within AMP Group. The loss is not related to the financial performance of the Branch's core business of providing life insurance.

As part of the restructuring, AMP Life has also sold its 100% shareholdings in Allmarg Corporation Limited (a controlled entity of the Branch's Statutory Fund) during June 2019. (See Note 6.4).

ii) The Branch has received various requests for information from Reserve Bank of New Zealand and the Financial Markets Authority as part of both industry wide and AMP Life-specific reviews being undertaken. The Branch is working to address the findings of the reviews and is currently assessing the impact of the review to the operations of the Branch.

(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 or disposals; 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 2019 were authorised by the Directors of AMP Life on 12 February 2020. 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 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.

About these financial statements

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

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. The Branch derecognises the related assets, liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

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.

(f) 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 consolidated 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.

(g) 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
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
Consolidation	Section 6.1 Controlled entities

Section 1: Results for the year

1.1 Fee revenue and investment income

	2019	2018
	NZ$000	*NZ$000*
(a) Fee revenue		
Investment management fees	**4,382**	5,868
Service fees[(1)]		
- related parties	**30,822**	60,734
- other entities	**38,098**	70,566
Total fee revenue[(2)]	**73,302**	137,168
(b) Investment gains		
Interest, net realised and unrealised gains	**654,690**	53,432
Dividends and distributions		
- associated entities	**37,270**	116,933
- related parties	**77,350**	55,041
- other entities	**4,430**	22
Other investment losses	**(687)**	(646)
Total investment gains	**773,053**	224,782
Investments in financial assets at fair value through profit or loss		
Debt securities	**123,044**	100,593
Investments in unlisted investment schemes	**481,937**	(18,451)
Derivative financial assets	**150,296**	123,033
Other investment gains		
Bank and other	**18,463**	20,253
Other investment losses	**(687)**	(646)
Total investment gains	**773,053**	224,782

[(1)] Service fees include admin fees, portfolio servicing fees and advice fees. It also includes servicing commissions of $41.50m (2018: $79.10m).
[(2)] Reduction in total fee revenue is due to the disposal of AMP Services on 28 June 2019 (See Note 6.4) as part of separation activities. Only 6 months of service fee revenue up to the date of disposal has been recognised in the consolidated income statement.

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.

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 consolidated 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

	2019 *NZ$000*	2018 *NZ$000*
Operating expenses		
Commission expense[1]	**57,029**	90,185
Investment management expenses	**11,017**	9,832
Fee and commission expenses	**68,046**	100,017
Wages and salaries	**26,263**	47,303
Superannuation costs – defined contribution scheme	**3,545**	7,262
Other staff costs	**754**	998
Staff and related expenses	**30,562**	55,563
Service fee expense – related parties	**25,013**	7,123
Auditor's remuneration	**318**	568
Minimum lease payments – operating lease	**-**	3,135
Depreciation and amortisation	**56**	7,891
Loss on disposal of operating assets	**2,072**	-
Impairment of intangibles	**5,599**	-
IT and communication	**7,925**	14,115
IT consulting	**14,405**	14,956
Other expenses	**14,956**	27,851
Related party group recovery	**(13,688)**	(10,647)
Other operating expenses	**56,656**	64,992
Total operating expenses	**155,264**	220,572

[1] Commission expense includes related parties expenses of NZ$8.97m (2018: NZ$16.77m)

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% (2018: 28%) of the profit before income tax for the year and the actual income tax expense recognised in the consolidated 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% (2018: 28%).

	2019 *NZ$000*	2018 *NZ$000*
Profit for the year before income tax	**75,142**	213,989
Policyholder tax expense recognised as part of the change in policyholder liabilities in determining profit before income tax	**(80,944)**	(62,177)
Profit before income tax excluding policyholder tax	**(5,802)**	151,812
Prima facie shareholder tax at the rate of 28% (2018: 28%)	**(1,625)**	42,507
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	**18,358**	443
Non-taxable or deductible items	**36**	155
Investment revenue related items	**(17,350)**	4,938
Non-deductible disposal of subsidiary	**20,272**	-
(Under) / over provided in previous years after excluding amounts attributable to policyholders	**(391)**	(3,643)
Income tax expense attributable to shareholder	**19,300**	44,400
Income tax expense attributable to policyholders	**80,944**	62,177
Income Tax expense	**100,244**	106,577

(b) Analysis of income tax expense

	2019 *NZ$000*	2018 *NZ$000*
Current tax expense	**167,843**	82,299
(Increase) / decrease in deferred tax liabilities - net	**(68,076)**	27,654
(Over) / under provided in previous years including amounts attributable to policyholders:		
- current tax	**(394)**	(3,937)
Other	**871**	561
Income tax expense	**100,244**	106,577

Section 1: Results for the year

1.3 Taxes (continued)

(c) Analysis of deferred tax balances

	2019 NZ$000	2018 NZ$000
Analysis of net deferred tax liability		
Fair value adjustment on investments	**14,579**	25,050
Accruals and provisions	**(54)**	(3,704)
Plant and equipment and intangibles	**42**	2,315
Defined benefit superannuation scheme	**-**	(1,624)
Other	**-**	(967)
Deferred acquisition cost within policy liabilities	**180,229**	222,270
Non-Life risk margins	**2,207**	2,416
Portfolio Investment Entity allocated income	**20,103**	32,316
Net deferred tax liability	**217,106**	278,072

The 2018 net deferred tax liability included deferred taxes related to AMP Services that were classified as held for sale. The net deferred tax liability at 31 December 2018, was represented by:

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

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

The Branch has no unrecognised tax losses (2018:Nil). The Branch has recognised all deductible temporary differences in 2019 and 2018.

(e) Imputation credit account

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

	2019 NZ$000	2018 NZ$000
Closing balance	**416,900**	388,776

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 consolidated 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 exited the AMP Life Consolidated Tax Group with effect from 1 January 2019: Allmarg Corporation Limited and AMP Services (NZ) Limited. The following Group entities continue to be members of the AMP Life Consolidated Tax Group:
The Branch, to the extent of its life insurance business; 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 consolidated 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

	Note	2019 NZ$000	2018 NZ$000
Investments in financial assets measured at fair value through profit or loss			
Debt securities		**2,429,902**	2,148,075
Investments in unlisted managed investment schemes		**2,627,771**	2,496,080
Derivative financial assets		**280,236**	290,745
Total investments in financial assets		**5,337,909**	4,934,900

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 income statement 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 consolidated Income statement, are not subject to impairment testing.

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 2.4.

Section 2: Investments, intangibles and working capital

2.2 Receivables and prepayments

	2019 NZ$000	2018 NZ$000
Investment related receivables[1] [2]	5,343	5,813
Investment sales and margins accounts receivable[1]	452	40,003
Life insurance contract premiums receivable[1]	54,733	53,040
Reinsurance and other recoveries receivable	26,161	5,430
Other receivables		
- related entities	973	3,925
- other entities	6,584	5,954
Allowance for expected credit loss	(38)	(36)
Total receivables	**94,208**	114,129

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

Investment sales and margin accounts receivable include NZ$0.25m (2018: NZ$0.13m) of collateral posted with counterparties to meet standard derivative trading obligations.

[1] Receivables backing insurance and investment liabilities are carried at fair value through profit or loss.
[2] Investment related receivables includes distribution receivable of NZ$3.08m (2018: NZ$3.69m) from AMP Life Property Fund Class O, an associated entity of the Branch.

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.

2.3 Payables

	2019 NZ$000	2018 NZ$000
Investment purchases and margin accounts payable[1]	219,290	135,076
Life insurance contracts in process of settlement	41,644	50,461
Other payables		
- related entities	10,512	189,476
- reinsurers	14,216	2,163
- other entities	10,451	18,476
Total payables	**296,113**	395,652

For the Branch, no payables are expected to be settled more than 12 months from reporting date (2018: Nil).

[1] Investment purchases and margin accounts payable include NZ$219.29m (2018: NZ$135.08m) posted by counterparties to meet standard derivative trading obligations in the current year.

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, they are not discounted and their carrying amount approximate fair value.

Section 2: Investments, intangibles and working capital

2.4 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.

2019	**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	-	5,343	-	5,343
Investment sales and margins accounts receivable	-	452	-	452
Life insurance contract premiums receivable	-	54,733	-	54,733
Debt securities	22	2,429,880	-	2,429,902
Investment in unlisted managed investment schemes	-	2,627,771	-	2,627,771
Derivative financial assets	156	280,080	-	280,236
Total financial assets measured at fair value(1)	178	5,398,259	-	5,398,437
Liabilities				
Measured at fair value				
Derivative financial liabilities	74	60,825	-	60,899
Investment contract liabilities	-	9,115	305,200	314,315
Total financial liabilities measured at fair value	74	69,940	305,200	375,214

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	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

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

2.4 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 2019 and 2018 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:

2019	**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	**293,634**	**44,668**	**7,784**	**(40,886)**	**-**	**305,200**	**42,620**

2018	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	331,578	(7,176)	9,214	(39,982)	-	293,634	(6,924)

[1] Gains and losses are classified in investment gains and losses or change in policyholder liabilities in the consolidated 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 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

2.4 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$54.77m (2018: NZ$56.72m) at fair value. These loans attract interest at a rate of 5.77 % p.a. (2018: 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 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.	The AMP Group uses swaps to hedge the interest rate risk and foreign currency risk on foreign currency denominated borrowings.
	Foreign exchange rate movements on specific cash flow transactions.	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.

		2019		2018	
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	**13,709**	**13,709**	26,504	28,747
	+100bp	**(14,239)**	**(14,239)**	(25,474)	(27,404)
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	**3,136**	**3,136**	3,670	3,670
	10% appreciation of NZD	**(3,140)**	**(3,140)**	(3,671)	(3,671)
	10% increase in:				
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.	New Zealand equities	**1,689**	**1,689**	2,097	2,097
	International equities	**3,945**	**3,945**	4,410	4,410
	10% decrease in:				
	New Zealand equities	**(1,691)**	**(1,691)**	(2,098)	(2,098)
	International equities	**(3,950)**	**(3,950)**	(4,411)	(4,411)

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

(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.

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.

2019	**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	**296,113**	**-**	**-**	**-**	**296,113**
Derivative financial liabilities	**12,357**	**7,726**	**40,816**	**-**	**60,899**
Investment contract liabilities[1]	**29,768**	**90,941**	**160,159**	**92,914**	**373,782**
Total undiscounted financial liabilities	**338,238**	**98,667**	**200,975**	**92,914**	**730,794**

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

[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 these policyholders claimed their funds, there may be some delay 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.

Group Treasury also might enter into credit default swaps to hedge the concentration risk exposure against a specific issuer, or aggregated at the parent entity, when material exposures are over the authorised limit.

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.

Section 3: Capital structure and financial risk management

3.1 Financial risk management (continued)

(c) Credit risk (continued)

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

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				
2019	**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	**682**	**276**	**196**	**146**	**1,300**
Total (1)	**682**	**276**	**196**	**146**	**1,300**

	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

(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 automatically 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 2019, if these netting arrangements were applied to the derivative portfolio, the derivative assets of NZ$280.23m would be reduced by NZ$48.60m to the net amount of NZ$231.63m and derivative liabilities of NZ$60.89m would be reduced by NZ$48.60m to the net amount of NZ$12.29m (31 December 2018: derivative assets of NZ$290.74m reduced by NZ$35.26m to the net amount of NZ$255.48m and derivative liabilities of NZ$63.30m reduced by NZ$35.26m to the net amount of NZ$28.04m) (1).

(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 2019 NZ$219.29m of collateral was posted by counterparties to meet standard derivative trading obligations (2018: NZ$135.09m) and NZ$0.25m of collateral was posted with counterparties to meet standard derivative trading obligations (2018: NZ$0.13m).

(1) The comparative 2018 balances for netting arrangements have been restated to include additional derivatives that were under master netting agreements.

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 consolidated 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 during 2019 also include an APRA regulated approved superannuation trustees (RSE) and companies that hold Australian Financial Services Licences (AFSL). As at 31 December 2019, AMP Life no longer holds ownership of the aforementioned entities.

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 months period. In addition, the participating business of the life insurance company 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 and investment contracts
- 4.2 Life Insurance contracts - premiums, claims, expenses and liabilities
- 4.3 Life Insurance contracts - assumptions and valuation methodology
- 4.4 Life Insurance contracts - risk
- 4.5 Other disclosure - life insurance contracts 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 consolidated 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 consolidated 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)

Allocation of operating profit and unvested policyholder benefits (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

	2019 NZ$000	2018 NZ$000
(a) Analysis of life insurance contract related revenue – net of reinsurance		
Life insurance contract related premiums received and receivable [(1)]	**363,877**	365,901
Life insurance contract premium ceded to reinsurers	**(176,725)**	(49,039)
Commission received from reinsurers[(1)]	**65,837**	290,551
Life insurance contract related revenue – net of reinsurance[(2)]	**252,989**	607,413
(b) Analysis of life insurance contract claims expenses – net of reinsurance		
Life insurance contract claims expense	**346,020**	355,021
Life insurance claims recovered from reinsurers	**(57,667)**	(18,965)
Life insurance contract claims expenses – net of reinsurance	**288,353**	336,056
(c) Analysis of life insurance operating expenses		
Life insurance contract acquisition expenses		
- Commission	**2,205**	4,737
- Other expenses	**4,146**	31,042
Life insurance contract maintenance expenses		
- Commission	**24,258**	24,060
- Other expenses	**55,654**	44,947
Investment management expenses	**9,537**	8,299
(d) Life insurance contract liabilities		
Life insurance contract liabilities determined using projection method		
Best estimate liability		
- Value of future life insurance contract benefits	**3,305,268**	3,219,985
- Value of future expenses	**561,991**	633,586
- Value of future premiums	**(1,917,890)**	(2,099,952)
Value of future profits		
- Life insurance contract holder bonuses	**1,118,768**	971,989
- shareholders' profit margins	**357,623**	318,715
Total life insurance contract liabilities determined using projection method	**3,425,760**	3,044,323
Life insurance contract liabilities determined using accumulation method		
Best estimate liability		
- Value of future life insurance contract benefits	**261,755**	242,518
Total life insurance contract liabilities determined using accumulation method	**261,755**	242,518
Value of declared bonus	**37,583**	43,475
Unvested policyholder benefits liabilities[(3)]	**899,156**	841,524
Total life insurance contract liabilities before reinsurance	**4,624,254**	4,171,840
Reinsurance liability – ceded life insurance contracts[(4)]	**(231,523)**	(292,728)
Reinsurance asset – ceded life insurance contracts	**52,744**	41,667
Total life insurance contract liabilities per the Statement of financial position	**4,445,475**	3,920,779

[(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$363.88m) and "Commission received from reinsurers" (NZ$65.84m) of NZ$429.71m is shown as "Life insurance contract related revenue" in the Consolidated income statement.

[(2)] Reduction in life insurance contract related revenue – net of reinsurance is a result of a one-off upfront commission payment of NZ$290.55m from Swiss Re in 2018 (inception of the 60% quota share reinsurance arrangement) and an uplift in reinsurance premiums paid to Swiss Re during the current year.

[(3)] 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.

[(4)] 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.

	2019 *NZ$000*	2018 *NZ$000*
(e) Reconciliation of changes in life insurance contract liabilities		
Total life insurance contract liabilities at the beginning of the year	**3,920,779**	4,012,836
Change in life insurance contract liabilities recognised in the Income statement	**464,361**	213,662
Change in reinsurance asset – ceded life insurance contracts	**11,077**	(8,695)
Change in reinsurance liability – ceded life insurance contracts	**61,205**	(292,728)
Premiums recognised as an increase in life insurance contract liabilities	**24,910**	30,386
Claims recognised as a decrease in life insurance contract liabilities	**(36,857)**	(34,682)
Total life insurance contract liabilities at the end of the year	**4,445,475**	3,920,779

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 2019**	31 December 2018
Retail risk (other than income benefit open claims)[(1)]	Zero coupon government bond yield curve	1.1% - 2.5%	1.7% - 3.0%
Retail risk and group risk (income benefit open claims)	Zero coupon government bond yield curve (including liquidity premium)	1.3% - 2.7%	2.0% - 3.3%
Life annuities (non-CPI)	Zero coupon government bond yield curve (including liquidity premium)	1.4% - 2.8%	2.0% - 3.4%
Life annuities (CPI)	Government indexed bond yield curve (including liquidity premium)	0.4% - 1.4%	1.1% - 2.3%

[(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, lower expense inflation has been assumed for New Zealand wealth protection portfolios compared to that assumed at 31 December 2018. The lower expense inflation assumptions reflect the implementation of new service company agreements, which extend fixed fee arrangements to a wider pool of business, increasing the proportion of costs that are fully variable and will run-off with policies following the closure to new business.

The assumed annual CPI and expense inflation rates at 31 December 2019 are 1.6% for CPI and 2.0% for expenses (31 December 2018: 1.7% for CPI and 2.0% - 6.0% 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 2018 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 2019	31 December 2018
Conventional	**1.1% - 2.2%**	1.5% - 2.7%
Retail risk (lump sum)	**4.7% - 16.1%**	4.9% - 15.2%
Retail risk (income benefit) (1)	**8.7% - 15.5%**	5.0% - 14.7%

(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 2018:

- Mortality for some minor products
- Income protection termination rates.

Section 4: Life insurance and investment contracts

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

(g) Mortality and morbidity (continued)

Typical mortality assumptions, in aggregate, are as follows:

Conventional	73% (M/F) % of IA95 – 97
Risk Products	104%-120% (M) / 85%-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

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%	69%-144%

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.

Section 4: Life insurance and investment contracts

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

(h) Other participating business assumptions (continued)

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 2019	**1.7%**	**4.5%**	**3.5%**	**2.5%**	**0.4%**	**(0.5%)**
31 December 2018	2.4%	4.5%	3.5%	2.5%	0.5%	(0.5%)

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 2019	**35%**	**17%**	**39%**	**9%**

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

[(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 2018 in parentheses):

Reversionary Bonus

Bonus on sum insured	0.5%-1.6% (0.7%-1.0%)
Bonus on existing bonuses	0.5%-1.6% (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)	2.1%-2.5% (1.7%-2.3%)

Section 4: Life insurance and investment contracts

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

(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 2018 to 31 December 2019 in respect of life insurance contracts (excluding new business contracts which are measured using assumptions at reporting date) is as shown in the table below.

Assumption change	Change in future profit margins (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	(161)	-	-
Mortality and morbidity	-	(1,143)	823
Discontinuance rates	(18,155)	32,549	(23,435)
Maintenance expenses	31,811	17,008	(12,246)
Other assumptions [1]	(6,461)	(1,149)	827

[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.

Section 4: Life insurance and investment contracts

4.4 Life insurance contracts - risk (continued)

(a) Life insurance risk (continued)

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+.

(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.

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	**53,089**	**20,370**	**(37,820)**	**(14,262)**
Annuitant mortality	50 % increase in the rate of mortality improvement	**950**	**950**	**(950)**	**(950)**
Morbidity – lump sum disablement	20 % increase in lump sum disablement rates	**23,570**	**9,428**	**(16,970)**	**(6,788)**
Morbidity – disability income	10 % increase in incidence rates	**13,661**	**5,465**	**(9,836)**	**(3,934)**
Morbidity – disability income	10 % decrease in termination rates	**23,557**	**10,683**	**(16,961)**	**(7,692)**
Discontinuance rates	10 % increase in discontinuance rates	**96,614**	**38,646**	**(69,562)**	**(27,825)**
Maintenance expenses	10 % increase in maintenance expenses	**12,168**	**12,168**	**(8,770)**	**(8,770)**

(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 2019	**97,165**	**307,501**	**2,353,563**	**2,758,229**
31 December 2018	100,249	282,686	1,968,524	2,351,459

Section 4: Life insurance and investment contracts

4.5 Other disclosure - life insurance contracts and investment contracts

	2019 NZ$000	2018 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	**20,185**	52,128
- Losses arising from difference between actual and assumed experience	**(6,373)**	(3,827)
- Profits arising from changes in assumptions	**17,572**	21,350
- Capitalised (losses) reversals	**(25,667)**	(10,495)
Profit related to life insurance and investment contract liabilities	**5,717**	59,156
Attributable to:		
- Life insurance contracts	**5,500**	56,190
- Investment contracts	**217**	2,966
Profit related to life insurance and investment contract liabilities	**5,717**	59,156
Investment earnings on assets in excess of life insurance and investment contract liabilities	**28,702**	24,424

(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.

Further details about solvency and capital adequacy are provided in Note 4.5 (d).

(c) Capital guarantees

	2019 NZ$000	2018 NZ$000
Life insurance contracts with a discretionary participating feature		
- Amount of the liabilities that relate to guarantees	**2,531,815**	2,369,499
Investment linked contracts		
- Amount of the liabilities subject to investment performance guarantees	**611**	753

(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.

Section 4: Life insurance and investment contracts

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

(d) Capital requirements (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 2019 and 2018.

2019 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		**1,840**	**(34)**	**1,806**
- Additional Tier 1 Capital		**-**	**305**	**305**
Total regulatory adjustments to net assets				
- Total regulatory adjustments to Common equity Tier 1 Capital		**133**	**(65)**	**68**
Common equity Tier 1 Capital		**1,973**	**206**	**2,179**
Tier 2 Capital		**176**	**-**	**176**
Total regulatory adjustments to Tier 2 Capital		**-**	**-**	**-**
Total capital base	**A**	**2,149**	**206**	**2,355**
Prescribed capital				
Insurance risk charge		**410**	**-**	**410**
Asset risk charge		**529**	**2**	**531**
Asset concentration risk charge		**-**	**-**	**-**
Operational risk charge		**128**	**-**	**128**
Less aggregation benefit		**(206)**	**-**	**(206)**
Combined stress scenario adjustment		**50**	**-**	**50**
Total Prescribed Capital Amount (PCA)	**B**	**911**	**2**	**913**
Capital adequacy multiple	**A/B**	**236%**	**8927%**	**258%**

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**	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.

Mr Greg Bird is a Fellow of the New Zealand Society of Actuaries and a Fellow of the Institute of Actuaries of Australia. Mr Greg Bird has no financial interest in the Branch.

Section 4: Life insurance and investment contracts

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

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.

(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$407.27m (2018: NZ$394.34m) 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 2019 *NZ$000*	Non Investment Linked 2019 *NZ$000*	Elimination 2019 *NZ$000*	Total Statutory Fund 2019 *NZ$000*	Shareholder Fund 2019 *NZ$000*	Total 2019 *NZ$000*
Income and expenses of policyholders and the shareholder						
Life insurance contract related revenue – net of reinsurance	**-**	**252,989**	**-**	**252,989**	**-**	**252,989**
Fee and other revenue	**4,383**	**1,367**	**-**	**5,750**	**-**	**5,750**
Investment gains and (losses)	**52,910**	**714,312**	**-**	**767,222**	**15,043**	**782,265**
Life insurance contract claims expenses – net of reinsurance	**-**	**(288,353)**	**-**	**(288,353)**	**-**	**(288,353)**
Operating expenses	**(2,645)**	**(89,764)**	**-**	**(92,409)**	**(13)**	**(92,422)**
Finance costs	**-**	**(926)**	**-**	**(926)**	**56**	**(870)**
Change in policyholder liabilities						
-Life insurance contracts	**-**	**(464,361)**	**-**	**(464,361)**	**-**	**(464,361)**
-Investment contracts	**(50,615)**	**-**	**-**	**(50,615)**	**-**	**(50,615)**
Profit (loss) before income tax	**4,033**	**125,264**	**-**	**129,297**	**15,086**	**144,383**
Income tax credit (expense)	**(2,914)**	**(91,800)**	**-**	**(94,714)**	**(24)**	**(94,738)**
Net profit for the year	**1,119**	**33,464**	**-**	**34,583**	**15,062**	**49,645**

	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

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 2019 *NZ$000*	Non Investment Linked 2019 *NZ$000*	Elimination 2019 *NZ$000*	Total Statutory Fund 2019 *NZ$000*	Shareholder Fund 2019 *NZ$000*	Total 2019 *NZ$000*
Assets						
Investments in financial assets	**457,360**	**6,010,428**	**(2,890)**	**6,464,898**	**-**	**6,464,898**
Other assets	**(172,919)**	**454,398**	**-**	**281,479**	**37,443**	**318,922**
Total assets of policyholders and the shareholder	**284,441**	**6,464,826**	**(2,890)**	**6,746,377**	**37,443**	**6,783,820**
Liabilities						
Life insurance contract liabilities	**-**	**4,445,475**	**-**	**4,445,475**	**-**	**4,445,475**
Investment contract liabilities	**314,315**	**-**	**-**	**314,315**	**-**	**314,315**
Other liabilities	**(30,993)**	**1,334,444**	**(2,890)**	**1,300,561**	**238**	**1,300,799**
Total liabilities of policyholders and the shareholder	**283,322**	**5,779,919**	**(2,890)**	**6,060,351**	**238**	**6,060,589**
Net assets	**1,119**	**684,907**	**-**	**686,026**	**37,205**	**723,231**
Equity						
Retained earnings	**1,119**	**684,907**	**-**	**686,026**	**37,205**	**723,231**
Total equity	**1,119**	**684,907**	**-**	**686,026**	**37,205**	**723,231**

	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	687,839	-	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

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 2019 *NZ$000*	Non Investment Linked 2019 *NZ$000*	Total Statutory Fund 2019 *NZ$000*	Shareholder Fund 2019 *NZ$000*	Total 2019 *NZ$000*
Opening retained earnings	**3,414**	**687,839**	**691,253**	**22,143**	**713,396**
Profit for the year	**1,119**	**33,464**	**34,583**	**15,062**	**49,645**
Transfer of profit to AMP Life Limited Shareholder Fund	**-**	**(39,810)**	**(39,810)**	**-**	**(39,810)**
Transfer	**(3,414)**	**3,414**	**-**	**-**	**-**
Closing retained earnings	**1,119**	**684,907**	**686,026**	**37,205**	**723,231**

	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

	2019 ***NZ$000***	2018 *NZ$000*
(h) Analysis of other life insurance and investment contract operating expenses		
Other life insurance and investment contract acquisition expenses		
- Commission	**155**	170
- Other expenses	**63**	69
Other life insurance and investment contract maintenance expenses		
- Commission	**249**	251
- Other expenses	**1,208**	1,748
Investment management expenses	**1,479**	683

Section 5: Employee disclosures

- 5.1 Key management personnel

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	Chief Executive Officer	
Andrew Harmos	Non-executive Director	
Geoffrey Roberts	Non-executive Director	Resigned 02 May 2019
Michael Wilkins	Non-executive Director	
Andrea Slattery	Non-executive Director	Appointed 02 May 2019

(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
2019	**2,694**	**121**	**641**	**13**	**-**	**3,469**
2018	3,854	134	(1,800)	(116)	1,882	3,954

[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 include 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 consolidated 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 6: Group entities

- 6.1 Controlled entities
- 6.2 Investments in associates
- 6.3 Transactions with related parties
- 6.4 Disposal of a subsidiary

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 2019	% Holdings 2018
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/ERGO Mortgage and Savings Limited[1]	New Zealand	Ordinary	**100.0**	100.0
AMP Capital Australian Shares Fund[1]	New Zealand	Ordinary	**100.0**	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 Australasian Shares Multi-manager Fund 2[1]	New Zealand	Ordinary	**100.0**	100.0
AMP Capital Wholesale Unit Trust Direct Property Fund[1]	New Zealand	Ordinary	**100.0**	100.0
Allmarg Corporation Limited [1] [3]	New Zealand	Ordinary, Preference	**-**	100.0
AMP Services (NZ) Limited [2] [3]	New Zealand	Ordinary	**-**	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.
[3] Controlled entities disposed of during the year. Refer Note 6.4 for further information on significant disposals.

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 6: Group entities

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 2019 %	Ownership interest 2018 %	Carrying amount 2019 NZ$000	Carrying amount 2018 NZ$000
AMP Capital NZ Shares Fund	New Zealand	Equity Investment	**45**	38	**232,383**	189,346
AMP Capital Global Property Securities Fund	New Zealand	Property investment	**33**	37	**61,636**	70,834
Wholesale Unit Trust MSCI Global Index Share Fund [2]	New Zealand	Equity Investment	**-**	33	**-**	162,336
AMP Capital Global Shares Fund [2]	New Zealand	Equity Investment	**-**	23	**-**	28,698
AMP Capital Infrastructure Trust No 1 Class	New Zealand	Infrastructure Investment	**31**	30	**295,564**	272,462
AMP Capital NZ Shares Index Fund [2]	New Zealand	Equity Investment	**-**	28	**-**	163,549
AMP Capital Hedged Global Fixed Interest Fund	New Zealand	Fixed income Investment	**32**	34	**32,570**	33,733
AMP Capital Global Listed Infrastructure Fund	New Zealand	Infrastructure Investment	**21**	26	**78,023**	72,606
AMP Life International Equities Fund Class C	Australia	Equity Investment	**39**	-	**201,506**	-
AMP Capital Equity Fund Class C	New Zealand	Equity Investment	**39**	27	**265,829**	162,130
AMP Life Property Fund Class O	Australia	Property Investment	**24**	27	**322,520**	328,313
Total investments held by the life statutory fund in associated unit trusts and other entities					**1,490,031**	1,484,007

[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.

[2] Investments in these associated entities have either been disposed of or the Statutory Fund holds a less than 20% equity interest at balance date.

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 6: Group entities

6.3 Transactions with related parties

The outstanding balances with related parties at 31 December 2019 and 31 December 2018 are unsecured, non-interest bearing and settlement occurs in cash or through inter-company accounts as necessary.

The Branch provided administrative services to AMP Wealth Management New Zealand Limited and AdviceFirst Limited. The Branch 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. These transactions are in addition to the disposal of significant subsidiaries disclosed in Note 6.4:

		For the year ended 31 December		As at 31 December	
Fellow subsidiaries of AMP Group		**Service, management, recharges 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	**2019**	**-**	**-**	**-**	**7,898**
	2018	-	-	-	187,929
AMP Services Limited (Australia)	**2019**	**13,688**	**8,316**	**-**	**-**
	2018	10,647	17,965	8,395	-
NMFM Limited	**2019**	**-**	**3,543**	**-**	**542**
	2018	-	3,332	-	519
AMP Capital Investors Limited	**2019**	**-**	**6,968**	**-**	**1,336**
	2018	-	6,630	-	788
AMP Wealth Management New Zealand Limited	**2019**	**29,739**	**-**	**208**	**-**
	2018	58,103	-	6,249	-
AMP AAPH Limited	**2019**		**1,000**		
	2018	-	2,000	-	2,260
AdviceFirst Limited	**2019**	**161**	**8,974**	**-**	**111**
	2018	400	16,774	4,777	175
Unit Trusts in other entities[1]	**2019**	**114,620**	**-**	**-**	**-**
	2018	171,974	-	-	-
AMP Life Services Limited)	**2019**	**-**	**63**	**-**	**526**
	2018	-	-	-	-
AMP Services (NZ) Limited	**2019**		**21,587**	**763**	**-**
	2018	-	-	-	-

[1] This includes associates and other entities.

6.4 Disposal of subsidiaries

AMP Services (NZ) Limited

On 28 June 2019, AMP Life divested its investment in AMP Services, (a wholly owned subsidiary of the Branch's Shareholder Fund). This sale was effected under a Sale and Purchase Agreement where AMP Life ("the Seller") agreed to sell the shares held in AMP Services to AMP New Zealand Holdings Limited ("the Buyer"), an entity under the common control of AMP Group at cost, which was NZ$2,000,100. The assets and liabilities ("Net assets") of AMP Services were transferred by the Seller to the Buyer at their carrying values as at 28 June 2019. These net assets were classified as held-for-sale at 31 December 2018.

AMP Services maintained share-based payment plans and as a result of the transfer of its net assets to the Buyer, the Branch has de-recognised the related share-based payment reserve and transferred it to retained earnings of the Branch.

AMP Services also contributed 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 related pension liability has been transferred to the Buyer.

Section 6: Group entities

6.4 Disposal of a subsidiary (continued)

AMP Services (NZ) Limited (continued)

The following table provides the details of the adjusted net assets of AMP Services at 28 June 2019, that were transferred and the loss on disposal recognised by the Branch:

	Note	2019 NZ$000
Cash and cash equivalent (1)		45,809
Trade and other receivables		24,139
Investments in financial assets		4,205
Plant and equipment (2)		5,473
Right of use assets		20,979
Intangible assets (2)		19,239
Other assets		8,249
Total assets		**128,093**
Trade and other payables		17,785
Other liabilities		15,789
Lease liability		20,120
Less: Total liabilities		**53,694**
Net assets disposed		**74,399**
Less: Sale proceeds(3)		(2,000)
Net realised loss on disposal of adjusted net assets		**72,399**

All the assets and associated liabilities of AMP Services as at 31 Dec 2018 were classified as 'held for sale' in the 2018 statement of financial position.

Allmarg Corporation Limited ("Allmarg")

On 28 June 2019, AMP Life also disposed its 100% shareholding in Allmarg to AMP New Zealand Holdings Limited. The net assets were transferred at their carrying value and a consideration of NZ$0.12m. No gain or loss was incurred as a result of this disposal.

(1) Total cash transferred as part of disposal of subsidiaries was NZ$45.93m, comprising NZ$45.81m relating to AMP Services and NZ$0.12m relating to Allmarg.

(2) Plant and equipment and intangible assets have been adjusted for the reversal of depreciation and amortization charge till the date of disposal as these were classified as assets held for sale as at 31 December 2018. They were also impaired by NZ$5.6m prior to the disposal of AMP Services.

(3) Total cash received from disposal of subsidiaries was NZ$2.12m, comprising NZ$2m for AMP Services and NZ$0.12m for Allmarg.

Section 7: Other disclosures

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

7.1 Notes to Statement of cash flows

(a) Reconciliation of cash flow from operation activities

	Note	**2019 *NZ$000***	2018 *NZ$000*
Net (loss) / profit after income tax		**(25,102)**	107,412
Depreciation and amortisation		**56**	7,931
Impairment of intangible assets		**5,599**	-
Loss on disposal of operating assets		**2,072**	-
Loss on disposal of subsidiaries	6.4	**72,399**	-
Other non-cash items		**618**	722
Net realised and unrealised gains and losses on investment assets		**(548,519)**	68,095
Dividends and distributions reinvested		**(104,849)**	(149,792)
Defined benefit expense		**67**	123
Increase / (decrease) in life insurance contract liabilities		**524,696**	(92,057)
(Increase) / decrease in investment contract liabilities		**11,668**	(39,144)
Decrease in income tax balances		**(21,928)**	13,529
Decrease / (Increase) in other operating assets and liabilities		**(92,297)**	316,261
Cash flows (used in) / from operating activities		**(175,520)**	233,080

(b) Reconciliation of cash

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

	Note	**2019 *NZ$000***	2018 *NZ$000*
Cash on hand		**829,847**	877,360
Cash and cash equivalents classified under assets held for sale		**-**	26,001
Balance at the end of the year[(1)]		**829,847**	903,361

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

[(1)] Cash and cash equivalents that were related to AMPS had been classified as held for sale at 31 December 2018. As a result, total cash and cash equivalents balance for 2018, in the note above, does not reconcile to the 2018 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. Short-term investments that are not held for the purpose of meeting short-term cash commitments and restricted margin accounts are not considered as "cash and cash equivalents".

Section 7: Other disclosures

7.2 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 Branch has received various requests for information from Reserve Bank of New Zealand and the Financial Markets Authority as part of both industry wide and AMP Life-specific reviews being undertaken. The Branch is working to address the findings of the reviews. The scope of reviews is wide-ranging and could result in customer remediation programmes.

Contingent liabilities may exist in respect of actual or potential claims, compensation payments and/or refunds identified as part of these reviews. Where appropriate, provisions have been made, but the aggregate potential liability of the Branch cannot be accurately assessed.

7.3 Auditor's remuneration

Amounts paid to the Auditor of the Branch for:

	2019 ***NZ$000***	2018 *NZ$000*
Audit of the consolidated financial statements	**318**	562
Other assurance-related services	**-**	6

The above amounts are inclusive of non-recoverable GST.

7.4 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 2019. These have not had a material effect on the financial position or performance of the Branch.

NZ IFRS 16 *Leases*
NZ IFRS 16 Leases (NZ IFRS 16) is effective for periods beginning on 1 January 2019. The Branch has applied this standard from 1 January 2019 using the cumulative effect method and therefore not restated 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.

All right-of-use assets (leased assets) and related lease liabilities were held by AMP Services and therefore have been transferred as part of the disposal of its net assets to AMP New Zealand Holdings Limited (Note 6.4).

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 17 *Insurance Contracts*
NZ IFRS 17 Insurance Contracts (NZ IFRS 17) was released in 2017 and, as currently issued, is mandatory for adoption by AMP Life from 1 January 2021. The new standard introduces significant changes to accounting for life insurance contracts. The changes impact all of AMP Life's business apart from certain investment linked contracts which will continue to be accounted for as financial instruments.

The NZ IFRS 17 requirements affect recognition, measurement, presentation and disclosure relating to insurance contracts. The new standard, of itself, does not change the underlying economics or cash flows of the life insurance business. However, there will be significant changes on the measurement of insurance contract liabilities including the amount of deferred acquisition costs and the profit emergence profiles from life insurance contracts.

Since the standard was introduced, various implementation issues have been raised by stakeholders and the International Accounting Standards Board (IASB) is currently considering certain targeted amendments to the standard. The IASB propose to announce resolution of any amendments later in 2020.

Section 7: Other disclosures

7.4 New accounting standards (continued)

b) New accounting standards issued but not yet effective (continued)

NZ IFRS 17 *Insurance Contracts (continued)*

One of the proposed changes is the deferral of the effective date for adoption of the new standard. Subject to the outcome of the IASB's process, the new effective date is proposed for financial reporting periods beginning on 1 January 2022. Previous period comparatives would be restated based on restated insurance contract liabilities at 1 January 2021.

In addition to the financial reporting impacts, regulators are considering their response to the new standard which may lead to changes in the determination of capital requirements, income tax and prudential reporting.

Due to the complexities of the requirements, evolving interpretations and the potential changes to the original standard, it is not yet practicable to quantify the financial impact on AMP Life. In some cases, the final impact of the new requirements will not be determined until any amendments, interpretations and regulatory responses to the new standard are determined. AMP Life is continuing to develop its implementation plans for the adoption of NZ IFRS 17.

7.5 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 NZ$7.90m included in these financial statements as a payable was made to the Parent after 1 January 2020.

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

Opinion

We have audited the consolidated financial statements of the New Zealand Branch ("the branch") of AMP Life Limited ("the company") and its New Zealand subsidiaries (together with the branch "the group") on pages 2 to 48, which comprise the consolidated statement of financial position of the group as at 31 December 2019, 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 48 present fairly, in all material respects, the consolidated financial position of the group as at 31 December 2019 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 other assurance related 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.

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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.

Valuation of life insurance policy liabilities

Why significant	How our audit addressed the key audit matter
▶ Life insurance policy liabilities total \$4,445 million and represent 79.5% of total liabilities. Note 4.1 provides more information about critical accounting judgements and estimates made in determining the valuation of life insurance policy liabilities. ▶ The valuation of the provisions for the settlement of future claims involves complex and subjective judgements 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	We performed the following audit procedures, amongst others, in conjunction with our actuarial specialists: ▶ We reassessed the policyholder liability, regulatory capital balances and related disclosures included within the financial statements against the Life Prudential Standards issued by the Australian Prudential Regulation Authority (APRA) ("Prudential Standards") and New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards. As explained in Note 4.5(d), the branch is required to meet all standards and regulations applicable in Australia and enforced by APRA. ▶ We assessed the policy liability valuation process including the key inputs into the calculation. ▶ We evaluated the design and operating effectiveness of associated IT system controls relating to the policy valuations. ▶ We assessed the qualifications, competence and objectivity of the group's Appointed Actuary. ▶ Our actuarial specialists assessed the reasonableness of the valuation methodology, key assumptions, and the interpretation of Prudential Standards that affect the policy liability valuation. ▶ Our actuarial specialists assessed, on a sample basis, adjustments were made to the valuation model outputs.

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Information other than the financial statements and auditor's report

The directors of the company are responsible for the Annual Report, which includes information other than the consolidated financial statements and auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 2020