

# **AMP Life Limited**

**ABN 84 079 300 379**

**Directors' report and Financial report  
for the year ended  
31 December 2020**

AMP Life Limited  
**Directors' Report**

for the year ended 31 December 2020

The directors of AMP Life Limited ('AMP Life' or 'the company') present their report on the company for the financial year ended 31 December 2020.

AMP Life Limited is a company limited by shares and is incorporated and domiciled in Australia. Resolution Life Financial Services Holdings Limited is the company's parent entity and Resolution Life Group Holdings (Australia) Pty Ltd ("RLGHA") is the ultimate parent entity in Australia.

The Registered Office of the company is at Level 20, 400 George Street, Sydney, NSW 2000.

#### Directors

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

David Clarke	Chairman, Non-executive Director	Appointed 30 June 2020
Megan Beer	Chief Executive Officer	
Rosheen Garmon	Non-executive Director	Appointed 30 June 2020
John Hele	Non-executive Director	Appointed 30 June 2020
Trevor Matthews	Non-executive Director	
Jonathan Moss	Non-executive Director	Appointed 30 June 2020
Keith Taylor	Non-executive Director	Appointed 30 June 2020
Andrew Harmos	Non-executive Director	Resigned 30 June 2020
Andrea Slattery	Non-executive Director	Resigned 30 June 2020
Michael Wilkins	Non-executive Director	Resigned 30 June 2020

#### Principal activities

AMP Life's business consists of Superannuation and Investment ("S&I") and Wealth protection. The Superannuation and Investment portfolio comprises conventional insurance products (participating and non-participating), participating investment account products, investment linked products and annuities. The Wealth Protection ("WP") comprises retail and group wealth protection products across life insurance, total and permanent disability, trauma and income protection. AMP Life's wealth protection and Superannuation and Investment business are largely closed to new business. There have been no significant changes in the nature of these activities during the year.

#### Review of operations and results

The operating result for the year ended 31 December 2020 was a profit after tax of \$234m (2019: \$62m).

#### Dividends and distributions

Details of the dividends paid and dividends recommended or declared for payment but not paid are disclosed in Note 1.5 of the Financial Report.

#### Significant changes in the state of affairs and likely developments

On 25 October 2018, AMP Limited "AMP" announced an agreement with Resolution Life Australia Pty Ltd (Resolution Life) to sell its Australian and New Zealand Wealth Protection (WP) and Super and Investments businesses. On 8 August 2019, AMP announced a revised agreement with updated terms for the sale of these businesses. The sale transaction was completed on 30 June 2020 after satisfying the conditions precedents and obtaining the necessary regulatory approvals. The sale resulted in the ultimate parent entity in Australia ceasing to be AMP Limited and becoming Resolution Life Group Holdings (Australia) Pty Ltd ("RLGHA"). AMP Life redeemed \$57,381m investment policy liabilities from Statutory funds 1 & 2 on 15 May 2020. This reduced policyholder liabilities together with offsetting movement in investments and associated assets and liabilities and had no impact on profit. Subsequent to SFT, fee revenue has reduced compared to prior periods.

As a condition of approving the sale of AMP Life, the Reserve Bank of New Zealand ("RBNZ") imposed new licence conditions on the NZ Branch. In summary these include the establishment of a New Zealand Policyholder Advisory Committee for the purpose of providing independent oversight, advice and recommendations to the AMP Life Board relating to the interests of New Zealand policyholders; a reinsurance agreement between AMP Life and Resolution Life New Zealand Limited ('RLNZ'); and the establishment of a trust to hold assets referable to the value of policy liabilities for New Zealand participating and non-participating policies, appointing RLNZ as the Trustee. The licence also provides that AMP Life must not issue any new contracts of insurance as defined in section 7 of the Insurance (Prudential Supervision) Act 2010, other than to meet contractual obligations in force prior to 1 July 2020. The RBNZ will be undertaking reviews in 2021 and 2022 to ensure the conditions have been implemented effectively.

Consequently, on 1 July 2020 AMP Life and RLNZ entered into a reinsurance treaty. Also on 1 July 2020, the AMP Life NZ Trust Fund (the 'Trust') was established by a Deed between RLNZ (as 'Trustee') and AMP Life (as the 'Initial Unitholder' and as the 'Manager'). In October 2020 AMP Life subscribed for units in the Trust and the Trust acquired assets formerly owned by AMP Life and by AMP Life (NZ) Investments Limited.

COVID-19 has materially impacted, and is expected to continue to materially impact, the global economy and/or financial markets. The extent of the impact on the Company's business, results of operations, financial condition, liquidity and cash flows is largely dependent on future developments, which are highly uncertain and not predictable, including the scale of COVID-19 and actions taken to address its impact. The financial risks due to COVID-19 include (but are not limited to):

- adverse impacts on the company's investment portfolio (and, specifically, the valuations of investment assets held by the Issuer) as a result of financial market developments from the COVID-19 pandemic and uncertainty regarding its outcome;
- increased disability income protection claims from the secondary economic impacts of the pandemic, in particular, increased mental health related claims;

AMP Life Limited

## Directors' Report

for the year ended 31 December 2020

- policyholders seeking sources of liquidity and claiming or lapsing at greater rates than previously expected due to higher levels of unemployment resulting from the economic impacts of the spread of COVID-19; and
- customers experiencing difficulty paying premiums and requesting premium waiver benefits where their policies are subsequently designated as "no lapse" for periods of time.

Further details are provided later in the report section 6.1 (b).

### Events occurring after reporting date

On 18 March 2021, AMP Life declared \$71m final dividend of \$0.57 per share.

Other than the matter discussed above, as at the date of this report, 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 company in future years;
- The results of those operations in future years; or
- The state of affairs of the company in future financial years

### Environmental regulation

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

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

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

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

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

### Indemnification and insurance of directors and officers

Under its Constitution, the company indemnifies, to the extent permitted by law, all current and former officers of the company (including the directors) against any liability (including the reasonable costs and expenses of defending proceedings for an actual or alleged liability) incurred in their capacity as officers of the company. This indemnity is not extended to current or former employees of Resolution Life against liability incurred in their capacity as an employee, unless approved by or on behalf of the AMP Limited Board (for the period to 30 June 2020) or Resolution Life Board (for the period from 30 June 2020).

During, and until 30 June 2020, AMP Limited (the company's ultimate parent company until that date) maintained, and paid the premium for, directors' and officers' and company reimbursement insurance for the benefit of all of the officers of the AMP group (including each director, secretary and senior manager of the company) against certain liabilities (including legal costs) as permitted by the *Corporations Act 2001*. Since 30 June 2020, Resolution Life NOHC Pty Ltd<sup>1</sup> maintained, and paid the premium for, directors' and officers' and company reimbursement insurance for the benefit of all of the officers of Resolution Life (including each director, secretary and senior manager of the company) against certain liabilities (including legal costs) as permitted by the *Corporations Act 2001*.

The AMP Limited and Resolution Life NOHC Pty Ltd insurance policies prohibit disclosure of the nature of the liabilities covered, the amount of the premium payable and the limit of liability.

### Auditor's independence

The directors have obtained an independence declaration from the company's auditor, a copy of which is attached to this report and forms part of the Directors' Report for the year ended 31 December 2020.

### Rounding

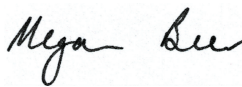
In accordance with the ASIC Corporations Instrument 2016/191, amounts in this Directors' Report and the accompanying Financial Report have been rounded off to the nearest million Australian dollars, unless stated otherwise.

Signed in accordance with a resolution of the directors.



David Clarke  
Chairman

Sydney, 26 March 2021



Megan Beer  
Chief Executive Officer

1. RLGHA has 80% ownership of Resolution Life NOHC Pty Ltd.

The Board of Directors  
AMP Life Limited  
400 George Street  
Sydney, NSW 2000

26 March 2021

Dear Directors

## Auditor's Independence Declaration to AMP Life Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of AMP Life Limited.

As lead audit partner for the audit of the financial statements of AMP Life Limited for the financial year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit;  
and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Stuart Alexander  
Partner  
Chartered Accountants

**AMP LIFE LIMITED**  
**ABN 84 079 300 379**  
**FULL YEAR FINANCIAL REPORT**  
**31 DECEMBER 2020**

**TABLE OF CONTENTS**

<b>Main statements</b>	<ul style="list-style-type: none"> <li>• Statement of comprehensive income</li> <li>• Statement of financial position</li> <li>• Statement of changes in equity</li> <li>• Statement of cash flows</li> </ul>
<b>About this report</b>	<ul style="list-style-type: none"> <li>• (a) Understanding AMP Life financial report</li> <li>• (b) Significant accounting policies</li> <li>• (c) Critical judgements and estimates</li> </ul>
<b>Section 1: Results for the year</b>	<ul style="list-style-type: none"> <li>• 1.1 Fee revenue (revenue from contracts with customers)</li> <li>• 1.2 Investment gains and (losses)</li> <li>• 1.3 Operating expenses</li> <li>• 1.4 Taxes</li> <li>• 1.5 Dividends and distributions</li> </ul>
<b>Section 2: Investments, intangibles and working capital</b>	<ul style="list-style-type: none"> <li>• 2.1 Investments in financial instruments</li> <li>• 2.2 Intangibles</li> <li>• 2.3 Receivables and prepayments</li> <li>• 2.4 Payables</li> <li>• 2.5 Fair value information</li> </ul>
<b>Section 3: Capital structure and financial risk management</b>	<ul style="list-style-type: none"> <li>• 3.1 Contributed equity</li> <li>• 3.2 Interest-bearing liabilities</li> <li>• 3.3 Financial risk management</li> <li>• 3.4 Other derivative information</li> <li>• 3.5 Capital management</li> </ul>
<b>Section 4: Life insurance and investment contracts</b>	<ul style="list-style-type: none"> <li>• 4.1 Accounting for life insurance contracts and investment contracts</li> <li>• 4.2 Life Insurance contracts - premiums, claims, expenses and liabilities</li> <li>• 4.3 Life Insurance contracts - assumptions and valuation methodology</li> <li>• 4.4 Life Insurance contracts - risk</li> <li>• 4.5 Other disclosure - life insurance contracts and investment contracts</li> </ul>
<b>Section 5: Related party disclosures</b>	<ul style="list-style-type: none"> <li>• 5.1 Investments in associates</li> <li>• 5.2 Key management personnel</li> <li>• 5.3 Transactions with related parties</li> </ul>
<b>Section 6: Other disclosures</b>	<ul style="list-style-type: none"> <li>• 6.1 Significant events during the year</li> <li>• 6.2 Notes to Statement of cash flows</li> <li>• 6.3 Contingent liabilities</li> <li>• 6.4 Auditors' remuneration</li> <li>• 6.5 New accounting standards</li> <li>• 6.6 Events occurring after reporting date</li> </ul>
<b>Directors' declaration</b>	
<b>Independent auditor's report</b>	

Registered office:  
Level 20, 400 George Street  
Sydney NSW 2000 Australia

**Statement of comprehensive income**

for the year ended 31 December 2020

	Note	2020 \$m	2019 \$m
<b>Income and expenses of the shareholder and policyholders<sup>1</sup></b>			
Life insurance contract related revenue	4.2(a)	2,009	2,244
Life insurance claims recovered from reinsurers	4.2(b)	556	512
Fee revenue	1.1	342	878
Other revenue		47	-
Interest income, dividends and distributions and net gains on financial assets and liabilities at fair value through profit or loss	1.2	(5,080)	14,580
Share of profit of associates accounted for using the equity method		-	24
Life insurance contract claims expense	4.2(b)	(2,075)	(2,175)
Life insurance contract premiums ceded to reinsurers	4.2(a)	(989)	(1,033)
Fees and commission expenses	1.3	(307)	(562)
Goodwill impairment	2.2	-	(65)
Other operating expenses	1.3	(483)	(684)
Finance costs		(11)	(19)
Change in policyholder liabilities			
- life insurance contracts	4.2(e)	356	(1,437)
- investment contracts		5,631	(11,126)
Income tax credit (expense)	1.4 (a)	238	(1,075)
<b>Profit for the year</b>		<b>234</b>	<b>62</b>
<b>Other comprehensive income for the period</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Cash flow hedges reserve on disposal of foreign associate recycled to profit or loss		(21)	-
Foreign currency gains on disposal of foreign associate recycled to profit or loss		(9)	-
Exchange (losses) gains on translation of foreign operations		(21)	3
<b>Other comprehensive (loss) income for the year</b>		<b>(51)</b>	<b>3</b>
<b>Total comprehensive income for the year</b>		<b>183</b>	<b>65</b>

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

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

**Statement of financial position**

as at 31 December 2020

	Note	2020 \$m	2019 \$m
<b>Assets</b>			
Cash and cash equivalents		158	1,895
Receivables and prepayments	2.3	891	1,015
Intercompany tax receivable		-	282
Current tax assets		63	-
Investments in financial assets	2.1	30,051	98,620
Investments in associate accounted for using the equity method		-	325
Deferred tax assets	1.4 (c)	444	469
Reinsurance asset - ceded life insurance contracts	4.2 (d)	1,448	1,222
Intangibles - Goodwill	2.2	65	65
<b>Total assets of policyholders and the shareholder</b>		<b>33,120</b>	<b>103,893</b>
<b>Liabilities</b>			
Payables	2.4	789	2,139
Intercompany tax payable		-	50
Current tax liabilities		75	23
Provisions		86	40
Other financial liabilities	2.1	63	229
Interest-bearing liabilities	3.2	345	319
Deferred tax liabilities	1.4 (c)	1,008	2,195
Life insurance contract liabilities	4.2 (d)	22,530	23,494
Investment contract liabilities		4,476	71,550
Reinsurance liability - ceded life insurance contracts	4.2 (d)	1,546	1,515
<b>Total liabilities of policyholders and the shareholder</b>		<b>30,918</b>	<b>101,554</b>
<b>Net assets of the shareholder</b>		<b>2,202</b>	<b>2,339</b>
<b>Equity</b>			
Contributed equity	3.1	1,632	1,473
Reserves		(64)	(13)
Retained earnings		634	879
<b>Total equity of the shareholder</b>		<b>2,202</b>	<b>2,339</b>

The above Statement of financial position should be read in conjunction with the accompanying notes.

**Statement of changes in equity**

for the year ended 31 December 2020

	Note	Contributed equity \$m	Cash flow hedge reserve \$m	Foreign currency translation reserve \$m	Retained earnings \$m	Total equity \$m
<b>31 December 2020</b>						
Balance at 1 January 2020		1,473	21	(34)	879	2,339
Profit for the year		-	-	-	234	234
Amounts recycled to Profit and Loss		-	(21)	(9)	-	(30)
Other comprehensive loss		-	-	(21)	-	(21)
Total comprehensive income		-	(21)	(30)	234	183
Dividends paid - ordinary shares	1.5	-	-	-	(464)	(464)
Redemption of capital notes	3.1	(305)	-	-	-	(305)
Distributions paid - capital notes	1.5	-	-	-	(15)	(15)
Issue of share capital	3.1	464	-	-	-	464
<b>Balance at the end of the year</b>		<b>1,632</b>	<b>-</b>	<b>(64)</b>	<b>634</b>	<b>2,202</b>
<b>31 December 2019</b>						
Balance at the beginning of the year		1,473	21	(37)	1,255	2,712
Profit for the year		-	-	-	62	62
Other comprehensive income		-	-	3	-	3
Total comprehensive income		-	-	3	62	65
Dividends paid - ordinary shares	1.5	-	-	-	(419)	(419)
Distributions paid - capital notes	1.5	-	-	-	(19)	(19)
<b>Balance at the end of the year</b>		<b>1,473</b>	<b>21</b>	<b>(34)</b>	<b>879</b>	<b>2,339</b>

The above Statement of changes in equity should be read in conjunction with the accompanying notes.



AMP Life Limited financial report  
**Statement of cash flows**  
for the year ended 31 December 2020

	Note	2020 \$m	2019 \$m
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		5,640	11,440
Interest and other items of a similar nature received		159	171
Dividends and distributions received		232	654
Cash payments in the course of operations		(12,352)	(21,668)
Finance costs		(11)	(19)
Income tax paid		(705)	(367)
<b>Cash flows used in operating activities</b>	6.2	<b>(7,037)</b>	<b>(9,789)</b>
<b>Cash flows from investing activities</b>			
Net proceeds from sales of financial assets		5,768	9,210
Advance proceed for sale of associate entity		-	326
<b>Cash flows from investing activities</b>		<b>5,768</b>	<b>9,536</b>
<b>Cash flows from financing activities</b>			
Redemption of capital notes		(305)	-
Issuance of subordinated debt <sup>3</sup>		295	-
Redemption of subordinated debts with AMP Limited		(250)	-
Dividends and distributions paid <sup>2</sup>	1.5	(15)	(252)
<b>Cash flows used in financing activities</b>		<b>(275)</b>	<b>(252)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(1,544)</b>	<b>(505)</b>
Cash and cash equivalents at beginning of the year		1,918	2,421
Effect of exchange rate changes on cash and cash equivalents		(2)	2
<b>Cash and cash equivalents at the end of the period<sup>1</sup></b>		<b>372</b>	<b>1,918</b>

1 Cash equivalents for the purpose of the statement of cash flows includes short-term bills and notes.

2 The total dividends and distributions paid for the year is \$479m, which consists of amount paid in cash of \$15m and endorsing promissory notes of \$464m.

3 The Subordinated Notes held by external holders of were issued on 9 December 2020. The carrying values of subordinated debt at balance date at unamortised cost of \$300m net directly attributable transaction costs of \$5m.

The above Statement of cash flows should be read in conjunction with the accompanying notes

## About this report

### (a) Understanding AMP Life financial report

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

The business of AMP Life is conducted through statutory funds and relates to the provision of life insurance and life investment products to investors, referred to as policyholders. A large proportion of the investment assets of the statutory funds is held on behalf of policyholders. The corresponding liabilities to policyholders are classified as either life insurance or life investment contract liabilities.

Consolidated information has not been prepared to show the financial position and operations of AMP Life and its controlled entities at, or during the year ended 31 December 2020 in accordance with exemptions available under Australian Accounting Standards. Consolidated information is prepared and made available for the holding company in Australia, Resolution Life NOHC Pty Ltd, and its controlled entities.

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

#### The financial report:

- is a general purpose financial report;
- has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards (AAS) including Australian Accounting Interpretations adopted by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board;
- is presented in Australian dollars with all values rounded to the nearest million dollars (\$m), unless otherwise stated,
- has been prepared on a going concern basis using an historical cost basis except for the following items in the Statement of financial position which are generally measured on a fair value basis:
  - assets and liabilities associated with life insurance contracts
  - assets and liabilities associated with investment contracts
- presents assets and liabilities on the face of the Statement of financial position in decreasing order of liquidity and does not distinguish between current and non-current items,
- presents reclassified comparative information where required for consistency with the current year's presentation.

Information has only been included in the financial report 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 AMP Life;
- It helps explain the impact of significant changes in AMP Life; and/or
- It relates to an aspect of AMP Life's operations that is important to its future performance.

Estimates of amounts to be recovered or settled (a) no more than 12 months after the reporting date ('current'), and (b) more than 12 months after the reporting date ('non-current'), have been provided in the relevant notes.

AMP Life Limited is a for-profit entity. The parent entity is Resolution Life Financial Services Holdings Limited, and the company's ultimate parent entity in Australia is Resolution Life Group Holdings (Australia) Pty Ltd.

The financial report for the year ended 31 December 2020 were authorised for issue on 26 March 2021 in accordance with a resolution of the directors.

## About this report

### (b) Significant accounting policies

The significant accounting policies adopted in the preparation of the financial report 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.

#### *Interest, dividends and distributions income*

Interest income is recognised when AMP Life obtains control of the right to receive the interest. Revenue from dividends is recognised when AMP Life's right to receive payment is established.

#### *Foreign currency transactions*

Transactions, assets and liabilities denominated in foreign currencies are translated into Australian dollars (the functional currency) at reporting date using the following applicable exchange rates:

Foreign currency amount	Applicable exchange rate
Transactions	Date of transaction
Monetary assets and liabilities	Reporting date
Non-monetary assets and liabilities carried at fair value	Date fair value is determined

Foreign exchange gains and losses resulting from translation of foreign exchange transactions are recognised in the Profit or loss.

The assets, liabilities, income and expenses of foreign operations are translated into Australian dollars using the following applicable exchange rates:

Foreign currency amount	Applicable exchange rate
Income and expenses	Average exchange rate
Assets and liabilities	Reporting date
Equity	Historical date
Reserves	Reporting date

Foreign exchange differences resulting from translation of foreign operations are initially recognised in the foreign currency translation reserve and subsequently transferred to the Statement of comprehensive income on disposal of the foreign operation.

#### *Provisions*

Provisions are recognised when:

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

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

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

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

### (c) 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 notes:

Accounting judgements and estimates	Note	Page
Tax	Note 1.4 Taxes	12
Fair value of financial assets	Note 2.1 Investments in financial instruments	15
Goodwill	Note 2.2 Intangibles	16
Life insurance contract liabilities	Note 4.1 Accounting for life insurance contracts and investment contracts	30
Investment contract liabilities	Note 4.1 Accounting for life insurance contracts and investment contracts	30

## Section 1: Results for the year

- 1.1 Fee revenue (revenue from contracts with customers)
- 1.2 Investment gains and (losses)
- 1.3 Operating expenses
- 1.4 Taxes
- 1.5 Dividends and distributions

### 1.1 Fee revenue (revenue from contracts with customers)

	2020	2019
	\$m	\$m
Investment management and contract fees	318	832
Service fees		
- related entities <sup>1</sup>	24	46
<b>Total revenue from contracts with customers</b>	<b>342</b>	<b>878</b>

1 Prior to 30 June 2020, AMP Limited and its subsidiaries were classified related entities, however, post completion of the sale transaction, they are not considered as related entities and classified as other entities. Further information on related entities transactions are on note 5.3.

#### Accounting policy – recognition and measurement

##### Fee revenue

Fees are charged to customers in connection with investment contracts and other financial services contracts. Fee revenue is recognised as services are provided either at inception of the contract or as they are performed over the life of the contract. For example, fees for ongoing investment management services and other services provided are charged on a regular basis, usually daily, and are recognised as the service is provided.

### 1.2 Investment gains and (losses)

	2020	2019
	\$m	\$m
Interest		
- related entities <sup>2</sup>	9	31
- other entities	148	139
Dividends and distributions		
- related entities	1,122	4,285
- associated entities	386	82
- other entities	89	571
Net realised and unrealised (losses) and gains	(6,850)	9,460
Other investment income	16	12
<b>Total investment gains and (losses)<sup>1</sup></b>	<b>(5,080)</b>	<b>14,580</b>

1 Investment gains and losses comprise the net gains and losses on all investments held by AMP Life including shareholder and policyholders. Investment income is predominately from financial instruments backing policyholder liabilities and shareholders' investment assets. To the extent that investment gains and losses are offset by changes in investment contract liabilities and allocated to participating life insurance contract holders, they do not directly affect shareholder profit.

2 Prior to 30 June 2020, AMP Limited and its subsidiaries were classified related entities, however, post completion of the sale transaction, they are not considered as related entities and classified as other entities. Further information on related entities transactions are on note 5.3.

#### Accounting policy – recognition and measurement

##### Investment gains and (losses)

Refer to note 2.1 for accounting policy on financial assets measured at fair value through profit or loss.

## Section 1: Results for the year

### 1.3 Operating expenses

	2020	2019
	\$m	\$m
Commission expenses	(175)	(273)
Investment management expenses		
- related entities <sup>1</sup>	(84)	(237)
- other entities	(48)	(52)
<b>Fees and commission expenses</b>	<b>(307)</b>	<b>(562)</b>
Service fee expenses		
- related entities <sup>2</sup>	(433)	(644)
Other expenses	(50)	(40)
<b>Other operating expenses</b>	<b>(483)</b>	<b>(684)</b>

1,2 Prior to 30 June 2020, AMP Limited and its subsidiaries were classified related entities, however, post completion of the sale transaction, they are not considered as related entities and classified as other entities. Further information on related entities transactions are on note 5.3.

## Section 1: Results for the year

### 1.4 Taxes

#### (a) Income tax expense

The income tax expense amount reflects the impact of both income tax attributable to shareholders as well as income tax attributable to policyholders. In respect of income tax expense attributable to shareholders, the tax rate which applies is 30% in Australia and 28% in New Zealand.

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

The following table provides a reconciliation of differences between prima facie tax calculated as 30% of the profit before income tax for the year and the income tax expense recognised in the Statement of comprehensive income for the year.

	2020	2019
	\$m	\$m
(Loss) profit before income tax	(4)	1,137
Policyholder tax credit (expense) recognised as part of the change in policyholder liabilities in determining profit before income tax	550	(990)
<b>Profit before income tax excluding tax charged to policyholders</b>	<b>546</b>	<b>147</b>
Tax at the Australian tax rate of 30% (2019: 30%)	(164)	(44)
Shareholder impact of life insurance tax treatment	(16)	(52)
Non-deductible expenses	(3)	(23)
Non-taxable income	21	29
Impact due to exit from the AMP Limited tax consolidated group	(84)	-
Impact of Successor Fund Transfer	(67)	-
Other items	-	4
(Under) over provided in previous years after excluding amounts attributable to policyholders	(1)	-
Differences in overseas tax rate	2	1
Income tax expense attributable to shareholders	(312)	(85)
Income tax credit (expense) attributable to policyholders	550	(990)
<b>Income tax credit (expense)</b>	<b>238</b>	<b>(1,075)</b>

## Section 1: Results for the year

### 1.4 Taxes (continued)

#### (b) Analysis of income tax (expense) credit

	2020	2019
	\$m	\$m
Current tax expense	(924)	(311)
(Decrease) increase in deferred tax assets	(25)	10
Decrease (increase) in deferred tax liabilities	1,187	(774)
<b>Income tax credit (expense)</b>	<b>238</b>	<b>(1,075)</b>

#### (c) Analysis of deferred tax balances

	2020	2019
	\$m	\$m
<b>Analysis of deferred tax assets</b>		
Expenses deductible and income recognisable in future years	443	468
Unrealised investment losses	1	1
<b>Total deferred tax assets</b>	<b>444</b>	<b>469</b>
<b>Analysis of deferred tax liabilities</b>		
Unrealised investment gains	776	1,972
Other	232	223
<b>Total deferred tax liabilities</b>	<b>1,008</b>	<b>2,195</b>

## Section 1: Results for the year

### 1.4 Taxes (continued)

#### Accounting policy – recognition and measurement

##### Income tax expense

Income tax credit (expenses) is the tax payable on taxable income for the current period based on the income tax rate for each jurisdiction and adjusted for changes in deferred tax assets and liabilities. These changes are attributable to:

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

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

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

##### Income tax for investment contracts business and life insurance contracts business

The income tax expense recognised in the Statement of comprehensive income of AMP Life, reflects tax imposed on shareholders as well as policyholders. Investment contracts liabilities and life insurance contracts liabilities are established in Australia net, and in New Zealand gross, of the policyholders' share of any current tax payable and deferred tax balances of AMP Life. Arrangements made with some superannuation funds result in AMP Life insurance entities making payments to the Australian Taxation Office in relation to contributions tax arising in those funds. The amounts paid are recognised as a decrease in investment contract liabilities and not included in income tax expense.

##### Deferred tax

Deferred tax assets and liabilities are recognised for temporary differences and are measured at the tax rates which are expected to apply when the assets are recovered or liabilities are settled, based on tax rates that have been enacted or substantively enacted for each jurisdiction at the reporting date. Deferred tax assets and liabilities, including amounts in respect of investment contracts and life insurance contracts, are not discounted to their present values

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

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

##### Tax consolidation

AMP Life Limited ceased to be a member of the AMP Limited Tax consolidated group on 30 June 2020. In accordance with AMP Limited Tax Sharing Agreement, the company calculated a reasonable estimate of its allocation of the AMP Limited group tax liability up to the date of exit from the tax consolidated group.

AMP Life and the Resolution Life Australian entities are likely to form a tax consolidation group back dated to 30 June 2020. However a formal election to create the tax consolidation group has not been made at the date of signing these financial statements.

#### Critical accounting estimates and judgements:

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

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



## Section 1: Results for the year

### 1.5 Dividends and distributions

Dividends paid and proposed during the year are shown in the table below:

	2020	2019
	\$m	\$m
Special dividend of \$3.73 (2019: \$nil) per ordinary share <sup>1</sup>	(464)	-
Interim dividend of \$nil (2019: \$3.37) per ordinary share	-	(419)
Distributions paid - capital notes	(15)	(19)
<b>Total dividends and distributions paid</b>	<b>(479)</b>	<b>(438)</b>

1. AMP Life received a capital injection of \$464m which was used to support the payment of a dividend of an equal amount on the same day. This had the effect of increasing contributed equity and reducing retained profits without changing the overall capital position of AMP Life.

#### Final dividend proposed but not recognised

2020: \$0.57 (2019: \$Nil) per ordinary share	(71)	-
---	------	---

## Section 2: Investments, intangibles and working capital

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

### 2.1 Investments in financial instruments

	2020 \$m	2019 \$m
<b>Financial assets measured at fair value through profit or loss</b>		
Equity securities and listed managed investment schemes <sup>1</sup>	2,833	5,385
Debt securities	1,507	2,554
Investments in unlisted equity securities and managed investment schemes <sup>2</sup>	25,210	90,103
Derivative financial assets	501	578
<b>Total financial assets measured at fair value through profit or loss</b>	<b>30,051</b>	<b>98,620</b>
<b>Other financial liabilities</b>		
Derivative financial liabilities	63	229
<b>Total other financial liabilities</b>	<b>63</b>	<b>229</b>

1 Includes investments in controlled unit trusts of \$nil (2019: \$10m).

2 Includes investments in controlled entities of \$134m (2019: \$3,005m) and controlled unit trusts of \$20,687m (2019: \$82,308m)

## Notes to the financial statements

for the year ended 31 December 2020

### Section 2: Investments, intangibles and working capital

#### 2.1 Investments in financial instruments (continued)

##### Accounting policy – recognition and measurement

###### Financial assets measured at fair value through profit or loss

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

###### Recognition and de-recognition of financial assets and liabilities

Financial assets and financial liabilities are recognised at the date AMP Life 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 Statement of comprehensive income, are not subject to impairment testing.

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

##### 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 note 2.5.

## Section 2: Investments, intangibles and working capital

### 2.2 Intangibles - Goodwill

	2020	2019
	\$m	\$m
Gross carrying amount	65	130
Less: impairment	-	(65)
<b>Intangibles at written down value</b>	<b>65</b>	<b>65</b>

#### Goodwill attributable to shareholders

The goodwill attributable to shareholders of \$65m (2019: \$65m) arose from a previous Life Act Part 9 transfer of life insurance business into the statutory funds of AMP Life.

For the purpose of impairment testing, goodwill is allocated to cash-generating units (CGUs) as follows:

	2020	2019
	\$m	\$m
Australian Superannuation & Investments	65	65

#### Accounting policy – Recognition and measurement

##### Goodwill

Goodwill acquired in a business combination is recognised at cost and subsequently measured at cost less any accumulated impairment losses. The cost represents the excess of the cost of a business combination over the fair value of the identifiable assets acquired and liabilities assumed.

##### Impairment

Goodwill is tested at least annually for impairment. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units of CGUs). An impairment loss is recognised when the goodwill carrying amount exceeds the CGUs recoverable amount.

##### Impairment testing

As at the reporting date, there has been no impairment to the amount of goodwill recognised and there are no reasonably possible changes in key assumptions that could cause the carrying amount to exceed the recoverable amount.

#### Critical accounting estimates and judgements:

Management applies judgement in selecting valuation techniques and setting valuation assumptions to determine the:

- Allocation of goodwill to CGUs and determining the recoverable amount of goodwill
- Assessment of whether there are any impairment indicators and, where required, in determining the recoverable amount.

## Section 2: Investments, intangibles and working capital

### 2.3 Receivables and prepayments

	2020	2019
	\$m	\$m
Investment related receivables	168	312
Life insurance contract premiums receivable	316	320
Reinsurance receivables	275	220
Other receivables		
- related entities <sup>1</sup>	4	135
- other entities	127	26
Prepayments	1	2
<b>Total receivables and prepayments</b>	<b>891</b>	<b>1,015</b>
<i>Current</i>	891	1,015
<i>Non - current</i>	-	-

1 Prior to 30 June 2020, AMP Limited and its subsidiaries were classified related entities, however, post completion of the sale transaction, they are not considered as related entities and classified as other entities. Further information on related entities transactions are on note 5.3.

#### Accounting policy – recognition and measurement

##### Receivables

Receivables that back investment contract liabilities 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).

AMP Life applies a simplified approach in calculating ECLs for receivables. Therefore, AMP Life does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. AMP Life 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.

## Section 2: Investments, intangibles and working capital

### 2.4 Payables

#### Accounting policy – recognition and measurement

##### Payables

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

	2020	2019
	\$m	\$m
<b>Payables</b>		
Investment related payables	352	431
Life insurance and investment contracts in process of settlement	238	341
Other payables		
- related entities <sup>1</sup>	64	957
- other entities	65	371
Reinsurance payables	70	39
<b>Total payables</b>	<b>789</b>	<b>2,139</b>
<i>Current</i>	789	2,139
<i>Non - current</i>	-	-

1 Prior to 30 June 2020, AMP Limited and its subsidiaries were classified related entities, however, post completion of the sale transaction, they are not considered as related entities and classified as other entities. Further information on related entities transactions are on note 5.3.

## Section 2: Investments, intangibles and working capital

### 2.5 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.

2020	Carrying amount \$m	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total fair value \$m
<b>Financial assets measured at fair value</b>					
Equity securities and listed managed investment schemes	2,833	2,785	-	48	2,833
Debt securities	1,507	-	1,507	-	1,507
Investments in unlisted managed investment schemes	25,210	-	25,139	71	25,210
Derivative financial assets	501	42	459	-	501
<b>Total financial assets measured at fair value</b>	<b>30,051</b>	<b>2,827</b>	<b>27,105</b>	<b>119</b>	<b>30,051</b>
<b>Financial liabilities measured at fair value</b>					
Derivative financial liabilities	63	2	61	-	63
Investment contract liabilities	4,476	-	9	4,467	4,476
<b>Total financial liabilities measured at fair value</b>	<b>4,539</b>	<b>2</b>	<b>70</b>	<b>4,467</b>	<b>4,539</b>
<b>2019</b>					
	Carrying amount \$m	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total fair value \$m
<b>Financial assets measured at fair value</b>					
Equity securities and listed managed investment schemes	5,385	5,323	11	51	5,385
Debt securities	2,554	-	2,554	-	2,554
Investments in unlisted managed investment schemes	90,103	-	89,866	237	90,103
Derivative financial assets	578	13	565	-	578
<b>Total financial assets measured at fair value</b>	<b>98,620</b>	<b>5,336</b>	<b>92,996</b>	<b>288</b>	<b>98,620</b>
<b>Financial liabilities measured at fair value</b>					
Derivative financial liabilities	229	106	123	-	229
Investment contract liabilities	71,550	-	1,484	70,066	71,550
<b>Total financial liabilities measured at fair value</b>	<b>71,779</b>	<b>106</b>	<b>1,607</b>	<b>70,066</b>	<b>71,779</b>

## Section 2: Investments, intangibles and working capital

### 2.5 Fair value information (continued)

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

<i>Equity securities and listed managed investment schemes</i>	The fair value of listed equity securities traded in an active market and listed managed investment schemes reflects the quoted bid price at the reporting date. In the case of equity securities and listed managed investment schemes where there is no active market, fair value is established using valuation techniques including the use of recent arm's length transactions, references to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.
<i>Debt securities</i>	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.
<i>Unlisted managed investment schemes</i>	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.
<i>Derivative financial assets and liabilities</i>	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, currency basis spreads between the respective currencies, interest rate curves and forward rate curves of the underlying instruments. Some derivative contracts are significantly cash collateralised, thereby minimising both counterparty risk and Groups own non-performance risk.
<i>Investment contract liabilities</i>	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 2020 and 2019 financial years.

#### Level 3 fair values

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 Life asset valuation policy. The AMP Life asset valuation policy approved by board in July 2020 is closely aligned with the AMP Capital asset valuation Policy used for AMP Life's asset valuation for the first half of the financial year ended 31 December 2020. 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 six months, or more frequently if required.

AMP Life has engaged with external valuers for financial assets managed internally, and discounted cash flow approach were used in measuring the 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
Equity securities and listed managed investment schemes	Discounted cash flow approach utilising cost of equity as the discount rate	Discount rate Terminal value growth rate Cash flow forecasts
Debt securities	Discounted cash flow approach	Discount rate Cash flow forecasts
Investments in unlisted managed investment schemes	Published redemption prices	Judgement in the determination of the redemption price
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



## Section 2: Investments, intangibles and working capital

### 2.5 Fair value information (continued)

#### Level 3 fair values (continued)

Sensitivity analysis

The sensitivity analysis below shows the effect of reasonable possible alternative assumptions, calculated by changing one or more of significant unobservable inputs for individual assets to reasonably possible alternative assumptions. This included adjusting the discount rate by 25bps - 100bps and adjustments to credit risk by 50bps.

\$m	2020		2019	
	(+)	(-)	(+)	(-)
<b>Financial assets</b>				
Equity securities and listed managed investment schemes	2	(2)	3	(3)
Investments in unlisted managed investment schemes	11	(9)	-	-
<b>Financial liabilities</b>				
Investment contract liabilities	1	(1)	1	(1)

#### 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:

	Balance at the beginning of the year \$m	FX gains or losses <sup>1</sup> \$m	Total gains/ (losses) <sup>1</sup> \$m	Purchases/ deposits \$m	Sales/ with- drawals \$m	Balance at the end of the period \$m	Total gains and losses on assets and liabilities held at reporting date \$m
<b>2020</b>							
<b>Assets classified as level 3</b>							
Equity securities and listed managed investment schemes	51	-	(3)	-	-	48	(3)
Investments in unlisted managed investment schemes	237	-	(13)	71	(224)	71	(13)
<b>Total financial assets</b>	<b>288</b>	<b>-</b>	<b>(16)</b>	<b>71</b>	<b>(224)</b>	<b>119</b>	<b>(16)</b>
<b>Liabilities</b>							
Investment contract liabilities	70,066	(8)	(5,973)	2,062	(61,680)	4,467	(5,973)
<b>Total financial liabilities</b>	<b>70,066</b>	<b>(8)</b>	<b>(5,973)</b>	<b>2,062</b>	<b>(61,680)</b>	<b>4,467</b>	<b>(5,973)</b>

<sup>1</sup> Gains and losses are classified in investment gains and losses or change in policyholder liabilities in the Statement of comprehensive income.

	Balance at the beginning of the year \$m	FX gains or losses <sup>1</sup> \$m	Total gains/ (losses) <sup>1</sup> \$m	Purchases/ deposits \$m	Sales/ with- drawals \$m	Balance at the end of the year \$m	Total gains and losses on assets and liabilities held at reporting date \$m
<b>2019</b>							
<b>Assets classified as level 3</b>							
Equity securities and listed managed investment schemes	60	-	(20)	11	-	51	(20)
Investments in unlisted managed investment schemes	161	-	(2)	83	(5)	237	(2)
<b>Total financial assets</b>	<b>221</b>	<b>-</b>	<b>(22)</b>	<b>94</b>	<b>(5)</b>	<b>288</b>	<b>(22)</b>
<b>Liabilities</b>							
Investment contract liabilities	66,817	2	10,252	7,044	(14,049)	70,066	10,251
<b>Total financial liabilities</b>	<b>66,817</b>	<b>2</b>	<b>10,252</b>	<b>7,044</b>	<b>(14,049)</b>	<b>70,066</b>	<b>10,251</b>

<sup>1</sup> Gains and losses are classified in investment gains and losses or change in policyholder liabilities in the Statement of comprehensive income.

## Section 3: Capital structure and financial risk management

- 3.1 Contributed equity
- 3.2 Interest-bearing liabilities
- 3.3 Financial risk management
- 3.4 Other derivative information
- 3.5 Capital management

### 3.1 Contributed equity

	2020 \$m	2019 \$m
<b>Issued Capital</b>		
124,459,254 (2019: 124,459,253) ordinary shares fully paid <sup>1</sup>	1,632	1,168
nil (2019: 1,317,500) capital notes <sup>2</sup>	-	305
<b>Total contributed equity</b>	<b>1,632</b>	<b>1,473</b>
<b>Issued capital</b>		
Balance at the beginning of the year	1,168	1,168
Issue of share capital <sup>3</sup>	464	-
<b>Balance at the end of the year</b>	<b>1,632</b>	<b>1,168</b>
<b>Capital notes</b>		
Balance at the beginning of the year	305	305
Redemption of capital notes	(305)	-
Balance at the end of the year <sup>2</sup>	-	305
<b>Total contributed equity at the end of the year</b>	<b>1,632</b>	<b>1,473</b>

1 Holders of ordinary shares have the right to receive dividends as declared and, in the event of the winding up of the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares have no par value.

2 The capital notes were redeemed on December 2020.

3 AMP Life received a capital injection of \$464m which was used to support the payment of a dividend of an equal amount on the same day. This had the effect of increasing contributed equity and reducing retained profits without changing the overall capital position of AMP Life.

#### Accounting policy – recognition and measurement

##### Issued capital

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

## Section 3: Capital structure and financial risk management

### 3.2 Interest-bearing liabilities

#### (a) Interest-bearing liabilities

	31 December 2020			31 December 2019		
	Current	Non-current	Total	Current	Non-current	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Deposits	50	-	50	69	-	69
Subordinated Notes (optional quarterly redemptions) <sup>1</sup>	-	-	-	-	250	250
Subordinated Notes <sup>2</sup>	-	295	295	-	-	-
<b>Total interest-bearing liabilities</b>	<b>50</b>	<b>295</b>	<b>345</b>	<b>69</b>	<b>250</b>	<b>319</b>

1 The Subordinated Notes with AMP Limited were redeemed on 5 June 2020.

2 The Subordinated Notes held by external holders were issued on 9 December 2020. The carrying values of subordinated debt at balance date at amortised cost of \$300m net of directly attributable transaction costs of \$5m.

#### (b) Changes in liabilities arising from financing activities

	2020	2019
	\$m	\$m
<b>Subordinated Notes</b>		
Balance at the beginning of the year	250	250
Interest accrued	4	10
Interest paid <sup>1</sup>	(4)	(10)
Redemption of subordinated debts with AMP Limited	(250)	-
Proceeds from borrowings <sup>2</sup>	295	-
<b>Balance at the end of the year</b>	<b>295</b>	<b>250</b>

1 Interest paid is included as Cash flows from operating activities in the Statement of cash flow.

2 The Subordinated Notes held by external holders were issued on 9 December 2020. The carrying values of subordinated debt at balance date at unamortised cost of \$300m net of directly attributable transaction costs of \$5m.

#### Accounting policy – recognition and measurement

##### Interest-bearing liabilities

Interest-bearing liabilities are initially recognised at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest rate method.

##### Finance costs

Finance costs include interest on interest-bearing liabilities. Borrowing costs are recognised as expenses when incurred and are presented as a line item on the Statement of comprehensive income.

## Section 3: Capital structure and financial risk management

### 3.3 Financial risk management

The AMP Life Limited Board has overall responsibility for the risk management framework including the approval of AMP Life's business plan, risk management strategy, risk appetite and ICAAP (among other core elements). The Board and Board risk committee provide the necessary governance of financial risks across AMP Life.

The Asset Liability and Investment Committee (ALICo) assists the CEO in exercising their delegated authority from the Board to manage financial risks. ALICo's oversight of financial risk exposures across AMP Life aims to ensure that financial risks are managed in accordance with the Board approved risk appetite and ICAAP. The ultimate objective of the ICAAP is to ensure that residual risk exposures are commensurate with aggregate capital.

Financial risks (including insurance risks) arise from the past issuance of life insurance policies and the holding financial instruments. This note discloses financial risk in accordance with the categories in AASB 7 *Financial Instruments* ("AASB 7"):

- Market risk
- Liquidity and refinancing risk
- Credit concentration risk

This note does not include market, liquidity or credit risk for the life insurance contracts issued by AMP Life as they are outside the scope of AASB 7.

#### (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 AMP Life, which could lead to an impact on the AMP Life's profit after tax and equity, and the management of those exposures.

Market risk	Exposures	Management of exposures and use of derivatives
<b>Interest rate risk</b>		
The risk of an impact on AMP Life'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.	AMP Life's long-term subordinated debt.  Interest bearing investment assets of the shareholder and statutory funds.	Derivatives are used to manage interest rate risk exposures, including bond futures, interest rate swaps and swaptions. AMP Life manages interest rate and other market risks to reduce impacts on capital arising from asset and liability mismatches. ALICo provides support to the CEO in the execution of strategies to reduce the impact of interest rates on AMP Life's capital position.
<b>Currency risk</b>		
The risk of an impact on AMP Life'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.  Capital invested in overseas operations.  Foreign exchange rate movements on specific cash flow transactions	AMP Life uses swaps to hedge the interest rate risk and foreign currency risk on foreign currency denominated borrowings but does not hedge the capital invested in overseas operations.  AMP Life hedges material foreign currency risk originated by receipts and payments once the value and timing of the expected cash flow is known.  Foreign currency denominated assets supporting policy liabilities are currency hedged except the international equities portfolio attributable to shareholders within AMP Life Statutory Fund No.1.
<b>Equity price risk</b>		
The risk of an impact on AMP Life'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 Life uses equity futures and call options to hedge equity exposures, with the overall purpose of reducing impacts on capital arising from asset and liability mismatches. ALICo provides support to the CEO in the execution of strategies to reduce the impact of equity prices on AMP Life's capital position.

## Section 3: Capital structure and financial risk management

### 3.3 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;
- Sensitivities for each market risk variable are disclosed independently. Correlations between the different market risk variables are excluded from the sensitivity results below;
- Assumes that all underlying exposures and related hedges are included and the change in variable occurs at the reporting date; and
- Does not include the impact of any mitigating management actions over the period to the subsequent reporting date.

		2020		2019	
		Impact on profit after tax Increase (decrease) \$m	Impact on equity Increase (decrease) \$m	Impact on profit after tax Increase (decrease) \$m	Impact on equity Increase (decrease) \$m
<b>Change in variables</b>					
<b>Interest rate risk</b>					
Impact of a 100 basis points(bp) change in Australian and international interest rates.	+ 100 bp	2	2	(14)	(14)
	- 100 bp	44	44	2	2
<b>Currency risk</b>					
Impact of a 10% movement of exchange rate against the Australian dollar on currency sensitive monetary assets and liabilities.	10% depreciation of AUD	4	79	3	115
	10% appreciation of AUD	(4)	(65)	(3)	(95)
<b>Equity price risk</b>					
Impact of a 10% movement in Australian and international equities. Any potential impact on fees from AMP Life's investments linked business is not included.	10% increase in:				
	- Australian equities	7	7	7	7
	- International equities	7	7	7	7
	10% decrease in:				
	- Australian equities	(7)	(7)	(7)	(7)
	- International equities	(7)	(7)	(7)	(7)

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

## Section 3: Capital structure and financial risk management

### 3.3 Financial risk management (continued)

#### (b) Liquidity and refinancing risk

##### Liquidity risk

The risk that AMP Life is not able to meet its obligations as they fall due because of an inability to realise assets at their fair value within a reasonable time frame.

##### Refinancing risk

The risk that AMP Life is not able to refinance the full quantum of its ongoing debt requirements on appropriate terms and pricing.

Liquidity risk for AMP Life and related service companies (who manage working capital on behalf of AMP Life in exchange for a pre-determined fee) are managed by the AMP Life treasury team and ALICo. Liquidity risk exposures (both trading and funding liquidity risk) are also managed in accordance with the AMP Life Liquidity Risk Management Policy.

##### Maturity analysis

Below is a summary of the maturity profiles of AMP Life'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.

	Up to 1 Year or no term	1 to 5 Years	More than 5 Years	No specific maturity	Total
2020	\$m	\$m	\$m	\$m	\$m
<b>Non-derivative financial liabilities</b>					
Payables	789	-	-	-	789
Interest-bearing liabilities <sup>2</sup>	60	50	390	-	500
Investment contract liabilities <sup>1</sup>	40	110	143	4,140	4,433
<b>Total undiscounted financial liabilities</b>	<b>889</b>	<b>160</b>	<b>533</b>	<b>4,140</b>	<b>5,722</b>
<b>2019</b>					
<b>Non-derivative financial liabilities</b>					
Payables	2,139	-	-	-	2,139
Interest-bearing liabilities	78	277	-	-	355
Investment contract liabilities <sup>1</sup>	229	834	849	69,705	71,617
<b>Total undiscounted financial liabilities</b>	<b>2,446</b>	<b>1,111</b>	<b>849</b>	<b>69,705</b>	<b>74,111</b>

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.

2 AMP Life has a call option to early redeem the subordinated notes when specific conditions are met and subject to prior written approval from APRA. The holders of the subordinated notes cannot require AMP Life to redeem the subordinated notes prior to the maturity date. Since the holder has no option to claim early redemption and there are no circumstances that exist at the reporting that which indicates that the notes will be redeemed prior to maturity.

## Section 3: Capital structure and financial risk management

### 3.3 Financial risk management (continued)

#### (c) Credit risk

Risk	Exposures	Management of exposures and use of derivatives
<b>Credit risk</b>		
Credit default risk is the risk of financial 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 AMP Life statutory funds.	The Chief Investment Officer manages credit risk exposure for AMP Life and ALICo providing additional oversight to ensure credit risks are managed within risk appetite.

#### Collateral and master netting or similar agreements

AMP Life obtains collateral and utilises netting agreements to mitigate credit risk exposures from certain counterparties.

##### *Derivative financial assets and liabilities*

The management of credit risk from derivatives includes the use of Credit Support Annexes to derivative agreements which facilitate the bi-lateral posting of collateral.

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 accounting set off in the Statement of financial position. This is because the AMP Life, in most cases, does not have any immediate legally enforceable right to offset recognised amounts.

If these netting arrangements were applied to the derivative portfolio, the derivative assets of \$501m would be reduced by \$46m to the net amount of \$455m and derivative liabilities of \$63m would be reduced by \$46m to the net amount of \$17m (2019: derivative assets of \$578m would be reduced by \$52m to the net amount of \$523m and derivative liabilities of \$229m would be reduced by \$55m to the net amount of \$174m).

## Section 3: Capital structure and financial risk management

### 3.4 Other derivative information

#### Accounting policy – recognition and measurement

##### Derivative financial instruments

Derivative financial instruments are initially recognised at fair value exclusive of any transaction costs on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. All derivatives are recognised as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from the change in fair value of derivatives, except those that qualify as effective cash flow hedges, are immediately recognised in the Statement of comprehensive income.

### 3.5 Capital management

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

AMP Life aims to optimise the mix of capital resources in order to minimise the cost of capital and maximise shareholder value.

The Minimum Regulatory Capital Requirement (MRR) is the amount of shareholder capital required by AMP Life to meet its capital 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.

AMP Life has a Board approved minimum capital target above APRA requirements, with additional capital targets held above this amount. The capital target above the Board minimum has been set to a less than 10% probability of capital resources falling below the Board minimum over a 12-month period. In addition, the participating business of the life insurance 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, AMP Life complied with the applicable externally imposed capital requirements



## Notes to the financial statements

for the year ended 31 December 2020

### 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 this financial report, holders of investment contracts or life insurance contracts are collectively and individually referred to as policyholders.

##### Investment contracts

The investment contracts of AMP Life relate to wealth management products such as savings, investment-linked and retirement income policies. The nature of this business is that AMP Life receive 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

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

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

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

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

##### Allocation of operating profit and unvested policyholder benefits

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

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

Profit allocated to participating policyholders is recognised in the Income statement as an increase in policy liabilities. The policy liabilities include profit that has not yet been allocated to specific policyholders (i.e. unvested) and that which has been allocated to specific policyholders by way of bonus distributions (i.e. vested).

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

## Section 4: Life insurance and investment contracts

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

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

- (i) Investment income (net of tax and investment expenses) on retained earnings in respect of discretionary participating business is allocated between policyholders and shareholders in proportion to the balances of policyholders' and shareholders' retained earnings. This proportion is, mostly, 80% to policyholders and 20% to shareholders.
- (ii) Other MoS profits arising from discretionary participating business are allocated 80% to policyholders and 20% to shareholders, with the following exceptions:
  - the profit arising from New Zealand corporate superannuation business is apportioned such that shareholders are allocated 15% of the profit allocated to policyholders
  - the profit arising in respect of preservation superannuation account business is allocated 92.5% to policyholders and 7.5% to shareholders
  - 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
  - the underwriting profit arising in respect of participating Business Super risk business is allocated 90% to policyholders and 10% to shareholders.

#### 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 are allocated directly to a product line based on the fees incurred under the services agreements between AMP Life and Resolution Life Services Australia Pty Ltd.

The fee within the service agreements are determined according to detailed expense analysis, with due regard to the activities to which that expense relates to. Where expenses are not directly attributable, they are appropriately apportioned using business drivers and statistics such as policy counts, annual premiums and funds under management. 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.

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 Life's net contractual rights and obligations under reinsurance contracts is presented as 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.

**Notes to the financial statements**

for the year ended 31 December 2020

**Section 4: Life insurance and investment contracts****4.2 Life insurance contracts – premiums, claims, expenses and liabilities**

	2020 \$m	2019 \$m
<b>(a) Analysis of life insurance contract related revenue - net of reinsurance</b>		
Life insurance contract premiums received and receivable	2,094	2,351
Less: component recognised as a change in life insurance contract liabilities	(308)	(369)
Life insurance contract premium revenue <sup>1</sup>	1,786	1,982
Commission received from reinsurers	223	262
<b>Life insurance contract related revenue</b>	<b>2,009</b>	<b>2,244</b>
Life insurance contract premiums ceded to reinsurers	(989)	(1,033)
<b>Life insurance contract related revenue - net of reinsurance</b>	<b>1,020</b>	<b>1,211</b>
<b>(b) Analysis of life insurance contract claims expenses - net of reinsurance</b>		
Total life insurance contract claims paid and payable	(3,062)	(3,854)
Less: component recognised as a change in life insurance contract liabilities	987	1,679
Life insurance contract claims expense	(2,075)	(2,175)
Life insurance claims recovered from reinsurers	556	512
<b>Life insurance contract claims expenses - net of reinsurance</b>	<b>(1,519)</b>	<b>(1,663)</b>
<b>(c) Analysis of life insurance contract operating expenses</b>		
Life insurance contract acquisition expenses		
- Commission	(12)	(12)
- Other expenses	(32)	(4)
Life insurance contract maintenance expenses		
- Commission	(132)	(164)
- Other expenses	(292)	(350)
Investment management expenses	(48)	(52)

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

## Section 4: Life insurance and investment contracts

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

	2020	2019
	\$m	\$m
<b>(d) Life insurance contract liabilities</b>		
<b>Life insurance contract liabilities determined using projection method</b>		
<i>Best estimate liability</i>		
- value of future life insurance contract benefits	14,252	14,395
- value of future expenses	3,433	3,779
- value of future premiums	(8,636)	(8,985)
<i>Value of future profits</i>		
- life insurance contract holder bonuses	3,143	3,420
- shareholder's profit margins	1,467	1,479
<b>Total life insurance contract liabilities determined using the projection method</b>	<b>13,659</b>	<b>14,088</b>
<b>Life insurance contract liabilities determined using the accumulation method</b>		
<i>Best estimate liability</i>		
- value of future life insurance contract benefits	6,384	7,029
- value of future acquisition expenses	(29)	(44)
- value of future premiums <sup>2</sup>	(8)	-
<b>Total life insurance contract liabilities determined using the accumulation method</b>	<b>6,347</b>	<b>6,985</b>
Value of declared bonus	191	262
Unvested policyholder benefits liabilities <sup>1</sup>	2,431	2,452
<b>Total life insurance contract liabilities net of reinsurance</b>	<b>22,628</b>	<b>23,787</b>
Reinsurance liability - ceded life insurance contracts <sup>3</sup>	(1,546)	(1,515)
Reinsurance asset- ceded life insurance contracts <sup>4</sup>	1,448	1,222
<b>Total life insurance contract liabilities gross of reinsurance</b>	<b>22,530</b>	<b>23,494</b>

- For participating business in the statutory funds, part of the assets in excess of the life insurance contract and other liabilities calculated under MoS are attributed to policyholders. Under the Life Act, this is referred to as policyholder retained profits. For the purpose of reporting under accounting standards, this amount is referred to as unvested life policyholder benefits liabilities and is included within life insurance contract liabilities even though it is yet to be vested as specific policyholder entitlements.
- At 1 July 2020, AMP Life NZ Branch entered an arrangement with RLNZ where a single reinsurance premium of NZD \$9m was paid for a reinsurance cover. A reinsurance asset was set up in AMP Life NZ Branch where the balance is amortised monthly over time. This arrangement provides coverage to New Zealand participating and non-participating policyholders in the event that AMPL is unable to meet contractual payments due to the exhaustion of assets within the statutory fund.
- 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 Gen Re, Munich Re and Swiss Re, in return for upfront commission received. It also reflects the reinsurance position of the surplus reinsurance arrangement with Gen Re and Swiss Re.
- Reinsurance assets - this represents the present value of reinsurance recoveries on claims that have already been incurred, as well as the reinsurance component of unearned premiums.

	2020	2019
	\$m	\$m
<b>(e) Reconciliation of changes in life insurance contract liabilities</b>		
Total life insurance contract liabilities at the beginning of the year	23,494	23,246
Change in life insurance contract liabilities recognised in the Income statement	(356)	1,437
Premiums recognised as an increase in life insurance contract liabilities	308	369
Claims recognised as a decrease in life insurance contract liabilities	(987)	(1,679)
Change in reinsurance asset - ceded life insurance contracts	226	149
Change in reinsurance liability - ceded life insurance contracts	(31)	(63)
Foreign exchange adjustment	(124)	35
<b>Total life insurance contract liabilities at the end of the year</b>	<b>22,530</b>	<b>23,494</b>

## 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 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 is used. The rates are determined as shown in the following table:

Business type	Basis <sup>1</sup>	31 December 2020		31 December 2019	
		Australia %	New Zealand %	Australia %	New Zealand %
Retail risk (other than income benefit open claims) <sup>1</sup>	Zero coupon government bond yield curve	0.0 - 2.1	0.3 - 2.4	0.9 - 2.2	1.1 - 2.5
Retail risk and group risk (income benefit open claims) <sup>1</sup>	Zero coupon government bond yield curve (including liquidity premium)	0.2 - 2.2	0.4 - 2.5	1.1 - 2.4	1.3 - 2.7
Life annuities	Non-CPI Zero coupon government bond yield curve (including liquidity premium)	0.2 - 2.3	0.4 - 2.5	1.2 - 2.4	1.4 - 2.8
Life annuities	CPI Commonwealth indexed bond yield curve (including liquidity premium)	-1.5 - 0.1	-0.6 - 0.6	-0.2 - 0.6	0.4 - 1.4

<sup>1</sup> 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 Resolution Life Group Holding (Australia) Pty Ltd 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.

**Notes to the financial statements**

for the year ended 31 December 2020

**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 AMP Life's own experience. The annual future CPI rates are largely derived from the difference between long-term government bonds and indexed government bonds.

The expense inflation assumptions have been set based on the various factors such as inflation rates, recent expense performance, AMP Life's current plans, expected policy run off and the terms of the relevant service company agreement, as appropriate. The assumed expense inflation was changed from 31 December 2019 for the Australian portfolio.

The assumed CPI and expense inflation rates at the valuation date are:

	Australia		New Zealand	
	%		%	
	CPI	Expense Inflation	CPI	Expense Inflation
31 December 2020	1.8	1.6 - 3.0	1.6	2.0
31 December 2019	1.4	3.0	1.6	2.0

**(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 AMP Life's own historical experience. These rates are based upon the assessed global rate for each of the individual products (or product groups) and then, where appropriate, further adjusted for 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 AMP Life 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 2019 for Australian and New Zealand risk.

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 (Australia and New Zealand) are calculated based on average expected for the next five years.

Business type	31 December 2020		31 December 2019	
	Australia	New Zealand	Australia	New Zealand
	%	%	%	%
Conventional	2.1 - 7.4	1.1 - 2.2	2.2 - 7.4	1.1 - 2.2
Retail risk (lump sum)	6.9 - 19.4	4.7 - 16.5	6.8 - 21.3	4.7 - 16.1
Retail risk (income benefit)	5.0 - 14.5	8.8 - 15.4	5.0 - 14.7	8.7 - 15.5
Flexible Lifetime Super (FLS) risk business	15.0 - 22.5	n/a	15.5 - 23.3	n/a

**(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.

**Notes to the financial statements**

for the year ended 31 December 2020

**Section 4: Life insurance and investment contracts****4.3 Life insurance contracts - assumptions and valuation methodology (continued)****(g) Mortality and morbidity**

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

Key assumptions are reviewed regularly throughout the year. Certain assumptions have been updated to reflect recent experience, this includes:

- COVID-19: Allowances for short deterioration of morbidity claims were made for the potential impact of COVID-19 on income protection and TPD claims experience across both Australian and New Zealand wealth protection products;
- Australian retail income protection: a refit was performed on the new industry table ADI 14-18 resulting in changes to incidence and termination rates;
- Australian retail lump sum: TPD incidence rates were strengthened to reflect recent experience incidence rates across various portfolio offset by a weakening of incidence rates for death and trauma; and
- New Zealand retail income protection: Changes to accident and sickness incidence and termination rates and Group Risk loss ratios reflecting recent experience.

The assumptions are summarised in the following table.

<b>Conventional</b>	<b>Conventional - % of IA95-97</b>	
	<b>Male</b>	<b>Female</b>
<b>31 December 2020</b>		
Australia	<b>60.8</b>	<b>60.8</b>
New Zealand	<b>73.0</b>	<b>73.0</b>
<b>31 December 2019</b>		
Australia	60.8	60.8
New Zealand	73.0	73.0

<b>Risk Products</b>	<b>Retail Lump Sum - % of table</b>	
	<b>Male</b>	<b>Female</b>
<b>31 December 2020</b>		
Australia <sup>1</sup>	<b>90-134</b>	<b>90-134</b>
New Zealand	<b>104 - 120</b>	<b>85 - 98</b>
<b>31 December 2019</b>		
Australia <sup>1</sup>	90-141	90-141
New Zealand	104 - 120	85 - 98

<sup>1</sup> Base IA04-08 Death Without Riders table modified based on aggregated experience but with overall product specific adjustment factors (estimated methodology used).

	<b>Male - % of IML00*</b>	<b>Female - % of IFL00*</b>
<b>31 December 2020</b>		
Australia and New Zealand <sup>1</sup>	<b>95.0</b>	<b>80.0</b>
<b>31 December 2019</b>		
Australia and New Zealand <sup>1</sup>	95.0	80.0

<sup>1</sup> Annuities tables modified for future mortality improvements.

**Notes to the financial statements**

for the year ended 31 December 2020

**Section 4: Life insurance and investment contracts****4.3 Life insurance contracts - assumptions and valuation methodology  
(continued)****(g) Mortality and morbidity (continued)**

Typical morbidity assumptions, in aggregate, are as follows:

<b>Income protection</b>	<b>Incidence rates % of ADI 14-18</b>	<b>Termination rates (ultimate) % of ADI 14-18</b>	<b>Incidence rates % of ADI 07-11</b>	<b>Termination rates (ultimate) % of ADI 07-11</b>
<b>31 December 2020</b>				
Australia	<b>28 - 158</b>	<b>68 - 117</b>	N/A	N/A
New Zealand	N/A	N/A	<b>72 - 179</b>	<b>69 - 144</b>
<b>31 December 2019</b>				
Australia	N/A	N/A	45 - 179	53 - 89
New Zealand	N/A	N/A	83 - 149	69 - 144

<b>Retail Lump Sum</b>	<b>Male % of IA04-08</b>	<b>Female % of IA04-08</b>
<b>31 December 2020</b>		
Australia TPD <sup>1</sup>	<b>145 - 277</b>	<b>165-351</b>
Australia Trauma <sup>2</sup>	<b>92 - 174</b>	<b>92 - 174</b>
New Zealand TPD <sup>1</sup>	<b>120</b>	<b>120</b>
New Zealand Trauma <sup>2</sup>	<b>110 - 114</b>	<b>110 - 114</b>
<b>31 December 2019</b>		
Australia TPD <sup>1</sup>	132 - 277	150 - 351
Australia Trauma <sup>2</sup>	102 - 193	102 - 193
New Zealand TPD <sup>1</sup>	120	120
New Zealand Trauma <sup>2</sup>	110 - 114	110 - 114

<sup>1</sup> Base IA04-08 TPD table modified based on our aggregated experience but with overall product specific adjustment factors (estimated methodology used).

<sup>2</sup> 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 1995–1997. The table has been modified to allow for future mortality improvement.
IML00*/IFL00*	IML00 and IFL00 are mortality tables developed by the Institute and Faculty of Actuaries based on United Kingdom annuitant lives experience from 1999-2002. The tables refer to male and female lives respectively and incorporate factors that allow for mortality improvements since the date of the investigation. IML00* and IFL00* are these published tables amended for some specific AMP 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.
ADI 14-18	A disability table developed by KPMG at the request of the Financial Services Council (FSC) based on Australian disability income experience for the period 2014-2018. This table has been adjusted for AMP Life with overall product specific adjustment factors.



**Notes to the financial statements**

for the year ended 31 December 2020

**Section 4: Life insurance and investment contracts****4.3 Life insurance contracts - assumptions and valuation methodology  
(continued)****(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 backing assets for participating business are largely driven by long-term (e.g. 10-year) government bond yields. The 10-year government bond yields used at the relevant valuation dates are as shown in the following table.

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

	10 year government bond yields	Risk premiums				
		Local equities	International equities	Property & Infrastructure	Fixed interest	Cash
	%	%	%	%	%	%
<b>31 December 2020</b>						
Australia	1.0	4.5	3.5	2.5	0.4	(0.5)
New Zealand	1.0	4.5	3.5	2.5	0.3	(0.5)
<b>31 December 2019</b>						
Australia	1.4	4.5	3.5	2.5	0.5	(0.5)
New Zealand	1.7	4.5	3.5	2.5	0.4	(0.5)

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

The averages of the asset mixes assumed for the purpose of setting future investment assumptions for participating business at the valuation date are as shown in the table below for each life company. 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 <sup>1</sup>	Equities	Property & Infrastructure	Fixed Interest	Cash
	%	%	%	%
<b>31 December 2020</b>				
Australia	29	14	39	18
New Zealand	35	17	39	9
<b>31 December 2019</b>				
Australia	29	14	39	18
New Zealand	35	17	39	9

<sup>1</sup> The asset mix in the table above includes both conventional and investment account business for AMP Life. As described in note 4.1, 100% of investment profits on discretionary participating investment account business are allocated to policyholders.

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

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.

## Section 4: Life insurance and investment contracts

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

**(h) Other participating business assumptions (continued)**

Typical supportable bonus rates on major product lines are as follows for AMP Life (31 December 2019 in parentheses).

Reversionary bonus	Bonus on sum insured %	Bonus on existing bonuses %
Australia	0.5 - 1.5 (0.5 - 1.5)	0.7 - 2.2 (0.8 - 2.2)
New Zealand	0.5 - 1.4 (0.5 - 1.6)	0.5 - 1.4 (0.5 - 1.6)

**Terminal bonus**

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

**Crediting rates (investment account)**

	%
Australia	0.3 - 2.9 (1.8 - 3.3)
New Zealand	1.6 - 1.9 (2.1 - 2.5)

**(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 assumptions from 31 December 2019 to 31 December 2020 in respect of life insurance contracts (excluding new business contracts which are measured using assumptions at reporting date) is as shown in the table below.

Assumption change	Change in future profit margins \$m	Change in life insurance contract liabilities <sup>1</sup> \$m	Change in shareholder's profit and equity <sup>2</sup> \$m
Non-market related changes to discount rates	1	(4)	3
Mortality and morbidity	11	156	(110)
Discontinuance rates	(52)	(14)	10
Maintenance expenses	(5)	(15)	11
Premium rates	87	(166)	116

<sup>1</sup> Change in life insurance contract liabilities is net of reinsurance, gross of tax.

<sup>2</sup> 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.

## Notes to the financial statements

for the year ended 31 December 2020

### Section 4: Life insurance and investment contracts

#### 4.4 Life insurance contracts - risk

##### (a) Life insurance risk

AMP Life 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 AMP Life open to claims from causes that were not anticipated. The variability inherent in insurance risk, including concentration risk, is managed by having a large geographically diverse portfolio of individual risks, underwriting and the use of reinsurance.

Underwriting is managed through a dedicated underwriting department, with formal underwriting limits and appropriate training and development of underwriting staff. Individual policies carrying insurance risk are generally underwritten individually on their merits. Individual policies which are transferred from a group scheme are generally issued without underwriting. Group risk insurance policies meeting certain criteria are underwritten on the merits of the employee group as a whole.

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

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

- reduce the net liability on large individual risks;
- obtain greater diversification of insurance risks;
- provide protection against large losses;
- 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+. In addition, for the New Zealand business a reinsurance arrangement exists with RLNZ. This is to satisfy RBNZ requirements regarding AMP Life's operating model, and provides a level of additional protection for AMP Life New Zealand policyholders, in the unlikely event of insolvency of AMP Life.

**Notes to the financial statements**

for the year ended 31 December 2020

**Section 4: Life insurance and investment contracts****4.4 Life insurance contracts - risk (continued)****(b) Key terms and conditions of life insurance contracts**

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

<b>Type of contract</b>	<b>Detail of contract workings</b>	<b>Nature of compensation for claims</b>	<b>Key variables affecting future cash flows</b>
<i>Non-participating life insurance contracts with fixed and guaranteed terms (term life and disability)</i>	These policies provide guaranteed benefits, which are paid on death or ill-health, that are fixed and not at the discretion of the Life Companies. Premium rates for yearly renewable business are not guaranteed and may be changed at the discretion of the Life Companies 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.
<i>Life annuity contracts</i>	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.
<i>Conventional life insurance contracts with discretionary participating benefits (endowment and whole of life)</i>	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.
<i>Investment account contracts with discretionary participating features</i>	The gross value of premiums received is invested in the investment account with fees and premiums for any associated insurance cover being deducted from the account balance when due. Interest is credited regularly.	Payment of the account balance is generally guaranteed, although it may be subject to certain penalties on early surrender or limited adjustment in adverse 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.

**Notes to the financial statements**

for the year ended 31 December 2020

**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.

Variable	Change in variable	Change in life insurance contract liabilities		Change in the shareholder's profit after income tax and equity	
		Gross of reinsurance \$m	Net of reinsurance \$m	Gross of reinsurance \$m	Net of reinsurance \$m
Mortality	10% increase in mortality rates	21	20	(15)	(14)
Annuitant mortality	50% increase in the rate of mortality improvement	18	18	(13)	(13)
Morbidity - lump sum disablement	20% increase in lump sum disablement rates	9	9	(6)	(6)
Morbidity - disability income	10% increase in incidence rates	190	81	(133)	(57)
Morbidity - disability income	10% decrease in termination rates	337	155	(236)	(109)
Discontinuance rates	10% increase in discontinuance rates	76	41	(54)	(30)
Maintenance expenses	10% increase in maintenance expenses	32	32	(23)	(23)

**(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 \$m	1 to 5 years \$m	Over 5 years \$m	Total \$m
2020	1,343	3,469	9,648	14,460
2019	1,589	3,628	10,336	15,553

**Notes to the financial statements**

for the year ended 31 December 2020

**Section 4: Life insurance and investment contracts****4.5 Other disclosure - life insurance contracts and investment contracts****(a) Analysis of life insurance and investment contract profit**

	2020	2019
	\$m	\$m
Components of profit related to life insurance and investment contract liabilities:		
- Planned margins of revenues over expenses released	193	327
- Profits (losses) arising from difference between actual and assumed experience	140	(26)
- Losses arising from changes in assumptions	(95)	(135)
- Capitalised reversals (losses)	25	(166)
<b>Profit related to life insurance and investment contract liabilities</b>	<b>263</b>	<b>-</b>
Attributable to:		
- Life insurance contracts	211	(87)
- Investment contracts	52	87
<b>Profit related to life insurance and investment contract liabilities</b>	<b>263</b>	<b>-</b>
<b>Investment earnings on assets in excess of life insurance and investment contract liabilities</b>	<b>15</b>	<b>80</b>

**(b) Restrictions on assets in statutory funds**

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

AMP Life has three statutory funds as set out below:

<b>No. 1 fund</b>	<b>Australia</b>	All non-investment linked business (w hole of life, endow ment, investment account, retail and group risk and immediate annuities) and North longevity guarantee.
	<b>New Zealand</b>	All business (w hole of life, endow ment, investment account, retail and group risk, investment-linked and immediate annuities).
<b>No. 2 fund</b>	<b>Australia</b>	Investment-linked superannuation business (retail and group investment-linked and deferred annuities).
<b>No. 3 fund</b>	<b>Australia</b>	Investment-linked ordinary business.

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

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

**Notes to the financial statements**

for the year ended 31 December 2020

**Section 4: Life insurance and investment contracts****4.5 Other disclosure - life insurance contracts and investment contracts (continued)****(c) Capital guarantees**

	2020	2019
	\$m	\$m
Life insurance contracts with a discretionary participating feature		
- Amount of the liabilities that relate to guarantees	12,921	13,327
Investment linked contracts		
- Amount of the liabilities subject to investment performance guarantees	84	762
Other life insurance and investment contracts with a guaranteed termination value		
- Current termination value	64	68

**(d) Capital requirements**

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

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

The excess of the company's capital base over the PCA as at 31 December 2020 was \$1,502m (2019: \$1,480m)

The Appointed Actuary of AMP Life has confirmed that the capital base of each life statutory fund and shareholders' fund have exceeded PCA at all times during 2020 and 2019.

## Section 4: Life insurance and investment contracts

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

#### (d) Capital requirements (continued)

		No 1 Statutory Fund	No 2 Statutory Fund	No 3 Statutory Fund	Share- holder's Fund	Total
2020		\$m	\$m	\$m	\$m	\$m
<b>Capital Base</b>						
Net assets as per Life Insurance Act	A	1,908	12	6	276	2,202
- Common equity Tier 1 Capital		1,908	12	6	276	2,202
- Additional Tier 1 Capital		n/a	n/a	n/a	-	-
Total regulatory adjustments to net assets	B	168	-	-	(72)	96
- Total regulatory adjustments to Common equity Tier 1 Capital		168	-	-	(72)	96
- Total regulatory adjustments to Additional Tier 1 Capital		n/a	n/a	n/a	-	-
Tier 2 Capital	C	300	-	-	-	300
Total regulatory adjustments to Tier 2 Capital	D	-	-	-	-	-
<b>Total capital base</b>	<b>E(A+B+C+D)</b>	<b>2,376</b>	<b>12</b>	<b>6</b>	<b>204</b>	<b>2,598</b>
<b>Prescribed capital</b>						
Insurance risk charge		419	-	-	-	419
Asset risk charge		602	1	1	3	607
Asset concentration risk charge		-	-	-	-	-
Operational risk charge		120	8	2	-	130
Less aggregation benefit		(221)	-	-	-	(221)
Combined stress scenario adjustment		160	-	-	1	161
<b>Total Prescribed capital Amount (PCA)</b>	<b>F</b>	<b>1,080</b>	<b>9</b>	<b>3</b>	<b>4</b>	<b>1,096</b>
<b>Capital adequacy multiple</b>	<b>E/F</b>	<b>220%</b>	<b>133%</b>	<b>200%</b>	<b>5100%</b>	<b>237%</b>

		No 1 Statutory Fund	No 2 Statutory Fund	No 3 Statutory Fund	Share- holder's Fund	Total
2019		\$m	\$m	\$m	\$m	\$m
<b>Capital Base</b>						
Net assets as per Life Insurance Act	A	1,841	221	6	271	2,339
- Common equity Tier 1 Capital		1,841	221	6	(34)	2,034
- Additional Tier 1 Capital		n/a	n/a	n/a	305	305
Total regulatory adjustments to net assets	B	133	(35)	-	(65)	33
- Total regulatory adjustments to Common equity Tier 1 Capital		133	(35)	-	(65)	33
- Total regulatory adjustments to Additional Tier 1 Capital		n/a	n/a	n/a	-	-
Tier 2 Capital	C	176	24	-	-	200
Total regulatory adjustments to Tier 2 Capital	D	-	-	-	-	-
<b>Total capital base</b>	<b>E(A+B+C+D)</b>	<b>2,150</b>	<b>210</b>	<b>6</b>	<b>206</b>	<b>2,572</b>
<b>Prescribed capital</b>						
Insurance risk charge		410	-	-	-	410
Asset risk charge		529	2	1	2	534
Asset concentration risk charge		-	-	-	-	-
Operational risk charge		129	174	2	-	305
Less aggregation benefit		(206)	-	-	-	(206)
Combined stress scenario adjustment		49	-	-	-	49
<b>Total Prescribed capital Amount (PCA)</b>	<b>F</b>	<b>911</b>	<b>176</b>	<b>3</b>	<b>2</b>	<b>1,092</b>
<b>Capital adequacy multiple</b>	<b>E/F</b>	<b>236%</b>	<b>119%</b>	<b>200%</b>	<b>10300%</b>	<b>236%</b>



**Notes to the financial statements**

for the year ended 31 December 2020

**Section 4: Life insurance and investment contracts****4.5 Other disclosure - life insurance contracts and investment contracts (continued)****(e) Actuarial information**

Mr Greg Bird, the Appointed Actuary of AMP Life, is satisfied as to the accuracy of the data used in the valuations in the financial report and in the tables in this note and notes 4.2- 4.5.

The liabilities to policyholders, capital base and prescribed capital amounts have been determined at the reporting date in accordance with the Life Act.

**(f) Disaggregated information**

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

	No 1 Statutory Fund	No 2 Statutory Fund	No 3 Statutory Fund	Share- holder's Fund	Total
	\$m	\$m	\$m	\$m	\$m
<b>2020</b>					
<b>Income and expenses of policyholders and the shareholder</b>					
Life insurance contract related revenue - net of reinsurance	1,020	-	-	-	1,020
Fee revenue	13	293	10	26	342
Other revenue	42	-	1	4	47
Interest income, dividends and distributions and net gains on financial assets and liabilities at fair value through profit or loss	1,179	(6,293)	33	1	(5,080)
Share of profit of associates accounted for using the equity method	-	-	-	-	-
Life insurance contract claims expenses - net of reinsurance	(1,519)	-	-	-	(1,519)
Goodwill impairment	-	-	-	-	-
Operating expenses	(536)	(236)	(5)	(13)	(790)
Finance costs	(10)	(1)	-	-	(11)
Change in policyholder liabilities					
- Life insurance contracts	356	-	-	-	356
- Investment contracts	(31)	5,686	(24)	-	5,631
Income tax expense	(284)	594	(10)	(62)	238
<b>Profit (loss) for the year</b>	<b>230</b>	<b>43</b>	<b>5</b>	<b>(44)</b>	<b>234</b>

	No 1 Statutory Fund	No 2 Statutory Fund	No 3 Statutory Fund	Share- holder's Fund	Total
	\$m	\$m	\$m	\$m	\$m
<b>2019</b>					
<b>Income and expenses of policyholders and the shareholder</b>					
Life insurance contract related revenue - net of reinsurance	1,211	-	-	-	1,211
Fee revenue	42	755	11	70	878
Interest income, dividends and distributions and net gains on financial assets and liabilities at fair value through profit or loss	2,915	11,499	147	19	14,580
Share of profit of associates accounted for using the equity method	24	-	-	-	24
Life insurance contract claims expenses - net of reinsurance	(1,663)	-	-	-	(1,663)
Goodwill impairment	-	-	-	(65)	(65)
Operating expenses	(618)	(604)	(5)	(19)	(1,246)
Finance costs	(17)	(2)	-	-	(19)
Change in policyholder liabilities					
- Life insurance contracts	(1,437)	-	-	-	(1,437)
- Investment contracts	(88)	(10,933)	(105)	-	(11,126)
Income tax expense	(385)	(627)	(40)	(23)	(1,075)
<b>Profit (loss) for the year</b>	<b>(16)</b>	<b>88</b>	<b>8</b>	<b>(18)</b>	<b>62</b>

## Section 4: Life insurance and investment contracts

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

(f) Disaggregated information (continued)

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

	No 1 Statutory Fund	No 2 Statutory Fund	No 3 Statutory Fund	Share- holder's Fund	Elimina- tions <sup>2</sup>	Total
	\$m	\$m	\$m	\$m	\$m	\$m
<b>2020</b>						
<b>Assets</b>						
Investments in financial assets	25,705	3,163	890	293	-	30,051
Other assets	2,842	350	9	338	(470)	3,069
<b>Total assets of policyholders and the shareholder</b>	<b>28,547</b>	<b>3,513</b>	<b>899</b>	<b>631</b>	<b>(470)</b>	<b>33,120</b>
<b>Liabilities</b>						
Life insurance contract liabilities <sup>1</sup>	22,530	-	-	-	-	22,530
Investment contract liabilities <sup>1</sup>	336	3,347	793	-	-	4,476
Other liabilities	3,771	155	98	358	(470)	3,912
<b>Total liabilities of policyholders and the shareholder</b>	<b>26,637</b>	<b>3,502</b>	<b>891</b>	<b>358</b>	<b>(470)</b>	<b>30,918</b>
<b>Net assets</b>	<b>1,910</b>	<b>11</b>	<b>8</b>	<b>273</b>	<b>-</b>	<b>2,202</b>
<b>Equity</b>						
Contributed equity	1,382	27	8	215	-	1,632
Reserves	79	-	-	(143)	-	(64)
Retained earnings	449	(16)	-	201	-	634
<b>Total equity</b>	<b>1,910</b>	<b>11</b>	<b>8</b>	<b>273</b>	<b>-</b>	<b>2,202</b>
	No 1 Statutory Fund	No 2 Statutory Fund	No 3 Statutory Fund	Share- holder's Fund	Elimina- tions	Total
	\$m	\$m	\$m	\$m	\$m	\$m
<b>2019</b>						
<b>Assets</b>						
Investments in financial assets	27,030	70,381	921	288	-	98,620
Other assets	4,880	531	2	299	(439)	5,273
<b>Total assets of policyholders and the shareholder</b>	<b>31,910</b>	<b>70,912</b>	<b>923</b>	<b>587</b>	<b>(439)</b>	<b>103,893</b>
<b>Liabilities</b>						
Life insurance contract liabilities <sup>1</sup>	23,494	-	-	-	-	23,494
Investment contract liabilities <sup>1</sup>	1,845	68,889	816	-	-	71,550
Other liabilities	4,730	1,801	102	316	(439)	6,510
<b>Total liabilities of policyholders and the shareholder</b>	<b>30,069</b>	<b>70,690</b>	<b>918</b>	<b>316</b>	<b>(439)</b>	<b>101,554</b>
<b>Net assets</b>	<b>1,841</b>	<b>222</b>	<b>5</b>	<b>271</b>	<b>-</b>	<b>2,339</b>
<b>Equity</b>						
Contributed equity	1,093	173	7	200	-	1,473
Reserves	128	-	-	(141)	-	(13)
Retained earnings	620	49	(2)	212	-	879
<b>Total equity</b>	<b>1,841</b>	<b>222</b>	<b>5</b>	<b>271</b>	<b>-</b>	<b>2,339</b>

<sup>1</sup> Based on assumptions as to likely withdrawal patterns of the various product groups, it is estimated that approximately \$11,570m (2019: \$12,336m) of policy liabilities may be settled within 12 months of the reporting date.

<sup>2</sup> Eliminations represents inter-statfund balances.

## Section 4: Life insurance and investment contracts

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

**(f) Disaggregated information (continued)**

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

	No 1 Statutory Fund	No 2 Statutory Fund	No 3 Statutory Fund	Share- holder's Fund	Total
2020	\$m	\$m	\$m	\$m	\$m
Opening retained earnings	620	49	(2)	212	879
Net profit (loss)	230	43	5	(44)	234
Transfers between statutory and shareholder's funds	(401)	(108)	(3)	512	-
Dividends and distributions paid	-	-	-	(479)	(479)
<b>Closing retained earnings</b>	<b>449</b>	<b>(16)</b>	<b>-</b>	<b>201</b>	<b>634</b>

	No 1 Statutory Fund	No 2 Statutory Fund	No 3 Statutory Fund	Share- holder's Fund	Total
2019	\$m	\$m	\$m	\$m	\$m
Opening retained earnings	652	23	1	579	1,255
Net profit (loss)	(16)	88	8	(18)	62
Transfers between statutory and shareholder's funds	(16)	(62)	(11)	89	-
Dividends and distributions paid	-	-	-	(438)	(438)
<b>Closing retained earnings</b>	<b>620</b>	<b>49</b>	<b>(2)</b>	<b>212</b>	<b>879</b>

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

	No 1 Statutory Fund	No 2 Statutory Fund	No 3 Statutory Fund	Share- holder's Fund	Total
2020	\$m	\$m	\$m	\$m	\$m
Opening contributed equity	1,093	173	7	200	1,473
Redemption of capital notes	-	-	-	(305)	(305)
Issue of share capital	161	79	1	223	464
<b>Closing contributed equity</b>	<b>1,254</b>	<b>252</b>	<b>8</b>	<b>118</b>	<b>1,632</b>

	No 1 Statutory Fund	No 2 Statutory Fund	No 3 Statutory Fund	Share- holder's Fund	Total
2019	\$m	\$m	\$m	\$m	\$m
Opening contributed equity	1,093	173	7	200	1,473
<b>Closing contributed equity</b>	<b>1,093</b>	<b>173</b>	<b>7</b>	<b>200</b>	<b>1,473</b>

## Section 4: Life insurance and investment contracts

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

(f) Disaggregated information (continued)

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

	Non- Investment Linked <sup>1</sup>	Investment Linked	Total Statutory Funds	Share- holder's Fund	Total
2020	\$m	\$m	\$m	\$m	\$m
<b>Income and expenses of policyholders and the shareholder</b>					
Life insurance contract related revenue - net of reinsurance	1,020	-	1,020	-	1,020
Fee revenue	13	303	316	26	342
Other revenue	42	1	43	4	47
Interest income, dividends and distributions and net gains on financial assets and liabilities at fair value through profit or loss	1,179	(6,260)	(5,081)	1	(5,080)
Share of profit of associates accounted for using the equity method	-	-	-	-	-
Life insurance contract claims expenses - net of reinsurance	(1,519)	-	(1,519)	-	(1,519)
Goodwill impairment	-	-	-	-	-
Operating expenses	(536)	(241)	(777)	(13)	(790)
Finance costs	(10)	(1)	(11)	-	(11)
Change in policyholder liabilities					
- Life insurance contracts	356	-	356	-	356
- Investment contracts	(31)	5,662	5,631	-	5,631
Income tax expense	(284)	584	300	(62)	238
<b>Profit (loss) for the year</b>	<b>230</b>	<b>48</b>	<b>278</b>	<b>(44)</b>	<b>234</b>

	Non- Investment Linked <sup>1</sup>	Investment Linked	Total Statutory Funds	Share- holder's Fund	Total
2019	\$m	\$m	\$m	\$m	\$m
<b>Income and expenses of policyholders and the shareholder</b>					
Life insurance contract related revenue - net of reinsurance	1,211	-	1,211	-	1,211
Fee revenue	42	766	808	70	878
Interest income, dividends and distributions and net gains on financial assets and liabilities at fair value through profit or loss	2,915	11,646	14,561	19	14,580
Share of profit of associates accounted for using the equity method	24	-	24	-	24
Life insurance contract claims expenses - net of reinsurance	(1,663)	-	(1,663)	-	(1,663)
Goodwill impairment	-	-	-	(65)	(65)
Operating expenses	(618)	(609)	(1,227)	(19)	(1,246)
Finance costs	(17)	(2)	(19)	-	(19)
Change in policyholder liabilities					
- Life insurance contracts	(1,437)	-	(1,437)	-	(1,437)
- Investment contracts	(88)	(11,038)	(11,126)	-	(11,126)
Income tax expense	(385)	(667)	(1,052)	(23)	(1,075)
<b>Profit (loss) for the year</b>	<b>(16)</b>	<b>96</b>	<b>80</b>	<b>(18)</b>	<b>62</b>

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

## Section 4: Life insurance and investment contracts

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

(f) Disaggregated information (continued)

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

	Non- Investment Linked <sup>1</sup>	Investment Linked	Total Statutory Funds	Share- holder's Fund	Elimina- tions <sup>2</sup>	Total
	\$m	\$m	\$m	\$m	\$m	\$m
<b>2020</b>						
<b>Assets</b>						
Investments in financial assets	25,705	4,053	29,758	293	-	30,051
Other assets	2,842	359	3,201	338	(470)	3,069
<b>Total assets of policyholders and the shareholder</b>	<b>28,547</b>	<b>4,412</b>	<b>32,959</b>	<b>631</b>	<b>(470)</b>	<b>33,120</b>
<b>Liabilities</b>						
Life insurance contract liabilities	22,530	-	22,530	-	-	22,530
Investment contract liabilities	336	4,140	4,476	-	-	4,476
Other liabilities	3,771	253	4,024	358	(470)	3,912
<b>Total liabilities of policyholders and the shareholder</b>	<b>26,637</b>	<b>4,393</b>	<b>31,030</b>	<b>358</b>	<b>(470)</b>	<b>30,918</b>
<b>Net assets</b>	<b>1,910</b>	<b>19</b>	<b>1,929</b>	<b>273</b>	<b>-</b>	<b>2,202</b>
<b>Equity</b>						
Contributed equity	1,382	35	1,417	215	-	1,632
Reserves	79	-	79	(143)	-	(64)
Retained earnings	449	(16)	433	201	-	634
<b>Total equity</b>	<b>1,910</b>	<b>19</b>	<b>1,929</b>	<b>273</b>	<b>-</b>	<b>2,202</b>
<b>2019</b>						
<b>Assets</b>						
Investments in financial assets	27,030	71,302	98,332	288	-	98,620
Other assets	4,880	533	5,413	299	(439)	5,273
<b>Total assets of policyholders and the shareholder</b>	<b>31,910</b>	<b>71,835</b>	<b>103,745</b>	<b>587</b>	<b>(439)</b>	<b>103,893</b>
<b>Liabilities</b>						
Life insurance contract liabilities	23,494	-	23,494	-	-	23,494
Investment contract liabilities	1,845	69,705	71,550	-	-	71,550
Other liabilities	4,730	1,903	6,633	316	(439)	6,510
<b>Total liabilities of policyholders and the shareholder</b>	<b>30,069</b>	<b>71,608</b>	<b>101,677</b>	<b>316</b>	<b>(439)</b>	<b>101,554</b>
<b>Net assets</b>	<b>1,841</b>	<b>227</b>	<b>2,068</b>	<b>271</b>	<b>-</b>	<b>2,339</b>
<b>Equity</b>						
Contributed equity	1,093	180	1,273	200	-	1,473
Reserves	128	-	128	(141)	-	(13)
Retained earnings	620	47	667	212	-	879
<b>Total equity</b>	<b>1,841</b>	<b>227</b>	<b>2,068</b>	<b>271</b>	<b>-</b>	<b>2,339</b>

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

2 Eliminations represents inter-statfund balances.

**Notes to the financial statements**

for the year ended 31 December 2020

**Section 4: Life insurance and investment contracts****4.5 Other disclosure - life insurance contracts and investment contracts****(continued)****(f) Disaggregated information (continued)***(vii) Retained earnings by non-investment linked and investment linked*

	Non- Investment Linked <sup>1</sup>	Investment Linked	Total Statutory Funds	Shareholder's Fund	Total
2020	\$m	\$m	\$m	\$m	\$m
Opening retained earnings	620	47	667	212	879
Net profit (loss)	230	48	278	(44)	234
Transfers between statutory and shareholder's funds	(401)	(111)	(512)	512	-
Dividends and distributions paid	-	-	-	(479)	(479)
<b>Closing retained earnings</b>	<b>449</b>	<b>(16)</b>	<b>433</b>	<b>201</b>	<b>634</b>

	Non- Investment Linked <sup>1</sup>	Investment Linked	Total Statutory Funds	Shareholder's Fund	Total
2019	\$m	\$m	\$m	\$m	\$m
Opening retained earnings	652	24	676	579	1,255
Net profit (loss)	(16)	96	80	(18)	62
Transfers between statutory and shareholder's funds	(16)	(73)	(89)	89	-
Dividends and distributions paid	-	-	-	(438)	(438)
<b>Closing retained earnings</b>	<b>620</b>	<b>47</b>	<b>667</b>	<b>212</b>	<b>879</b>

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

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

	Non- Investment Linked <sup>1</sup>	Investment Linked	Total Statutory Funds	Shareholder's Fund	Total
2020	\$m	\$m	\$m	\$m	\$m
Opening contributed equity	1,093	180	1,273	200	1,473
Redemption of capital notes	-	-	-	(305)	(305)
Issue of share capital	161	80	241	223	464
<b>Closing contributed equity</b>	<b>1,254</b>	<b>260</b>	<b>1,514</b>	<b>118</b>	<b>1,632</b>

	Non- Investment Linked <sup>1</sup>	Investment Linked	Total Statutory Funds	Shareholder's Fund	Total
2019	\$m	\$m	\$m	\$m	\$m
Opening contributed equity	1,093	180	1,273	200	1,473
<b>Closing contributed equity</b>	<b>1,093</b>	<b>180</b>	<b>1,273</b>	<b>200</b>	<b>1,473</b>

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

## Section 5: Related party disclosures

- 5.1 Investments in associates
- 5.2 Key management personnel
- 5.3 Transactions with related parties

### 5.1 Investments in associates

#### (a) Investments in associate accounted for using the equity method

	Principal activities	Place of business	Ownership interest		Carrying amount		
			2020 %	2019 %	2020 \$m	2019 \$m	
China Life Pension Company <sup>1</sup>	Pension company	China	-	19.99	-	325	
<b>Total investments in associate accounted for using the equity method</b>						<b>-</b>	<b>325</b>

<sup>1</sup> AMP Life has completed the sale of its 19.99% interest in China Life Pension Company Limited (CLPC) to AMP Limited.

#### (b) Investments in significant associate held by the life entity's statutory funds measured at fair value through profit or loss

The life insurance statutory funds hold investments in various unit trusts on behalf of policyholders. The investments in associates held through unit trusts are accounted for at fair value through P&L.

#### Accounting Policy – recognition and measurement

##### Investments in associate

##### *Investments in associates accounted for using the equity method*

Investments in entities, other than those backing investment contract liabilities and life insurance contract liabilities, over which AMP Life has the ability to exercise significant influence, but not control, are accounted for using the equity method of accounting. The investment is measured at cost plus post-acquisition changes in AMP Life's share of the associates' net assets, less any impairment in value. AMP Life's share of profit or loss of associates is included in the consolidated Income statement. Any dividend or distribution received from associates is accounted for as a reduction in carrying value of the associate.

Any impairment is recognised in the Statement of comprehensive income when there is objective evidence a loss has been incurred. It is measured as the amount by which the carrying amount of the investment in entities exceeds its recoverable amount.

##### *Investments in associates measured at fair value through profit or loss*

Investments in entities 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.

**Notes to the financial statements**

for the year ended 31 December 2020

**Section 5: Related party disclosures****5.2 Key management personnel**

The following table provides aggregate details of the compensation of key management personnel of the company. The remuneration is paid by a related company, Resolution Life Services Australia Pty Ltd <sup>1</sup>.

	2020	2019
	\$	\$
Short term benefits	3,442,478	2,693,587
Post-employment benefits	100,030	121,244
Share based payments	-	641,428
Other long-term benefits	323,584	13,112
Termination Benefits	-	-
<b>Total</b>	<b>3,866,092</b>	<b>3,469,371</b>

**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 Resolution Life group to defined contributions funds are recognised in the Income statement as an operating expense when they fall due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

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



## Section 5: Related party disclosures

### 5.3 Transactions with related parties

The company has transactions with related parties including controlled entities and associated entities.

Most of those related parties are various investment vehicles/funds and the activities with those parties are part of the normal day to day investment activities of the company.

Other related party transactions are in respect of administrative services, investment management services and financial planning services provided by fellow controlled entities in the Resolution Life group. Balances with other related parties that are material are set out in the table below.

Transactions with related parties are made at arm's length on normal commercial terms .

Revenue and expenses with related parties are:

		Distributions paid to related parties	Interest revenue received from related parties	Service fees received from related parties	Investment management and contract fees received from related parties	Services fee expenses paid to related parties	Investment Management fees, commission expenses paid to related parties	Interest expenses paid to related parties
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Fellow subsidiaries of Resolution Life Group</b>								
Resolution Life Group Finance (Bermuda) Ltd	2020	6,550	-	-	-	-	-	-
	2019	-	-	-	-	-	-	-
Resolution Life Services Australia Pty Ltd	2020	-	-	-	-	164,733	-	-
	2019	-	-	-	-	-	-	-
Resolution Life Services NZ Limited	2020	-	-	-	-	28,886	-	-
	2019	-	-	-	-	-	-	-
<b>Fellow subsidiaries of AMP Limited Group for the period up to 30 June 2020<sup>1</sup></b>								
AMP Bank Limited	2020	-	9,175	-	-	-	-	-
	2019	-	30,330	-	-	-	-	-
AMP Capital Funds Management Limited	2020	-	-	-	281	-	-	-
	2019	-	-	-	2,254	-	-	-
AMP Capital Investors Limited	2020	-	-	-	1,981	-	83,491	-
	2019	-	-	-	6,265	-	232,530	-
AMP Financial Planning Pty Limited	2020	-	-	-	-	-	64,986	-
	2019	-	-	-	-	-	186,185	-
AMP Limited	2020	8,187	-	-	-	-	-	3,628
	2019	19,052	-	-	-	-	-	10,353
AMP Services Limited	2020	-	-	24,127	-	227,420	-	-
	2019	-	-	46,000	-	540,135	-	-
AMP Services (NZ) Limited	2020	-	-	-	-	9,695	-	-
	2019	-	-	-	-	51,875	-	-
AMP Superannuation Limited	2020	-	-	-	-	1,044	-	-
	2019	-	-	-	-	4,410	-	-
AMP Wealth Management Services Pty Ltd	2020	-	-	-	-	-	469	-
	2019	-	-	-	-	-	2,005	-
Charter Financial Planning Ltd	2020	-	-	-	-	-	12,085	-
	2019	-	-	-	-	-	38,568	-
Hillross Financial Service	2020	-	-	-	-	-	4,596	-
	2019	-	-	-	-	-	12,996	-
IPAC Asset Management Ltd	2020	-	-	-	2,521	-	-	-
	2019	-	-	-	4,696	-	-	-
National Mutual Funds Management Limited	2020	-	-	-	-	428	-	-
	2019	-	-	-	2,057	13,833	-	-

1. Prior to 30 June 2020, AMP Limited and its subsidiaries were classified as related parties, however, post completion of the sale transaction, they are not considered as related parties. Transactions with AMP Limited and its subsidiaries that are material for the period up to 30 June 2020 are set out in the table below

## Section 5: Related party disclosures

Receivables and payables with related parties are:

		Amounts owed by related parties	Amounts owed to related parties
		\$'000	\$'000
<b>Fellow subsidiaries of Resolution Life Group</b>			
AMP Life (NZ) Investments Holding Limited	2020	-	-
	2019	963,373	-
AMP Life (NZ) Investments Limited	2020	-	29,791
	2019	-	430,786
Resolution Life AAPH Limited	2020	2,119	-
	2019	-	-
RLNM Limited	2020	1,046	-
	2019	50,547	-
Resolution Life Services Australia Pty Ltd	2020	-	33,606
	2019	-	-
Resolution Life Services NZ Limited	2020	608	-
	2019	-	425
<b>Fellow subsidiaries of AMP Limited Group for the period up to 30 June 2020 <sup>1</sup></b>			
AMP Advice Holdings Pty Ltd	2020	-	-
	2019	-	2,838
AMP Bank Limited	2020	-	-
	2019	1,697,179	-
AMP Capital Investors Limited	2020	-	-
	2019	-	45,924
AMP Financial Planning Pty Limited	2020	-	-
	2019	24,920	-
AMP Limited	2020	-	-
	2019	-	576,576
AMP Services Limited	2020	-	-
	2019	-	7,542
Hillross Financial Services	2020	-	-
	2019	8,524	-
IPAC Asset Management Ltd	2020	-	-
	2019	2,572	-
NMMT	2020	-	-
	2019	30,770	-
National Mutual Funds Management Limited	2020	-	-
	2019	-	3,640

1. Prior to 30 June 2020, AMP Limited and its subsidiaries were classified as related parties, however, post completion of the sale transaction, they are not considered as related parties. Transactions with AMP Limited and its subsidiaries that are material for the period up to 30 June 2020 are set out in the table below

## Section 6: Other disclosures

- 6.1 Significant events during the year
  - 6.2 Notes to Statement of cash flows
  - 6.3 Contingent liabilities
  - 6.4 Auditors' remuneration
  - 6.5 New accounting standards
  - 6.6 Events occurring after reporting date
- 

### 6.1 Significant events during the year

#### (a) Significant transactions

On 25 October 2018, AMP announced an agreement with Resolution Life Australia Pty Ltd (Resolution Life) to sell its Australian and New Zealand Wealth Protection (WP) and Super and Investments businesses. On 8 August 2019, AMP announced a revised agreement with updated terms for the sale of these businesses. The sale transaction was completed on 30 June 2020 after satisfying the conditions precedent and obtaining the necessary regulatory approvals. The sale of AMP's share resulted in the ultimate parent entity in Australia ceasing to be AMP Limited and becoming Resolution Life Group Holdings (Australia) Pty Ltd.

In order to satisfy the conditions precedent and to create a stand-alone Wealth Protection and Super & Investments business, the company undertook the following transactions:

- \$57,381m investment policy liabilities held by superannuation funds were redeemed from Statutory funds 1 and 2 on 15 May 2020. This reduced policyholder liabilities together with offsetting movement in investments and associated assets and liabilities and had no impact on profit. Fee revenue subsequent to this transaction will be reduced compared to prior periods.
- Retained profits relating to the non-participating business of \$464m were distributed to AMP FSH and replaced by contributed equity.
- AMP Life has repurchased the subordinated notes on issue to AMP Limited on 5 June 2020.
- AMP Life has completed the sale of its 19.99% interest in China Life Pension Company Limited (CLPC) to AMP Limited.
- AMP Limited transferred ownership of the capital notes at face values to Resolution Life Group Finance (Bermuda) Ltd. There have been no change to the terms and conditions of the capital notes. The capital notes were redeemed on December 2020.

## Section 6: Other disclosures

### (b) Coronavirus (COVID-19) impact

#### Background

COVID-19 has materially impacted, and is expected to continue to materially impact, the global economy and/or financial markets. The extent of the impact on the company's business, results of operations, financial condition, liquidity and cash flows is largely dependent on future developments, which are highly uncertain and not predictable, including the scale of COVID-19 and actions taken to address its impact.

On 11 March 2020, the World Health Organisation declared the outbreak of a strain of novel coronavirus disease (COVID-19) a global pandemic. The ongoing COVID-19 pandemic has had a significant impact on the global economy and the ability of individuals, businesses, and governments to operate. Across the globe, travel, trade, business, working arrangements and consumption have been materially impacted by the pandemic. There continues to be considerable uncertainty as to the duration of and further impact of COVID-19 including (but not limited to) in relation to government, regulatory or health authority actions, work stoppages, lockdowns, quarantines and travel restrictions. The impact of some or all of these factors could cause significant direct disruption to the company's operations and financial performance.

#### Impact of COVID 19

Forward-looking information, including an explanation of the scenarios that were considered in determining the company's assumptions for the purposes of calculating its insurance policy liabilities in the financial statements have been outlined below.

Noting the wide range of possible scenarios and macroeconomic outcomes, and the relative uncertainty of how COVID-19 and its social and economic consequences will flow, these scenarios represent reasonable and supportable forward-looking views as at the reporting date.

#### Consideration of the statements of financial position and further disclosures

Key statements of financial position items and related disclosures that have been impacted by COVID-19 were as follows:

##### Policy liabilities

In response to COVID-19 the company undertook a review of best estimate assumptions, with a particular focus on claims and lapses to determine impacts and implications from COVID-19 during 1H20. Allowances were made for anticipated short term deterioration within claims experience due to the impacts of the COVID-19 pandemic.

Several scenarios were considered as part of this work and these were updated as the situation unfolded during 1H20. It should be noted that there is a high degree of uncertainty as the emergence of experience will be influenced by a significant number of factors including the number of future outbreaks, lockdown measures imposed and the availability and effectiveness of a vaccine. These uncertainties have been captured as part of risk margins used in capital calculations in addition to the COVID-19 overlays on best estimate assumptions. Short term deterioration allowances for COVID-19 have been detailed as follows:

##### Death & Trauma Claims

There have been low rates of infection of COVID-19 in Australia and New Zealand largely due to the strict government measure implemented to control outbreaks. Given the responses adopted by governments, it is expected further outbreaks will be dealt with in a similar manner. Of those infected, mortality predominantly impacts the older demographic and are less likely to be part of the insured population. Due to the low infection rates and availability of ICU capacity, the direct impact on these insured portfolio is expected to be limited. Similarly, trauma claims may directly arise from ICU admission, but this is more likely to affect the older demographic and it is not expected to result in any material claim incidence.

Noting that direct COVID-19 deaths are not expected to be material and no increase in death or trauma claims incidence was included for the direct mortality impacts of the pandemic.

##### TPD Claims

A TPD claim is unlikely to occur from a direct case of COVID-19 given recovery is within a short duration, often less than a month. However, it is possible that those who recover from severe cases may suffer lasting effects on their health including permanent lung damage or PTSD from ICU. Given the low rates of infections have largely been controlled and isolated due to effective government measure, the direct impact is likely to be low.

However, the economic consequences due to lockdowns and restrictions of certain events impacting specific industries is expected to lead to an increase in mental health and stress related claims (such as mental illness and chronic pain). For TPD insurance, it has been assumed that there is an increase in these claims over 2H20 and FY21 which has been adopted for the best estimate assumptions.

##### Income Protection (IP)

With respect to IP claims incidence, due to waiting periods on IP products and the relatively quick recovery from COVID-19, it is unlikely to lead to an increase in the incidence of direct claims. The increase will mainly relate to more certain conditions where the claimant could have potentially remained in the work force or returned to work, but is now less able to due to the poor economic outlook. Termination of currently open claims will also be impacted similarly, as those on claim will have less opportunities to go back to.

There have been numerous papers published which have estimated how IP claims costs may increase with a deterioration in economic conditions. Further analysis was undertaken to estimate the likely increase in claims costs using forecasted economic metrics of unemployment and underemployment. As a result, a short term deterioration allowance has been made for a potential unfavourable experience in IP incidence and termination claim rates over 2H20 and FY21.

## Section 6: Other disclosures

### Lapses

Following the lockdowns in April 2020, there was an increase in inbound queries about premium pauses and affordability of insurance premiums. This resulted in the introduction of a COVID-19 specific premium pause feature allowing policyholders to stop paying premiums for a specified amount of time. This helped mitigate some of the lapses that would have eventuated due to short-term affordability issues.

As part of the annual lapse investigation, increases in partial lapses and lower take-up of automatic indexation was observed. A deterioration in lapse experience was observed in Q2 20 which coincided with initial lockdowns, however, this deterioration has not been sustained. No explicit allowances were made for COVID-19 driven lapses over existing best estimate assumption changes.

### Goodwill

Consistent with the company's accounting policies, the company has tested goodwill for impairment at the reporting date for indicators of impairment and, where applicable, reviewed the measurement of the carrying value of such intangible assets.

The goodwill recognised for Wealth Protection CGU's is tested for impairment triggers using the recent transaction price by comparing the carrying value of goodwill to fair value determined through purchase price. As the transaction has been recently concluded, the purchase price is considered sufficiently representative and no further analysis was deemed required.

### Life investment policy liabilities and investments backing life investment policy liabilities

Life investment policy liabilities are valued at fair value, which is based on the valuation of the assets held within the unitised investment linked policy investment pools. The investments backing policy liabilities are also valued at their fair value as there would otherwise be an accounting mismatch between the assets are held against investment policy liabilities.

### Risk management

The company's risk management framework continues to be applied and monitored against the impact of COVID-19 on the company's risk profile. Non-financial risks emerging from movement restrictions, and remote working by our staff, counterparties, clients and suppliers, are being identified, assessed, managed and governed through timely application of the company's risk management framework.

## Section 6: Other disclosures

### 6.2 Notes to Statement of cash flows

#### (a) Reconciliation of cash flow from operating activities

	2020	2019
	\$m	\$m
Profit / (net loss) for the year	234	62
Amortisation and impairment of intangibles	-	65
Investment gains and losses	6,862	(9,797)
Dividend and distribution income reinvested	(1,381)	(3,974)
Increase in receivables and other assets	(218)	(179)
(Decrease) / increase in net policy liabilities	(10,626)	3,234
(Decrease) / increase in income tax balances	(943)	708
(Decrease) / increase in other payables and provisions	(965)	92
<b>Cash flows used in operating activities</b>	<b>(7,037)</b>	<b>(9,789)</b>

#### (b) Reconciliation of cash

	2020	2020
	\$m	\$m
Cash and cash equivalents	158	1,895
Short term bills and notes (included in Debt securities)	214	23
<b>Cash and cash equivalents for the purposes of the Statement of cash flows</b>	<b>372</b>	<b>1,918</b>

#### 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. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value.

### 6.3 Contingent liabilities

From time to time AMP Life may incur obligations arising from litigation or various types of contracts entered into in the normal course of business, including guarantees issued by the parent for performance obligations to controlled entities in AMP Life. Where it is determined that the disclosure of information in relation to a contingent liability can be expected to seriously prejudice the position of AMP Life (or its insurers) in a dispute, accounting standards allow AMP Life not to disclose such information and it is AMP Life's policy that such information is not to be disclosed in this note.

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.

#### Superannuation class actions

AMP Life is currently named as a respondent in two class actions against certain AMP entities that were lodged in the Federal Court of Australia. The first class action names both AMP Life and RLNM Limited ("RLNM") as Respondents and relates to superannuation fees. It is a consolidated of two class action proceedings commenced in May and June 2019. The second class action (which is also a consolidation of two separate proceedings) relates to financial advice and certain AMP Life products.

Both class actions are subject to indemnities under the share sale and purchase agreement (SPA) between (among others) AMP Holdings Limited and Resolution Life Australia Pty Ltd ("RLA") and AMP Holdings Limited has assumed conduct of the AMP Life's and RLNM's defence in respect of these proceedings. The indemnities operate to indemnify RLA against any liability or loss suffered by AMP Life or RLNM arising from the Superannuation Class Actions, subject to terms and conditions of the SPA.

Based on the information available, there is no basis to conclude that it is probable that there will be a material economic outflow from AMP Life or RLNM arising from these claims and, accordingly, no provision has been recognised at this stage.

### 6.4 Auditors' remuneration

	2020	2019
	\$'000	\$'000
<b>Audit services for AMP Life Limited</b>		
Audit of subsidiary financial statements <sup>1</sup>	1,240	700
Other audit services	160	88
<b>Total audit service fees</b>	<b>1,400</b>	<b>788</b>
<b>Non-audit services</b>		
Other non-audit services <sup>2</sup>	732	-
<b>Total non-audit services fees</b>	<b>732</b>	<b>-</b>
<b>Total amounts received or due and receivable by the Auditors</b>	<b>2,132</b>	<b>788</b>

1 In 2020, the appointed auditor for AMP Life's financial statements has changed from Ernst & Young to Deloitte Touche Tohmatsu.

2 In 2020, non-audit services were in relation to AASB 17 transition support from Deloitte.

## 6.5 New accounting standards

### a) New and amended accounting standards adopted by AMP Life

A number of new accounting standards and amendments have been adopted effective 1 January 2020. These have not had a material effect on the financial position or performance of AMP Life.

### b) New accounting standards issued but not yet effective

#### **AASB 17 Insurance Contracts**

*AASB 17 Insurance Contracts* ("AASB 17") was originally released in 2017. Since that time, various implementation issues were raised by stakeholders and, in 2020, the International Accounting Standards Board introduced a number of amendments to IFRS 17. Those amendments have also been incorporated into AASB 17, including deferral of its effective date. For AMP Life, the effective date will be the annual reporting period beginning on 1 January 2023. Previous period comparatives will be restated based on restated insurance contract liabilities at 1 January 2022.

The 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 AASB 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 changes in the measurement of insurance contract liabilities including the amount of deferred acquisition costs and the profit emergence profiles from life insurance contracts.

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 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 interpretations and regulatory responses to the new standard are determined. AMP Life has in place a comprehensive implementation program for the adoption of AASB 17.

## 6.6 Events occurring after reporting date

On 18 March 2021, AMP Life declared \$71m final dividend of \$0.57 per share

Other than the matter discussed above, as at the date of this report, the directors are not aware of any other matters or circumstances that have arisen since the reporting date that have significantly affected; or many significantly affect the entity's operations; the results of those operations; or the entity's state of affairs in future periods.



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

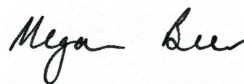
- (a) in the opinion of directors there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- (b) in the opinion of directors the financial statements and notes for the financial year ended 31 December 2020 are in accordance with the *Corporations Act 2001*, including Section 296 (compliance with accounting standards) and Section 297 (true and fair view); and
- (c) the notes to the financial statements for the financial year ended 31 December 2020 include an explicit and unreserved statement of compliance with the International Financial Reporting Standards.



---

David Clarke  
Chairman

Sydney, 26 March 2021



---

Megan Beer  
Chief Executive Officer

## Independent Auditor's Report to the Members of AMP Life Limited

### *Opinion*

We have audited the financial report of AMP Life Limited (the "Company") which comprises the statement of financial position as at 31 December 2020, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's financial position as at 31 December 2020 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### *Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

### *Other Information*

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 31 December 2020, but does not include the financial report and our auditor's report thereon.

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

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

## *Responsibilities of the Directors for the Financial Report*

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company 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 Company or to cease operations, or has no realistic alternative but to do so.

## *Auditor's Responsibilities for the Audit of the Financial Report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian Auditing Standards 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a

going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU



Stuart Alexander  
Partner  
Chartered Accountants  
Sydney, 26 March 2021