2013
annual report

AMP 2013 annual report. AMP Limited ABN 49 079 354 519.
Unless otherwise specified, all amounts are in Australian dollars.
The information in this report is current as at 3 March 2014.

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AMP was founded on a simple yet bold idea

– that every individual should have the power and ability to control his or her life. For more than 160 years, we've dedicated ourselves to making this possible. And while we've grown and changed over the decades, one thing has remained the same – our unwavering sense of purpose to help people own tomorrow.

Chairman’s foreword

Welcome to AMP’s 2013 annual report

AMP generated good growth across most of its businesses in 2013. However profitability was pulled back by poor results in our life insurance business.

The board believes that the best response both to these challenges and to drive stronger growth across the organisation is to re-orient AMP to be a more customer centric and efficient business. It will require a deep cultural shift and very significant changes to the way we do business.

We are also continuing to invest in areas with strong potential for profitable growth, including the SMSF business, the adviser network, the North platform, AMP Bank and expanding AMP Capital in selected markets offshore. We will continue to maintain a sharp cost and capital focus.

On 1 January 2014, we welcomed Craig Meller to the board as he took on the position of Chief Executive Officer (CEO). Craig Meller has been with AMP since 2001 and is well placed to guide AMP through the next phase of its evolution.

On behalf of the board I would like to thank Craig Dunn for his exceptional leadership during his time as CEO. Craig retired from AMP at the end of 2013, following six years as CEO and 13 years with the company, during which time he led AMP with distinction through the global financial crisis and extensive regulatory change and delivered one of Australia’s largest and most successful financial services integrations.

In accordance with AMP’s board tenure guidelines, and with the smooth transition to new CEO Craig Meller bedded down, I have decided to retire from the board at the annual general meeting (AGM) in May. I have had the honour of being a director of AMP for more than 10 years, and chairman for more than eight years. It has been a privilege to serve the shareholders of this company over that time.

In line with our succession planning, Simon McKeon will become chairman of the AMP Limited Board when I retire. Simon joined AMP in March 2013 and we continue to work closely together to ensure a smooth handover.

We have also appointed a new director with outstanding life insurance experience, Trevor Matthews, to the board. Shareholders will have an opportunity to vote on his appointment at the AGM.

Rick Allert has also announced his intention to retire as a director of AMP, effective from the end of the AGM. Rick has played an integral role in the smooth integration of the AMP and AXA businesses and his invaluable contribution is greatly appreciated.

Your board has declared a final dividend of 11.5 cents a share, which will be 70 per cent franked and will be paid on 10 April 2014. This is a final payout ratio of 80 per cent of the 2013 underlying profit, which is at the top of AMP’s target payout range of between 70 per cent and 80 per cent of underlying profit. Dividend reinvestment plan (DRP) shares will be bought on market, so as not to dilute the value of existing shares and there will be no discount for DRP shares for this dividend.

AMP’s capital position remains strong, with $2.1 billion in regulatory capital resources held above minimum requirements.

The strength of our capital position, along with the success of the merger with AXA, means we have the size and flexibility to re-orient the organisation to better meet customer needs, in a way that creates value for our customers and shareholders.

‘We have the size and flexibility to re-orient the organisation to better meet customer needs.’

Peter Mason AM Chairman

Five-year financial summary

Year ended 31 December	2013 $m	Restated 2012 $m	Restated 2011 $m	2010 $m	2009 $m
Consolidated Income statement					
Net premium, fee and other revenue	**5,136**	5,166	4,217	2,824	2,665
Investment gains (losses)	**14,963**	12,258	1,548	4,840	8,250
Profit (loss) before income tax from continuing operations	**1,498**	1,387	743	881	1,228
Income tax (expense) credit	**(782)**	(688)	4	(126)	(505)
Non-controlling interests	**(44)**	(10)	12	20	16
Profit after tax attributable to shareholders of AMP Limited	**672**	689	759	775	739
Consolidated Statement of financial position					
Cash and cash equivalents	**2,938**	4,388	4,816	3,325	2,409
Investment assets	**121,781**	107,721	98,221	85,120	84,171
Intangibles	**4,136**	4,502	4,677	919	946
Assets of disposal groups	**42**	187	–	–	–
Other assets	**4,327**	4,566	4,999	2,241	2,304
Total assets	**133,224**	121,364	112,713	91,605	89,830
Borrowings and subordinated debt	**16,243**	13,473	13,322	11,136	12,350
Life insurance contract liabilities	**24,934**	25,055	24,399	17,762	18,380
Investment contract liabilities	**66,049**	58,385	52,940	48,579	47,239
Liabilities of disposal groups	**8**	74	–	–	–
Other liabilities	**17,790**	16,734	15,066	11,130	9,227
Total liabilities	**125,024**	113,721	105,727	88,607	87,196
Net assets	**8,200**	7,643	6,986	2,998	2,634
Contributed equity	**9,602**	9,333	9,074	5,051	4,814
Reserves	**(1,973)**	(2,157)	(2,540)	(2,565)	(2,563)
Retained earnings	**461**	332	364	452	320
Total equity attributable to shareholders of AMP Limited	**8,090**	7,508	6,898	2,938	2,571
Non-controlling interests	**110**	135	88	60	63
Total equity	**8,200**	7,643	6,986	2,998	2,634

		2013	Restated 2012	Restated 2011	2010	2009
Other financial data						
Basic earnings per ordinary share	($ps)	**$0.23**	$0.24	$0.29	$0.38	$0.37
Diluted earnings per ordinary share	($ps)	**$0.23**	$0.24	$0.29	$0.38	$0.37
Dividends per ordinary share	($ps)	**$0.23**	$0.25	$0.29	$0.30	$0.30
Number of ordinary shares	(m)	**2,958**	2,930	2,855	2,094	2,049
Assets under management	($b)	**197**	173	159	115	112

2013 results at a glance

Dividend

The final dividend of 11.5 cents per share will be paid on 10 April 2014.

The final dividend will be 70 per cent franked and brings the total dividend for 2013 to 23 cents per share.

The payout ratio for the full 2013 dividend is 80 per cent of the 2013 underlying profit, which is at the top of AMP's target payout range of 70–80 per cent of underlying profit.

Profit

Profit attributable to shareholders was $672 million for 2013, compared with $689 million in 2012, down 2.5 per cent.

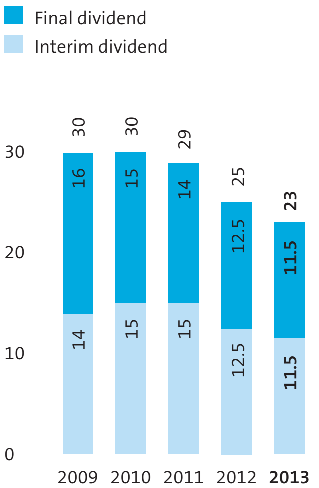
Underlying profit was $849 million for 2013, compared with $950 million in 2012, down 11 per cent.

Underlying profit is AMP's preferred measure of profitability as it best reflects the underlying performance of AMP. It is the earnings base on which the board determines the dividend payment.

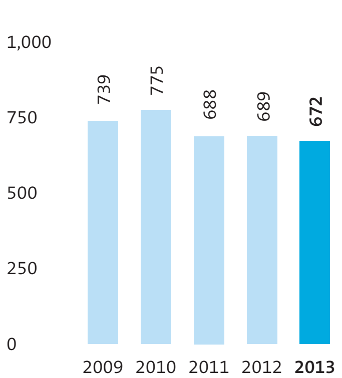
The main difference between the two numbers comes from AXA merger and business efficiency program costs.

A reconciliation of profit attributable to shareholders and underlying profit can be found on pages 9 and 62.

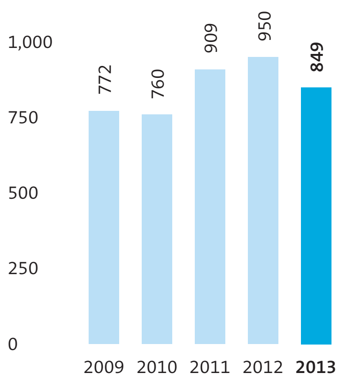
Dividends
cents per share



Profit attributable to shareholders
$ million



Underlying profit
$ million



2012 profits have been restated in accordance with changes in accounting standards.

Your directors present their report on the consolidated entity consisting of AMP Limited and the entities it controlled at the end of or during the year ended 31 December 2013.

Directors' details

The directors of AMP Limited during the year ended 31 December 2013 and up to the date of this report are shown below. Directors were in office for this entire period (except where stated otherwise): Peter Mason (Chairman), Craig Meller (Chief Executive Officer and Managing Director) (appointed 1 January 2014), Patricia Akopiantz, Richard Allert, Catherine Brenner, Brian Clark, Craig Dunn (retired 31 December 2013), Paul Fegan, Simon McKeon (appointed 27 March 2013), John Palmer, Nora Scheinkestel (retired 9 May 2013), Peter Shergold. Details of each director's qualifications, experience and special responsibilities are set out below.

Peter Mason AM

Peter Mason AM

Chairman BCom (Hons), MBA, Hon. DBus (UNSW), FAICD. Age 67
Peter was appointed to the AMP Limited Board in October 2003 and assumed the role of Chairman in September 2005. He was appointed as a member of the People and Remuneration Committee in December 2003 and joined the Nomination Committee in July 2005.

Experience
Peter has 40 years experience in investment banking and is currently a Senior Adviser to UBS Investment Bank. He was Chairman of JP Morgan Chase Bank in Australia from 2000–2005. Prior to this he was Chairman and Chief Executive of Schroders Australia Limited and Group Managing Director of Schroders' investment banking businesses in the Asia-Pacific region. He was a member of the Council of the University of New South Wales for 13 years. He was a Director of the Children's Hospital in Sydney for 12 years and Chairman of the Children's Hospital Fund for eight years. In 1995, Peter was appointed a member of the Order of Australia for his contribution to the Children's Hospital.

Listed directorships
- Chairman of David Jones Limited (appointed as a Director from November 2007 and Chairman from January 2013)
- Director of Singapore Telecommunications Limited (appointed September 2010)

Other directorships/appointments
- Director of the University of New South Wales Foundation
- Chairman of the UBS Australia Foundation Pty Limited
- Director of Taylors Wines Pty Limited
- Chairman of the Centre for International Finance and Regulation
- Trustee of the Sydney Opera House Trust

Craig Meller

Craig Meller

Chief Executive Officer and Managing Director BSc (Hons), ARCS. Age 51
Craig was appointed Chief Executive Officer (CEO) and Managing Director (MD) in January 2014. He has been a Director of AMP Life Limited since October 2007, a Director of The National Mutual Life Association of Australasia Limited since March 2011 and was appointed a Director of AMP Capital Holdings Limited in January 2014.

Experience
Prior to becoming CEO, Craig was MD of AMP Financial Services from 2007–2013. Craig started with AMP group's United Kingdom business in 2001 before coming to Australia in 2002 to take up the role of MD, AMP Banking. He moved to the role of Director of Product Manufacturing in 2003.

Craig started his career at Lloyds TSB in the UK, where he spent more than 14 years working across the business in a number of management roles. From 1998 he worked at Virgin Direct where he was MD from 1999–2001.

Other directorships/appointments
- Deputy Chairman of the Financial Services Council
- Chairman of the Financial Services Council Advice Committee

Patty Akopiantz

Patricia (Patty) Akopiantz

Director BA, MBA. Age 50

Patty was appointed to the AMP Limited Board and the People and Remuneration Committee in March 2011. She was appointed a Director of AMP Bank Limited in November 2011, a member of its Audit Committee in June 2012 and as Chairman of that Audit Committee in February 2013.

Experience

Patty has over 25 years senior management and consultancy experience, primarily in the retail and consumer industries both in Australia and overseas. Over the last 13 years, she has served on numerous boards including AMP AAPH Limited (formerly known as AXA Asia Pacific Holdings Limited) and Coles Group Limited. In 2003, she was awarded a Centenary Medal for services to Australian society in business leadership. She has an MBA from Harvard Business School.

Listed directorships

Within the three years immediately before the end of the last financial year, Patty served as a Director of AMP AAPH Limited (formerly known as AXA Asia Pacific Holdings Limited) (April 2006–March 2011) and Wattyl Limited (September 2005–September 2010).

Other directorships/appointments

- Director of NSW State Library Foundation
- Member of Chief Executive Women

Rick Allert AO

Richard (Rick) Allert AO

Director FCA. Age 71

Rick was appointed to the AMP Limited Board and the Audit Committee in March 2011. He was appointed a Director of AMP Bank Limited and a member of its Audit Committee in August 2013.

Experience

Rick has over 40 years of senior business appointments including Chairman of AMP AAPH Limited (formerly known as AXA Asia Pacific Holdings Limited), Chairman of Tourism Australia, Chairman of Coles Group Limited, Chairman of Southcorp Limited, Chairman of Voyages Hotels and Resorts and President of the National Heart Foundation. In 1997, Rick was appointed a member of the Order of Australia for his service to business and the community, particularly through his work with the National Heart Foundation. In 2003, Rick was awarded a Centenary Medal for service to Australian society through rail transport, business and taxation. In 2007, he was appointed an Officer of the Order of Australia for service to the business sector through leadership and promotion of corporate social responsibility, and to the community through involvement with and support for a range of artistic, charitable and educational organisations.

Listed directorships

- Chairman of Western Desert Resources Limited (appointed January 2011)
- Director of Genesee & Wyoming Inc. (appointed July 2011)

Within the three years immediately before the end of the last financial year, Rick served as a Director of AMP AAPH Limited (formerly known as AXA Asia Pacific Holdings Limited) (September 1995–March 2011, Chairman from April 2000) and as Deputy Chairman of Gerard Lighting Group Limited (March 2010–October 2012).

Other directorships/appointments

- Deputy Chairman of Cavill Power Products Pty Limited
- Director of Genesee & Wyoming Australia Pty Limited
- Director of RG & RT Trott Pty Limited
- Chairman of Ikara Wilpena Enterprises Pty Ltd and Wilpena Pound Aerodrome Services Pty Ltd

Catherine Brenner

Catherine Brenner

Director BEc, LLB, MBA. Age 43

Catherine was appointed to the AMP Limited Board in June 2010 and became Chairman of its Nomination Committee in May 2013. Catherine has also been Chairman of the AMP Life Limited Board since May 2011, having been a member since May 2009 and a member of its Audit Committee since May 2009. Catherine has been Chairman of The National Mutual Life Association of Australasia Limited Board and a member of its Audit Committee since March 2011.

Experience

Catherine is a former Managing Director, Investment Banking at ABN AMRO where she held various senior roles. She is experienced in both corporate advisory and equity capital markets. Prior to this she was a corporate lawyer.

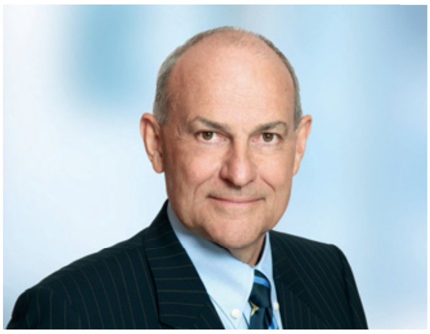
Listed directorships

– Director of Boral Limited (appointed September 2010)
– Director of Coca-Cola Amatil Limited (appointed April 2008)

Within the three years immediately before the end of the last financial year, Catherine served as a Director of Centennial Coal Company Limited (2005–September 2010).

Other directorships/appointments

– Trustee of the Sydney Opera House Trust
– Council Member of Chief Executive Women



Brian Clark

Brian Clark

Director BSc, MSc, DSc, AMP. Age 65

Brian was appointed to the AMP Limited Board in January 2008 and he became a member of the Nomination Committee in July 2008 and a member of the People and Remuneration Committee in May 2009. Brian was also appointed as a member of the AMP Capital Holdings Limited Board in February 2008 and he became Chairman and was appointed a member of its Audit Committee in March 2009.

Experience

Brian spent 10 years in a variety of senior executive roles at Vodafone internationally, most recently in the United Kingdom as Group Human Resources Director. He was Chief Executive Officer (CEO) of Vodafone's Australian business as well as CEO of the Asia Pacific region, based in Tokyo. Before joining Vodafone, Brian spent three years as CEO of Telkom SA Ltd, in South Africa.

Brian has degrees in physics and mathematics from the University of Pretoria, and has completed the Advanced Management Program at the Harvard Business School.

Listed directorships

– Director of Boral Limited (appointed May 2007)

Within the three years immediately before the end of the last financial year, Brian served as Chairman of AMP Capital Investors Limited (responsible entity of the AMP Capital China Growth Fund, a managed investment scheme listed on the ASX) (March 2009–December 2011).

Paul Fegan

Paul Fegan

Director MBA. Age 52

Paul was appointed to the AMP Limited Board in August 2009. He was appointed to the Audit Committee in November 2009 and became Chairman of that committee in December 2010. Paul was Chairman of AMP Bank Limited from May 2012–February 2013 and served as a Director on that board from April 2010–February 2013.

Experience

Paul has over 30 years experience in the financial services industry. He was Chief Financial Officer of Genworth Australia from January 2013–February 2014 and Group Managing Director, Strategy and Corporate Services with Telstra from February 2011–January 2012. Paul was the Chief Executive Officer (CEO) of St.George Bank from November 2007 and CEO and Managing Director from February 2008 until its merger with Westpac Banking Corporation in December 2008. He was also a Director of St.George's funds administration subsidiary, Asgard Wealth Solutions. Prior to joining St.George, Paul was based in the UK as Chief Operating Officer of Yorkshire Bank. He held director positions in both Yorkshire Bank and Clydesdale Bank and a series of senior appointments with National Australia Bank in Australia, the US, Hong Kong, the UK and Ireland.

Simon McKeon AO

Simon McKeon AO

Director BCom, LLB, FAICD. Age 58

Simon was appointed to the AMP Limited Board in March 2013 and was appointed to the Audit Committee in May 2013. Simon was appointed a Director of AMP Capital Holdings Limited and a member of its Audit Committee in May 2013.

Experience

Simon retired in January 2014 as a senior executive of Macquarie Group. He was Chairman of MYOB Limited from 2006–2009 and has held a wide range of public sector and not-for-profit directorships. In 2011, Simon was named Australian of the Year and, in 2012, he was appointed an Officer of the Order of Australia for distinguished service to business and commerce through leadership and advisory roles, and to the community as a supporter of national and international charitable, educational and sporting organisations.

Other directorships/appointments

– Chairman of CSIRO
– Director of Global Poverty Project Inc.
– Chairman of Global Poverty Project Australia
– Director of Red Dust Role Models
– Chairman of In2Science
– Member of the Big Issue Advisory Board

John Palmer ONZM

John Palmer ONZM

Director BAgrSc, Hon. DCom, FNZID. Age 66

John was appointed to the AMP Limited Board in July 2007 and was appointed Chairman of the People and Remuneration Committee in February 2008. John has been a Director of the AMP Life Limited Board since May 2004. He was appointed to The National Mutual Life Association of Australasia Limited Board in March 2011.

Experience

John has extensive experience as a director and chairman of companies in the agricultural and finance sectors. He has a track record of successfully leading change and reconstruction of diverse corporates in marketing, agribusiness and aviation.

In 1998, John received the Bledisloe Cup for outstanding contribution to the New Zealand fruit industry. In 1999, he was awarded with an Officer of the New Zealand Order of Merit (ONZM) for service to the New Zealand kiwifruit industry.

Listed directorships

– Director of Air New Zealand Limited (appointed November 2001)

Other directorships/appointments

– Chairman of Rabobank New Zealand Limited
– Director of Rabobank Australia Limited

Professor Peter Shergold AC

Professor Peter Shergold AC

Director BA (Hons), MA, PhD, FAICD. Age 67

Peter was appointed to the AMP Limited Board in May 2008 and became a member of its Audit Committee in July 2008. He was appointed as a Director of the AMP Life Limited Board in August 2008 and became a member of its Audit Committee in March 2011. He was also appointed to The National Mutual Life Association of Australasia Limited Board in March 2011 and appointed a member of its Audit Committee in March 2011.

Experience

Peter is Chancellor and Chair of the board of trustees of the University of Western Sydney. He serves on a wide range of private sector, government and not-for-profit boards. Previously, Peter served as Secretary of the Department of the Prime Minister and Cabinet for five years. Peter had previously been Chief Executive Officer of the Aboriginal and Torres Strait Islander Commission, Public Service Commissioner, Secretary of the Department of Employment, Workplace Relations and Small Business, and Secretary of the Department of Education, Science and Training. He was appointed a Member of the Order of Australia in 1996, awarded a Centenary Medal in 2003, and made a Companion of the Order of Australia in 2007 for public service.

Listed directorships

– Director of Veda Group Limited (appointed October 2013)

Other directorships/appointments

– Director of Corrs Chambers Westgarth
– Chairman of QuintessenceLabs Pty Limited
– Chairman of the National Centre for Vocational Education Research
– Member of the Prime Minister's Indigenous Advisory Council
– Chairman of NSW Public Service Commission Advisory Board
– Deputy Chairman of the Sydney Writers' Festival
– Member of the Queensland Public Sector Renewal Board

Attendance at board and committee meetings

The table below shows details of attendance by directors of AMP Limited at meetings of boards and the committees of which they were members during the year ended 31 December 2013. The directors also attended other meetings, including management meetings and meetings of subsidiary boards or committees of which they were not a member during the year.

Board/Committee	AMP Limited Board meetings		Audit Committee		Nomination Committee		People and Remuneration Committee		Ad hoc committees[1]		Subsidiary board and committee meetings[2]	
Held/attended	A	B	A	B	A	B	A	B	A	B	A	B
Peter Mason[3]	11	11	–	–	6	6	6	6	3	3	–	–
Craig Dunn	11	11	–	–	–	–	–	–	3	3	17	15
Patty Akopiantz	11	11	–	–	–	–	6	6	–	–	10	10
Rick Allert	11	10	7	6	–	–	–	–	–	–	3	3
Catherine Brenner	11	11	–	–	4	4	–	–	1	1	18	18
Brian Clark	11	11	–	–	6	6	6	6	1	1	10	10
Paul Fegan	11	11	7	7	–	–	–	–	11	11	–	–
Simon McKeon	9	8	4	4	–	–	–	–	10	8	8	7
John Palmer	11	11	–	–	–	–	6	6	1	1	11	10
Nora Scheinkestel	4	4	–	–	2	2	–	–	–	–	2	2
Peter Shergold	11	11	7	7	–	–	–	–	–	–	15	14

Column A – indicates the number of meetings held while the director was a member of the board/committee.
Column B – indicates the number of those meetings attended.

1 Ad hoc committees of the board were constituted during the year in relation to financial results and AMP group capital initiatives.
2 Subsidiary board and committee meetings include AMP Life/The National Mutual Life Association of Australasia (NMLA), AMP Bank and AMP Capital Holdings. Where meetings of AMP Life/NMLA were held concurrently, only one meeting has been recorded in the above table.
3 The chairman attended a number of Audit Committee and subsidiary board and committee meetings held during 2013 in an ex officio capacity.

Company secretaries' details

Details of each company secretary of AMP Limited, including their qualifications and experience, are set out below.

Brian Salter

General Counsel BA, LLB (Hons), LLM (Hons), MAICD, F. ASF
Brian joined AMP in July 2008. Before joining AMP, Brian was a partner with a major Australian law firm for 19 years. He has more than 30 years experience advising many of Australia's leading financial and wealth management companies. Brian is a member of the Australian Government's Corporations and Markets Advisory Committee, the Law Committee of the Australian Institute of Company Directors, the Corporations Committee of the Business Law Section of the Law Council of Australia and a Director of AMP Superannuation Limited, N.M. Superannuation Proprietary Limited and SCECGS Redlands Limited.

David Cullen

Head of Secretariat and Company Secretary
BCom, LLB, LLM, PGCert Mgmt, F. Fin
David joined AMP in September 2004 and has held various legal and governance roles across AMP Capital and the AMP group, with a particular focus on mergers and acquisitions. He was appointed Head of Secretariat and Executive Legal Counsel, Mergers and Acquisitions in July 2013 and is Company Secretary for AMP Limited. Prior to joining AMP, David spent eight years in private practice focussing on mergers and acquisitions and equity capital markets in Perth and Sydney and two years with ASX. David is a director of various AMP subsidiaries and a member of the Corporate Lawyers Committee of the Law Society of NSW.

Vicki Vordis

Company Secretary BEc, LLB (Hons), GradDipACG, ACIS
Vicki is a Company Secretary of AMP Life Limited and The National Mutual Life Association of Australasia Limited. She joined AMP in December 2000 and held various legal roles before moving into a secretariat role in 2006. Prior to 2000, Vicki worked as a lawyer in several city law practices. She holds a graduate diploma in Applied Corporate Governance and is an Associate of Chartered Secretaries Australia.

Operating and financial review

Principal activities

AMP is Australia and New Zealand's leading independent wealth management company, with an expanding international investment management business and a growing retail banking business in Australia. It provides financial advice, products and services and investment opportunities to help people and organisations build financial security.

The company serves customers in Australia and New Zealand, as well as Asia, Europe, Middle East and North America. It has more than 5,700 employees, 850,000 shareholders and $197 billion of assets under management.

AMP provides customers in Australia and New Zealand with financial advice, superannuation, retirement income and other investment products for individuals. It also provides superannuation services for businesses, income protection, disability and life insurance and selected banking products. AMP financial advisers are AMP's primary means of connecting with customers and AMP now has 4,286 aligned and employed financial advisers in Australia and New Zealand, as well as extensive relationships with independent financial advisers.

AMP's business consists of AMP Financial Services which includes Australian wealth management, AMP Bank, Australian wealth protection, Australian mature and New Zealand and AMP Capital.

Australian wealth management (Wealth Management) provides customers with superannuation, retirement income, investment, self-managed superannuation fund (SMSF) administration and financial planning services (through aligned and owned advice businesses).

AMP Bank is an Australian retail bank offering residential mortgages, deposits, transaction banking and SMSF products with around 100,000 customers. It also has a portfolio of financial planning practice finance loans. The Bank distributes through brokers, AMP planners, and direct to retail customers via phone and internet banking.

Australian wealth protection (Wealth Protection) comprises individual and group term, disability and income protection insurance products. These products can be bundled with a superannuation product or held independently.

The *Australian mature* (Mature) business is the largest closed life insurance business in Australia. Mature assets under management (AUM) support capital guaranteed products (73 per cent) and market linked products (27 per cent). Mature products include whole of life, endowment, investment linked, investment account, retirement savings account (RSA), eligible rollover fund (ERF), annuities, insurance bonds, personal superannuation and guaranteed savings accounts.

New Zealand (NZ) provides tailored financial products and solutions through a network of quality financial advisers. NZ's risk business is the second largest by market share and is complemented by the largest wealth management business and the largest network of advisers in the country.

AMP Capital is a diversified investment manager, managing investments across major asset classes including shares, fixed interest, infrastructure, property, diversified funds, multi-manager and multi-asset funds. Since 1 March 2012, Mitsubishi UFJ Trust and Banking Corporation (MUTB) has held a 15 per cent ownership interest in AMP Capital.

Review of operations and results

AMP operates in one of the largest and fastest growing wealth management markets in the world. It holds market-leading positions in financial advice and key product categories with high quality, award-winning products, platforms and investment capabilities and a broad distribution footprint. It has a strong market presence with scale, efficiency, a large and diverse customer base and a trusted brand.

AMP's profit attributable to shareholders of AMP Limited for the year ended 31 December 2013 was $672 million. The profit attributable to shareholders of AMP Limited for the year ended 31 December 2012 was $689 million[1].

Basic earnings per share for the year ended 31 December 2013 on a statutory basis was 23.2 cents per share (2012: 24.2 cents per share[1]).

Underlying profit is the basis on which the board determines the dividend payment and reflects the business segment performance of AMP. It is AMP's preferred measure of profitability as it removes merger related costs and some of the impact of investment market volatility. AMP's underlying profit for the year ended 31 December 2013 was $849 million (2012: $950 million[1]). On an underlying basis, earnings were 28.8 cents per share (2012: 32.9 cents per share[1]).

AMP's key performance measures were as follows:

- underlying profit of $849 million was down 11 per cent on 2012, reflecting lower Australian wealth protection profits and lower underlying investment income, partially offsetting growth from AUM driven business and banking
- the cost to income ratio of 49.4 per cent was up 2.1 per cent on 2012; reductions in controllable costs of 2.6 per cent on 2012 were more than offset by lower income
- growth measures:
  - AMP Financial Services had net cashflows of $1,319 million, up from net cashflows of $308 million in 2012
  - AMP Capital external net cash outflows were $1,039 million, which represents an improvement from a net cash outflow of $1,784 million in 2012
  - AMP Financial Services value of risk new business declined 43 per cent on 2012 to $116 million
- underlying return on equity decreased 2 percentage points to 10.7 per cent in 2013 from 2012, reflecting lower Australian wealth protection profits, lower underlying investment income and higher capital held.

AMP's total assets under management (AUM) were $197 billion at 31 December 2013, up 15 per cent from 2012.

Differences between underlying profit and statutory profit

The 31 December 2013 underlying profit of $849 million excludes the impact (net of any tax effect) of:

- investment income and annuity market value adjustments gains of $29 million
- risk product market adjustment losses of $5 million
- AXA integration costs of $57 million
- business efficiency program costs of $39 million
- net costs from other one-off and non-recurring items of $2 million
- amortisation of AXA acquired intangible assets of $91 million, and
- accounting mismatch losses of $12 million.

A reconciliation between underlying profit and statutory profit is provided in note 3 of the financial report.

Under Australian Accounting Standards, some assets held on behalf of policyholders (and related tax balances) are recognised in the financial report at different values to the values used in the calculation of the liability to policyholders in respect of the same assets. Therefore, movements in these policyholder assets result in accounting mismatches which impact profit attributable to shareholders.

The impact of accounting mismatches on profit after tax is as follows:

Accounting mismatch profit (loss)	2013 $m	2012 $m
Investments in controlled entities	**(5)**	1
Treasury shares (mainly held by statutory funds)	**3**	(37)
Superannuation products invested with AMP Bank	**(8)**	9
Owner occupied property	**(2)**	(3)
Total accounting mismatch profit (loss)	**(12)**	(30)

The operating results of each of the business segments for 2013 were as follows:

- *Wealth Management* – Operating earnings increased by $45 million (16 per cent) to $330 million in 2013 from $285 million in 2012. The increase in operating earnings was due to stronger net cashflows and improved investment markets leading to a 14 per cent growth in average AUM, higher member fees from increased customer numbers, less small account rebates as customer balances have risen, and continued cost reduction, including the realisation of merger related cost synergies.
- *AMP Bank* – Operating earnings increased by $21 million (34 per cent) to $83 million in 2013 from $62 million in 2012, driven mainly by higher net interest margins and mortgage book growth.
- *Wealth Protection* – Operating earnings decreased by $126 million (66 per cent) to $64 million in 2013 from $190 million in 2012 due to worsening insurance claims and lapse experience.
- *Mature* – Operating earnings increased by $11 million (7 per cent) to $178 million in 2013 from $167 million in 2012. Operating earnings benefited from higher investment markets ($16 million) and lower controllable costs ($10 million). These were partially offset by an expected run-off in the portfolio ($11 million) and lower experience profits ($4 million).
- *NZ* – Operating earnings increased by $24 million (33 per cent) to $97 million in 2013 from $73 million in 2012, as a result of strong growth in profit margins, a significant improvement in experience and favourable exchange rates.

1 31 December 2012 balances were restated due to the adoption of AASB 10 *Consolidated Financial Statements* and AASB 119 *Employee Benefits*.

– *AMP Capital* – Operating earnings including minority interests increased by $3 million (3 per cent) to $117 million in 2013 from $114 million in 2012. AMP Capital's operating earnings increased as a result of growth in revenues driven by strong market performance and a continued focus on cost efficiency.

Strategies and prospects[1,2]
AMP's increased size and scale as a result of its merger with AXA mean the company is well placed to capitalise on market developments and changes in consumer behaviour through investment in growth areas and continuing focus on cost efficiency.

During the year, AMP announced a strategic intent to better deliver on its promise to help people own tomorrow. The company will pursue four strategic priorities to achieve this, being:

1. Prioritise investments in the $2.2 trillion[3] Australian wealth management market.
AMP is committed to leveraging its current leading positions in a market that is projected to double by 2022[4]. AMP's leading positions include:
- No. 1 in retail superannuation and pensions with 19.2 per cent market share[5].
- No. 1 in individual risk insurance with 18.4 per cent market share[5].
- No. 1 in financial advice with 19.7 per cent market share[6].

2. Transform the core Australian business to be more relevant to customers.
AMP has embarked on a program to increase the scale and pace of change in its Australian business to better respond to changing customer demands. Both customers and shareholders will be beneficiaries of this reshaping of the Australian business.

The company is investing significantly in its ability to better understand and anticipate customer needs, with the aim of ensuring that the products and services it takes to market are highly targeted and lead to an increased share-of-wallet and enduring customer loyalty.

AMP's approach to transforming the Australian business is to segment customers by life stage and, using new analytical capabilities, digital channels and advice propositions, determine the best products and services for each segment, and bring them to market quickly via a leaner, more agile operating model.

In 2013, the company began to invest in the following transformation initiatives:
- a simplified management, organisation and governance structure
- the first phase of a mobile platform, including mobile apps for iOS and Android, the Evolve app to simplify the advice process, development of a tablet app for 2014 and improved online transactional capabilities
- advice prototypes to broaden the way advice is delivered to customers, including a new Hillross branded advice model
- multi-asset fund consolidation, and
- re-engineering its wealth protection solutions.

In addition to investing in transforming the Australian business, AMP continues to invest in other areas with strong potential for profitable growth, including its SMSF business, the adviser network, the North platform and AMP Bank.

3. Reduce costs by investing in initiatives that matter most to customers and will deliver profitable growth.
In 2013, AMP put in place a three-year business efficiency program to redirect investment to areas most important to its customers, and to reduce the cost base. The company expects the program to deliver $200 million in pre-tax recurring run cost savings by the end of 2016 for a one-off investment of $320 million pre-tax over three years. The recurring cost savings are estimated to be 80 per cent controllable and 20 per cent variable.

To deliver the targeted savings, initiatives underway included:
- a supply chain review, including a review of the asset management supply chain
- redesign of some of the non-customer facing function to drive efficiency
- automation and outsourcing office processes, and
- activities to improve, modernise and reduce the cost of core IT infrastructure.

The 2014 underlying controllable costs are expected to remain close to 2013 actuals. This is due to a significant reduction in costs from the business efficiency program offsetting underlying costs growth. Total controllable costs for 2014 are expected to increase by around 1.5 per cent from 2013 due to a change in government policy restricting research and development credits and anticipated adverse NZ foreign exchange rate movements. Any outperformance in cost savings from the business efficiency program are likely to be directed to further investment in customer and growth initiatives.

4. Invest selectively in Asia and internationally through AMP Capital.
A core part of AMP's strategy is to invest selectively in Asia and more broadly through AMP Capital. The company is doing this through strong distribution partnerships in China and Japan, broadening the global pension fund client base and strengthening its capabilities in property and infrastructure.

At 31 December 2013, AMP Capital's business alliance with MUTB has three retail funds and two institutional funds in the market with AUM of $576 million. In addition, the Infrastructure Debt Fund No. II attracted commitments from 29 Japanese institutional clients through exclusive distribution under the alliance in Japan.

In 2013, AMP Capital established a joint venture funds management company in China with China Life Asset Management Company, called China Life AMP Asset Management Company Ltd. In January 2014, the China Life AMP Money Market Fund raised $2.2 billion during its initial public offer period.

AMP Capital's strength in infrastructure and property is also growing. AMP Capital has a $5 billion long-term property development pipeline across shopping centre, office and industrial sectors, this includes the redevelopment of Macquarie and Pacific Fair shopping centres.

1 Forward looking statements in the Strategies and prospects section of the directors' report are based on management's current views and assumptions and involve known and unknown risks and uncertainties, many of which are beyond AMP's control and could cause actual results, performance or events to differ materially from those expressed. These forward looking statements are not guarantees or representations of future performance, and should not be relied upon.
2 AMP does not produce a profit forecast as this is driven by market movements which cannot be predicted. However, AMP does provide forward looking guidance on certain business outcomes.
3 ABS – Managed Funds Industry in Australia – September 2013.
4 DEXXAR projections – May 2013.
5 Plan for Life – September 2013.
6 Money Management – July 2013.

Strategies and prospects by business segment[1]

Wealth Management

Wealth Management's key priorities are to:

– build a stronger, more customer centric business whilst remaining vigilant on cost control
– improve the quality of the advice experience and develop complementary advice channels
– implement a comprehensive customer and product strategy which accounts for the new regulatory environment
– improve adviser productivity, and
– develop a strong SMSF capability.

Since 2011, AMP has guided to average annual margin compression on investment related revenue to AUM of 3.5 to 4.5 per cent per annum over the MySuper implementation period to 2017. Average compression since guidance was initiated has been 3.5 per cent. As MySuper plan transitions have now commenced, average annual compression is expected to be around the higher end of the range through to 2017.

AMP Bank

AMP Bank's key priorities are to:

– deliver compelling customer centric propositions which meet a broader range of customer needs
– combine technology and excellence in customer service to make it easier for customers to do their banking with AMP
– drive growth through the Bank's access to AMP's distribution networks and platforms by enabling and encouraging advisers to offer banking solutions to clients to meet their core banking needs, and to
– continue to optimise the Bank's funding sources and invest in operating capacity to enable growth.

Wealth Protection

In 2013, AMP began to undertake wide-reaching actions driven by a new executive team to improve lapses and claims experience over the short and medium terms. Actions include:

– increasing the size of the claims team, repricing the income protection business to improve value and focusing on the claims finalisation pipeline to improve the timeliness of finalising claims, and
– increasing the size of retention teams to reach customers likely to lapse, rolling out tactical customer campaigns focused on pricing and value, and a review of business terms for adviser practices with high lapse rates.

Over the medium term, actions planned include developing new claims analytical tools, building a new claims technology platform and offering broader support – including rehabilitation – to customers on claim. AMP will also continue to improve on its monitoring and management of lapse experience, develop a new retention management framework and review adviser remuneration structures at both industry and AMP levels.

The strengthening of assumptions across both the retail income protection and lump sum products is expected to reduce profit margins by around $35 million in 2014. While significant action to remediate the group risk business has been undertaken during 2013, one scheme which contributed to over 70 per cent of losses will be repriced in June 2014. Some negative claims experience in group risk business is expected to continue until these repricing actions flow through.

Mature

Key priorities for management are to:

– maintain high persistency
– prudently manage asset and liability risk
– achieve greater cost efficiency, and
– maintain capital efficiency.

The Mature business remains in slow decline but is expected to remain profitable for many years. It is expected to run off between 4 to 6 per cent per annum. In volatile investment markets, this run-off rate can vary substantially.

The run-off of AUM mirrors policy liabilities, although there is potential for profit margins to be impacted differently. The run-off of Mature AUM is anticipated to have an average duration of approximately 14 years, but will be impacted by investment markets.

The expected run-off of Mature is not anticipated to be materially different from current guidance as a result of the StrongerSuper regulatory changes.

New Zealand

NZ's key priorities to grow shareholder value are:

– enhancing product features and offerings
– rationalising duplicate product sets
– improving the customer experience
– evolving distribution capability, and
– maximising cost efficiency.

Changes to the taxation of life insurance business in New Zealand will impact NZ from 1 July 2015, resulting in a material increase in the amount of corporate tax paid by NZ. These tax changes apply to all life insurance companies in New Zealand and are not specific to NZ. To offset the impact of this change on operating earnings, NZ is progressively growing its revenue base, reducing its overall costs and reducing the capital impacts of distributing life insurance.

AMP Capital

Working as a unified investment house, AMP Capital's key priorities are to generate revenue growth through:

– delivering outstanding investment outcomes to clients
– building a differentiated client experience driving strong client engagement
– partnering effectively across the AMP group to deliver investment solutions for retail, SMSF and corporate super customers
– expanding the global pension fund client base, and
– building preferential distribution partnerships in select Asian markets, particularly Japan and China.

AMP Capital's target cost to income ratio is 60 to 65 per cent by the first half of 2014.

Key risks

Key risks which may impact AMP's business strategies and prospects for future financial years include:

– A volatile economic environment could have a negative impact on the profitability of AMP. When markets are volatile and investment returns are low, customers are more likely to change their investment preferences and products. This could result in customers choosing to put less of their discretionary savings into AMP superannuation and investment products which would reduce AMP's cash inflows and create lower profit margins. AMP continues to monitor market conditions and review its product offerings to ensure they continue to meet changing customer needs. Low and volatile investment markets can also impact the risks associated with capital guaranteed products, and AMP actively manages capital, liquidity and funding requirements in this context.

– In recent times AMP, in common with much of the industry, has been experiencing elevated claims and lapse rates, with a consequent adverse impact on profit. There is a risk that this poor experience continues or further deteriorates. There are many factors impacting claims and lapse experience including slower economic activity, the impact of the Future of Financial Advice reforms, changes in society's attitudes to claiming benefits, changes in state-based injury compensation schemes as well as changes in AMP's

1 Forward looking statements in the Strategies and prospects by business segment section of the directors' report are based on management's current views and assumptions and involve known and unknown risks and uncertainties, many of which are beyond AMP's control and could cause actual results, performance or events to differ materially from those expressed. These forward looking statements are not guarantees or representations of future performance, and should not be relied upon.

business mix over time. Many of these issues are affecting the Australian insurance industry as a whole whilst others are more specific to AMP. One of AMP's highest priorities is improving the profitability of its insurance products, some of which are in loss recognition and can have a large impact on earnings when claims and lapse experience assumptions change. AMP has a new management team in place in this area of the business who are undertaking wide-reaching actions to change the way insurance claims are managed so customers can return to work faster. They are also implementing new initiatives to help customers better understand the value and benefits of their policies, with the aim of reducing the number of policies which lapse.

- The Australian finance industry is in a period of significant regulatory change in relation to superannuation, the provision of financial advice, banking, capital requirements, US tax and privacy legislation. While most of the reforms are nearing completion, the interpretation, and the practical implementation of regulation, coupled with the failure to fund, manage and implement the required changes, could adversely impact AMP's business model, or result in a failure to achieve business and or strategic objectives. AMP actively engages with the government, regulators and industry bodies and has dedicated resources and change programs to meet the new requirements.
- In addition, AMP has embarked on a program to increase the scale and pace of change in its Australian business to better respond to changing customer demands and ongoing pricing pressures. Both customers and shareholders will benefit from this reshaping of the Australian business. The introduction of this program may cause some disruption within the business over the next 12 months. To manage these changes, AMP has dedicated resources and well established change programs and processes in place.
- Failure to comply with regulatory and legislative requirements could result in breaches, fines, regulatory action or reputational impacts. AMP has established frameworks and dedicated risk and compliance teams that work closely with the business to ensure compliance with regulatory and legal obligations. The provision of financial advice to customers is one of the current focus areas and AMP is working closely with regulators and external advisers to review processes and controls to ensure all financial advice provided by AMP advisers is compliant with the relevant regulations and in the best interest of the customer.
- AMP has a number of material outsourcing arrangements with external service providers. If these are not appropriately managed it could affect AMP's service to customers, financial performance, ability to meet regulatory requirements and reputation. AMP would also need to fund the cost of correcting any issues. AMP has policies and processes in place to ensure appropriate governance and management of external service providers. Dedicated teams ensure contracts and service level agreements are monitored regularly and performance targets are reviewed to ensure required deliverables and standards are met.

The directors expect these risks will continue to have the potential to impact AMP and management will continue to monitor and manage these risks closely.

Capital management

Equity and reserves of the AMP group attributable to shareholders increased to $8.1 billion at 31 December 2013 from $7.5 billion at 31 December 2012. This increase was due to profits over the period, favourable markets, actuarial gains and losses on defined benefit funds and additional share capital issued under the dividend reinvestment plan (DRP).

AMP has $2.1 billion in shareholder regulatory capital resources above minimum regulatory requirements (MRR) at 31 December 2013 ($1.4 billion at 31 December 2012 restated allowing for the impact of LAGIC).

AMP continues to actively manage its capital position in the light of continuing market volatility and regulatory changes.

AMP has declared a dividend of 11.5 cents per share, franked to 70 per cent. The dividend payout ratio is 80 per cent of underlying profit for the full year ended 31 December 2013. AMP's dividend policy is to pay out 70–80 per cent of underlying profit, franked to the maximum extent possible.

AMP will continue to offer a DRP for shareholders. For the final 2013 dividend, no discount will apply to the DRP allocation price. AMP intends to acquire shares on market to satisfy any entitlements under the DRP.

Political donations

AMP's policy is that it does not make donations to political parties. AMP did not make any political donations during 2013. AMP did contribute $20,000 to the Menzies Research Centre and $20,000 to the Chifley Research Centre to assist with public policy development. These contributions are permitted under AMP's policy.

Significant changes to the state of affairs

Details of the change in CEO and changes in AMP's strategic priorities are set out earlier in this report.

Events occurring after the reporting date

As at the date of this report, the directors are not aware of any matter or circumstance that has arisen since the reporting date that has significantly affected or may significantly affect the entity's operations in future years; the results of those operations in future years; or the entity's state of affairs in future years which is not already reflected in this report, other than the following:

- On 20 February 2014, AMP announced a final dividend on ordinary shares of 11.5 cents per share. Details of the announced dividend and dividends paid and declared during the year are disclosed in note 18 of the financial report.

The environment

In the normal course of its business operations, AMP is subject to a range of environmental regulations, of which there have been no material breaches during the year. Further information on AMP's environment policy and activities is included in the 2013 corporate governance statement.

Indemnification and insurance of directors and officers

Under AMP's constitution, the company indemnifies, to the extent permitted by law, all directors and officers of the company against any liability (including the costs and expenses of defending actions for an actual or alleged liability) incurred in their capacity as an officer of the company.

This indemnity is not extended to current or former employees of the AMP group against liability incurred in their capacity as an employee, unless approved by the AMP Limited Board. No such indemnities have been provided during or since the end of the financial year.

During the financial year, the company agreed to insure all of the officers (including all directors) of the AMP group against certain liabilities as permitted by the *Corporations Act 2001*. The insurance policy prohibits disclosure of the nature of the cover, the amount of the premium, the limit of liability and other terms.

In addition, the company and each of the directors are parties to deeds of indemnity and access, as approved by the board. Those deeds of indemnity and access provide that:

- the directors will have access to the books of the company for their period of office and for seven years after they cease to hold office (subject to certain conditions)
- the company indemnifies the directors to the extent permitted by law
- the indemnity covers liabilities incurred by the directors in their capacity as officers of the company and of other AMP group companies, and
- the company will maintain directors' and officers' insurance cover for the directors to the extent permitted by law for the period of their office and for seven years after they cease to hold office.

Rounding

In accordance with the Australian Securities and Investments Commission Class Order 98/0100, amounts in this directors' report and the accompanying financial report have been rounded off to the nearest million Australian dollars, unless stated otherwise.

Auditor's independence declaration to the directors of AMP Limited

The directors have obtained an independence declaration from the company's auditor, Ernst & Young, for the year ended 31 December 2013.

Building a better working world

Ernst & Young
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Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
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Auditor's Independence Declaration to the Directors of AMP Limited

In relation to our audit of the financial report of AMP Limited for the financial year ended 31 December 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Tony Johnson
Partner
20 February 2014

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

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Non-audit services

The Audit Committee has reviewed details of the amounts paid or payable for non-audit services provided to the AMP group of companies during the year ended 31 December 2013, by the company's auditor, Ernst & Young.

The directors are satisfied that the provision of those non-audit services by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act and did not compromise the auditor independence requirements of the Corporations Act for the following reasons:

- all non-audit assignments were approved in accordance with the process set out in the AMP charter of audit independence
- no non-audit assignments were carried out which were specifically excluded by the AMP charter of audit independence, and
- the level of fees for non-audit services amounted to $3,872,000 or 22 per cent of total audit fees (refer to note 35 of the financial report for further details).

Remuneration disclosures

The remuneration arrangements for AMP directors and senior executives are outlined in the remuneration report which forms part of the directors' report for the year ended 31 December 2013.

Directors' and senior executives' interests in AMP Limited shares, performance rights and options are also set out in the remuneration report on the following pages.

AMP is committed to ensuring remuneration practices are aligned with the creation of value for shareholders so remuneration for 2013 reflects AMP's reduced profit for the year.

- Salary costs have been closely managed across the organisation. In 2013, executive salaries remained frozen, having last been adjusted in April 2011. The previous adjustment had been in April 2008. Salaries have only been adjusted if an executive has been promoted or in the exception where an individual's remuneration has been found to have fallen significantly below market competitive levels.
- Chief Executive Officer (CEO) Craig Meller has been set a salary and reward opportunity 8.6 per cent lower than that of previous CEO Craig Dunn.
- No termination payment has been paid to former CEO Craig Dunn.
- Performance rights are paid to executives when AMP delivers significant value to shareholders. Performance rights awarded in 2010 lapsed in 2013 as the performance hurdle was not met.
- The performance hurdle for AMP's long-term incentive (LTI) awards has been revised to now include a return on equity measure. Return on equity is a strong measure of capital management and business efficiency and will ensure the payment of LTIs remains closely linked with the delivery of long-term shareholder value.
- The 2013 short-term incentive (STI) pool has been reduced to $83 million or 9.8 per cent of underlying profit compared with $96 million or 10.1 per cent of underlying profit for 2012. STI payments to former CEO Craig Dunn and Craig Meller, for his former role as Managing Director, AMP Financial Services, have been reduced by 42 per cent and 41 per cent respectively.

Contents

1 2013 remuneration overview
2 Remuneration structure in 2013
3 The link between company performance and remuneration
4 Remuneration for the nominated executives in 2013
5 Contractual arrangements for the nominated executives
6 Non-executive director remuneration

1 2013 remuneration overview

1.1 Remuneration strategy

AMP's remuneration strategy is to align remuneration with the creation of value for shareholders by attracting and retaining employees who will contribute to AMP's success and motivating them to achieve outstanding performance against AMP's business objectives.

AMP's remuneration strategy

Attract, motivate and retain employees who will contribute to AMP's success

Drive outstanding performance against business objectives

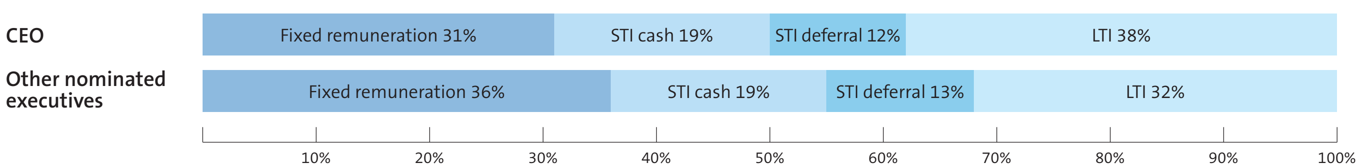
Support AMP's desired culture and risk appetite

Create value for shareholders

AMP has a comprehensive remuneration policy which outlines the responsibilities of the board, People and Remuneration Committee (PRC) and management in maintaining alignment with the remuneration strategy. Of particular note, the policy requires that remuneration arrangements are simple, practical and supported by a governance framework that avoids conflicts of interest, defines clear accountabilities and ensures that proper checks and balances are in place. Where an external perspective is needed, the PRC requests market practice, regulatory and governance input from its external board remuneration advisers, PricewaterhouseCoopers.

1.2 Remuneration mix for the nominated executives

The nominated executives are the 2013 CEO and his direct reports. All of the nominated executives have a significant component of their total remuneration linked to performance. This is illustrated below, using the midpoint for the short-term incentive (STI) (the STI midpoint is halfway between the minimum outcome of zero per cent and the maximum outcome, which varies for each executive and is outlined in section 3.2). STI cash, STI deferral and long-term incentives (LTI) are 'at risk' remuneration and will only be paid if specified performance hurdles are met.



The managing director of AMP Capital (AMP Capital MD), is excluded from the above illustration as he participates in the AMP Capital enterprise profit share plan.

On 1 January 2014, Craig Meller became CEO and the new Group Leadership Team was appointed. Details of the remuneration for the new Group Leadership Team will appear in the 2014 annual report.

1.3 Remuneration received by the nominated executives for 2013

The table below details the remuneration actually received by the nominated executives in relation to 2013. Long-term incentive (LTI) values in the table below are zero as the performance hurdles were not met. There is an accounting value for LTI, however, which is shown in section 4.1 in accordance with statutory disclosure requirements.

					Actual share income			
Name	Fixed remuneration $'000	Cash short-term incentive (STI) $'000	Other remuneration $'000	Total cash $'000	Short-term incentive (STI) deferral vested during 2013 $'000	Long-term incentive (LTI) and other vested during 2013 $'000	2013 total remuneration $'000	2012 total remuneration $'000
Craig Dunn Chief Executive Officer and Managing Director	1,750	819	–	2,569	–	–	2,569	3,157
Craig Meller Managing Director, AMP Financial Services	1,065	504	–	1,569	–	–	1,569	1,917
Stephen Dunne Managing Director, AMP Capital	1,065	1,086	–	2,151	–	–	2,151	2,133
Colin Storrie[1] Chief Financial Officer	950	432	238	1,620	–	–	1,620	1,487
Paul Sainsbury[2] Chief Customer Officer (from 1 April 2013)	801	441	–	1,242	–	–	1,242	1,262
Lee Barnett Chief Information Officer	765	396	–	1,161	–	–	1,161	1,263
Brian Salter[3] General Counsel	770	354	8	1,132	–	–	1,132	1,217
Fiona Wardlaw General Manager, Human Resources	640	291	–	931	–	–	931	1,027
Matthew Percival General Manager, Public Affairs	565	258	–	823	–	–	823	886
Jonathan Deane General Manager, Group Strategy	525	270	–	795	–	–	795	840
Total	**8,896**	**4,851**	**246**	**13,993**	**–**	**–**	**13,993**	**15,189**

1 Colin Storrie had a retention payment payable on 31 December 2013, recorded above as 'Other remuneration'. Refer to footnote 6 of the table in section 4.1 for further information.
2 Paul Sainsbury was Integration Director and Managing Director, AMP SMSF before being appointed Chief Customer Officer on 1 April 2013. The increase in remuneration reflects his expanded role.
3 Brian Salter received an additional superannuation contribution required to fund his life insurance cover. This is recorded as 'Superannuation benefits' in the table in section 4.1.

The total remuneration received by the nominated executives for 2013 is lower than 2012. This reflects the board's focus on linking pay with performance:

– **fixed remuneration costs were held flat for executives:** AMP continued to freeze the pay of executives at April 2011 levels (excluding promotions and other exceptional adjustments).
– **STI outcomes were lower in aggregate:** for the nominated executives, aggregate STIs are 25 per cent lower in 2013 compared to 2012 STI outcomes.
– **performance-based LTI did not vest:** the performance period for the 2010 LTI completed in July 2013. The performance rights issued under the 2010 LTI lapsed as the relative total shareholder return (TSR) hurdle was not met.

1.4 CEO retirement

Craig Dunn retired as CEO and from all AMP boards and management committees, effective from 31 December 2013, and his contract of employment ceases on 31 March 2014. At this time, Craig will not receive any financial benefit in addition to his contractual entitlements. Part of his STI payment for the year ended 31 December 2013 will continue to be subject to deferral. The share rights Craig received as part of the AMP STI deferral plan will convert to AMP Limited shares over the next two years, subject to the vesting conditions approved and determined by the board. Some of the performance rights granted to Craig in prior years under the LTI plan may vest in the three years after his retirement as CEO. Under the terms of the shareholder approved plan, performance rights granted in 2012 and 2013 are retained by Craig subject to the original performance hurdles and performance periods, while he will forfeit the performance rights granted to him in 2011.

From 1 January to 31 March 2014, Craig will provide advice and support to the new CEO and the AMP Limited Board, assist with the completion of the 2013 remuneration cycle and will hand over key strategic business relationships to the new CEO. During this period, Craig will receive his base salary, superannuation and other leave entitlements. No STI will be payable, nor will any long-term entitlements be granted.

1.5 Key management personnel

For the purpose of this remuneration report and Australian Accounting Standard AASB 124 *Related Party Disclosures* (refer to note 34 of the financial statements), key management personnel (KMP) are defined as including all non-executive directors (NEDs), the CEO and other people having authority and responsibility for planning, directing and controlling the activities of AMP. For AMP, this includes the direct reports of the CEO and the NEDs of the AMP Limited Board.

AMP will review the nominated executives for 2014 following the appointment of Craig Meller as CEO and the new Group Leadership Team, effective 1 January 2014.

2 Remuneration structure in 2013

In 2013, AMP's remuneration structure included the following key components:

<table>
<tr><th>Employee group</th><th>Fixed remuneration</th><th>Short-term incentives (STI)[1] or profit share[2]</th><th>Long-term incentives (LTI)</th><th>Other equity arrangements</th></tr>
<tr><td>Non-executive directors</td><td>Board fees, committee fees and superannuation</td><td>None</td><td>None</td><td>Minimum of 26% of fees, up to a maximum of 50%, required to be taken as shares bought on market</td></tr>
<tr><td>Nominated executives[3]</td><td rowspan="3">Annual base salary and superannuation</td><td rowspan="3">STI cash: dependent on individual, business unit and company performance assessed against financial and non-financial measures</td><td>Performance rights: rights to AMP Limited shares with:
– 50% of the award value subject to a total shareholder return (TSR) performance hurdle
– 50% of the award value subject to a return on equity (RoE) performance hurdle</td><td>Minimum shareholding required
STI deferral: deferral of 40% of the STI into rights to AMP Limited shares subject to a two-year service condition</td></tr>
<tr><td>Other senior leaders</td><td>Performance rights and/or share rights: selected employees receive performance rights (as above) and/or rights to AMP Limited shares that are subject to a three-year service condition</td><td>STI deferral: selected senior leaders defer 40% of their STI into rights to AMP Limited shares subject to a two-year service condition</td></tr>
<tr><td>Other employees</td><td>None</td><td>STI match: selected employees receive rights to AMP Limited shares valued at an additional 50% of their STI, subject to a two-year service condition</td></tr>
</table>

1 A limited number of investment management and sales employees also participated in tailored business unit plans, which are based on individual/team financial measures and delivered in cash.
2 The managing director of AMP Capital (AMP Capital MD) and selected senior leaders of AMP Capital participated in the AMP Capital enterprise profit share plan (profit share) as outlined in section 2.2.3.
3 The nominated executives are the CEO of AMP Limited and his direct reports as listed in section 1.3.

2.1 Fixed remuneration

AMP generally positions fixed remuneration at the median (ie the 50th percentile) of the market. When determining the relevant 'market' for each role, AMP considers companies from which AMP sources talent and to whom it could potentially lose talent. For the nominated executives, AMP sources data from Australian listed companies of comparable size to AMP, both within the financial services sector and across the general market. Within that market, AMP looks at roles in the same area of expertise, with similar seniority and responsibility to the relevant individual. Total remuneration above the market median can be realised through the achievement of 'stretch' performance targets. Fixed remuneration for the nominated executives at AMP is expressed as an annual salary package. From this amount, AMP deducts the required superannuation contributions and any additional superannuation contributions or salary-sacrificed benefits at the employee's election. Any fringe benefits tax incurred by AMP in providing benefits is on-charged to the employee.

Fixed remuneration for the nominated executives is reviewed by the PRC and approved by the AMP Limited Board annually (but not necessarily increased), taking into account:
- market remuneration ranges for the role
- the individual's capability, performance and criticality to AMP
- the available budget for remuneration increases.

2.2 Short-term incentives

AMP's short-term incentive (STI) plans provide employees with rewards for annual performance against measures set at the beginning of the performance period. The nominated executives participate in the following plans:
- CEO: CEO STI plan (refer to section 2.2.1)
- direct reports to the CEO (other than the AMP Capital MD): AMP group STI plan (refer to section 2.2.2)
- AMP Capital MD: AMP Capital enterprise profit share plan (refer to section 2.2.3).

Other employees participate in the AMP group STI plan and/or tailored business unit plans based on individual/team financial measures.

2.2.1 CEO's short-term incentive plan

The CEO's maximum STI opportunity is 200 per cent of fixed remuneration. To determine the annual STI award, the PRC assesses the performance of the CEO against objectives set and approved by the board at the start of each year. The PRC then recommends an STI payment to the board for approval.

In 2013, the CEO's award was based on the measures and weightings provided in section 2.2.2, which were selected to reward the CEO for performance that would drive sustainable growth in shareholder value.

2.2.2 AMP group short-term incentive plan

The nominated executives and other employees earn STI awards based on the achievement of AMP's group-wide measures and personal objectives. The STI opportunity for the nominated executives is provided in section 3.2.

STI pool

The board determines the size of the STI pool, assessing AMP's performance against group-wide measures set and approved by the board at the start of each year. The CEO then distributes the STI pool among business units and AMP group functions, based on their contribution to AMP's performance.

Group-wide measures

The following AMP group-wide measures were used in 2013 to determine the size of the STI pool (the STI scorecard). These measures were chosen because they align with the company's strategy, objectives and goals as approved by the board, and provide an overall view of performance.

	Financial measures: weighting 65%	Non-financial measures: weighting 35%
Measures	– Underlying profit after tax less cost of capital – Value of net cash flows and risk new business – Cost to income ratio	– Investment performance for clients – Customer advocacy – Employee engagement – Other key strategic priorities, including the AXA integration, growth strategies for self-managed superannuation funds and Asia, and staying ahead of regulatory change
Link to strategy	– These financial measures are key drivers of shareholder value	– These measures are key indicators of how successfully the company is delivering against its goals and strategy

The STI pool is calculated based on performance against the STI scorecard and is then adjusted downwards if AMP management operates outside board-approved risk appetite levels. The risk adjustment can be anywhere from 0–100 per cent. The board also has the discretion to consider the quality of AMP's financial results, business leadership and the realisation of strategic opportunities in determining the final STI pool.

Individual performance and development plans (PDPs)

Individual PDPs are set at the start of each year and are designed to focus employees on activities that will drive the achievement of AMP's strategic objectives. Additionally, all employees are measured on the extent to which they exhibit the 'AMP behaviours'. These are the behaviours AMP has identified as critical to driving business performance and growth.

PDPs for the nominated executives typically include some or all of the AMP group measures (refer to 'Group-wide measures' above) and additional business unit/individual measures. People measures apply to all of the nominated executives. Performance objectives for the nominated executives are agreed with the CEO and approved by the board. The board also approves the setting of performance objectives for individuals who it considers have the ability to impact AMP's financial soundness (specified individuals).

At the end of the financial year, the CEO recommends STI payments for his direct reports and other specified individuals based on their performance against the agreed measures, for board approval.

For employees below this level, an individual's STI payment will be determined on the basis of AMP's overall performance, the individual's business unit performance and their own performance as assessed against the performance and behavioural goals outlined in their PDP. Recommendations are signed off by the CEO and the general manager of Human Resources to ensure group-wide consistency and equity, particularly from a gender pay perspective.

STI deferral plan
The nominated executives, and selected other senior leaders who have the ability to impact AMP's financial soundness, participate in the AMP STI deferral plan. The plan requires that 40 per cent of a participant's STI award be delivered in rights to AMP shares (share rights). The share rights have no exercise price and no exercise period, converting to AMP Limited shares (ie vesting) after a two-year deferral period.

Vesting is subject to ongoing employment, compliance with AMP policies and the board's discretion. The condition of ongoing employment may not apply in specific circumstances, including where an employee dies, is totally and permanently disabled, or gives notice of retirement, or their employment ends on the grounds of redundancy. The 2013 STI deferral awards will be granted in April 2014, following the release of AMP's full-year financial results and calculation of 2013 STI outcomes. The first grant of share rights was made under the STI deferral plan during 2012 based on 2011 STI outcomes. These share rights will convert to AMP Limited shares, subject to the above conditions, in 2014.

STI match plan
Each year, high-potential senior employees are eligible for nomination to participate in the STI match plan, which provides an award of share rights to the value of 50 per cent of the individual's STI. The STI match award is provided in addition to the STI cash opportunity. Employees at this level are not eligible to participate in AMP's long-term incentive plan. As the STI match is based on the STI plan, the number of share rights awarded to the participant depends on the individual's contribution to company performance during the financial year.

As with the STI deferral plan, STI match share rights convert to AMP Limited shares (ie vest) after a two-year deferral period. Vesting is subject to ongoing employment, compliance with AMP policies and the board's discretion. The condition of ongoing employment may not apply in specific circumstances, including where an employee dies, is totally and permanently disabled, or gives notice of retirement, or their employment ends on the grounds of redundancy. The 2013 STI match awards will be granted in April 2014, following the release of AMP's full-year financial results and calculation of 2013 STI outcomes. The first grant of share rights was made under the STI match plan during 2012 based on 2011 STI outcomes. These share rights will convert to AMP Limited shares, subject to the above conditions, in 2014.

2.2.3 AMP Capital enterprise profit share plan
Select leaders from AMP Capital, including the AMP Capital MD, participate in the AMP Capital enterprise profit share plan (profit share plan). A percentage of AMP Capital's adjusted pre-tax profit, allowing for an appropriate cost of capital, is provided to the profit share plan. The percentage share has not been disclosed because it is commercially sensitive. The size of the profit share pool is agreed upfront by the board. The board has the discretion to adjust the size of the pool, and what portion of the pool is allocated to the AMP Capital MD, to recognise non-profit related performance including AMP behaviours, changes in market conditions and broader financial factors such as AMP's capacity to pay. The board also has the discretion to adjust the profit share pool downwards if AMP Capital management operates outside board-approved risk appetite levels (as per the AMP group STI plan).

Allocation to individuals is determined on a discretionary basis with consideration given to an individual's performance against their annual financial and non-financial objectives and AMP behaviours. Allocations are delivered partly in cash at the end of the financial year (60 per cent of the award), with the remainder deferred into share rights, which vest two years subsequently (40 per cent of the award). The deferred portion is delivered through the AMP group STI deferral plan (refer to 'STI deferral plan' in section 2.2.2). Allocations to the AMP Capital MD are recommended by the CEO for approval by the board. Allocations to other participants are recommended by the AMP Capital MD for approval by the CEO.

Profit share is the exclusive variable remuneration arrangement for participants, except for the AMP Capital MD who also participates in the LTI plan, thereby maintaining alignment of his remuneration with those of his peers across the AMP leadership team.

2.3 Long-term incentives
AMP's long-term incentive (LTI) plan provides the nominated executives and selected senior leaders with rewards delivered in equity if conditions are met over a three-year period. LTI awards are granted annually, which provides ongoing benefits to participants for increasing shareholder value. The nominated executives and selected other senior leaders receive their LTI in the form of performance rights. These executives previously received LTI awards in the form of performance rights which were subject to a single relative total shareholder return (TSR) performance hurdle. After an extensive review of market practices, conducted in 2012, the board determined that AMP should introduce a return on equity (RoE) performance measure, in addition to a TSR measure.

The vesting of performance rights granted under the 2013 LTI award will now be based on two performance hurdles (refer to section 2.3.1):
- 50 per cent of the LTI award value, granted as performance rights, will be subject to AMP's TSR performance relative to the top industrial companies in the S&P/ASX 100 Index (TSR tranche)
- 50 per cent of the LTI award value, granted as performance rights, will be subject to an RoE measure (RoE tranche).

Other participants may take a portion or all of their LTI in share rights, which are subject to their ongoing service (refer to section 2.3.2).

2.3.1 Performance rights

A performance right is a right to acquire one fully paid ordinary share in AMP Limited after a three-year vesting period for no consideration (ie effectively a share option with a zero exercise price), provided a specific performance hurdle is met. The nominated executives are required to take their full LTI award in performance rights. Performance rights are awarded at no cost to the participant.

Performance hurdles

TSR tranche: Vesting of these performance rights is dependent on AMP's TSR performance relative to a comparator group of Australian listed companies over a three-year performance period. TSR measures the benefit delivered to shareholders over the given period, which includes dividend payments, capital returns and movement in the share price. The performance hurdle was chosen because it requires participants to outperform major ASX listed companies before the awards generate any value.

RoE tranche: Vesting of these performance rights is based on AMP's RoE performance for the year ending 31 December 2015. Prior to the 2013 grant being awarded, the board determined the threshold and maximum RoE performance targets (expressed as percentage outcomes) to be achieved for the year ending 31 December 2015. An RoE hurdle was chosen as it drives a strong capital discipline, which is a key contributor to creating sustainable shareholder value.

2.3.2 Share rights

AMP also awards share rights under the LTI plan. LTI share rights are used to recognise senior leaders who contribute significantly to AMP's overall business success, but have a reduced ability to influence the creation of shareholder value compared to the nominated executives. LTI share rights are rights to acquire one fully paid ordinary share in AMP Limited after a three-year vesting period subject to ongoing service. Share rights are awarded at no cost to the participant and do not carry dividend entitlements. As this program is a means of recognising and retaining employees, no performance hurdles apply during the vesting period, other than continued service.

In the years prior to 2011, AMP awarded restricted shares instead of share rights. A restricted share is an ordinary AMP share that has a holding lock in place until a three-year vesting period ends. During this time, the holder is eligible to receive dividends, but is unable to sell, transfer or hedge their award.

Hedging

AMP policy prohibits employees from entering into any hedging arrangement in relation to any vested or unvested shares, share rights or performance rights in any AMP share plan. Breaches of this policy will lead to forfeiture of the relevant award. In accepting equity awards, participants are required to agree that they will not enter into any hedging arrangements in relation to the award.

Treatment of LTI on cessation of employment and change of control

Typically, unvested LTI awards lapse at the end of the employee's notice period if the participant resigns from AMP or their employment is terminated for misconduct or inadequate performance. In other cases, such as retirement and redundancy, LTI awards may be retained by the participant, with vesting continuing to be subject to the same vesting conditions as if they had remained in AMP employment. In the event that AMP is subject to a takeover or change of control, unvested performance rights, granted prior to September 2011, typically vest.

Commencing from the performance rights granted in September 2011, the board has the discretion to determine an alternative treatment on cessation of employment and change of control (ie to determine that the LTI awards would lapse, are retained or vest when they would not have otherwise), if deemed appropriate in the light of specific circumstances.

Source of shares

The board has the discretion to satisfy vested rights by either acquiring shares on market or by issuing shares. While performance rights can be dilutive, it is AMP's historical and planned practice to buy AMP shares 'on market' to satisfy the LTI awards so there will be no dilutive effect on the value of AMP shares. In the case of the CEO, vested rights must be satisfied by acquiring shares on market.

2.3.3 Performance rights and share rights granted in 2013

Determining the value of the award and the number of securities

Participation in the LTI and the value of awards is recommended by the PRC for approval by the board (and by shareholders in the case of the award to the CEO). When recommending the value of awards for each participant, the PRC, on advice from the CEO, considers the recipient's seniority, influence on AMP's long-term performance and contribution to AMP over the past 12 months or more. To determine the number of performance rights to be granted in the respective tranches, the total value of the LTI award is divided in two. Half of the LTI award value is then divided by the fair value of a performance right subject to a TSR performance hurdle, and the other half of the LTI award value is divided by the fair value of a performance right subject to an RoE performance hurdle. To determine the number of share rights to be granted, the value of the award is divided by the applicable fair value of a share right. The relevant fair value is determined based on a valuation prepared by an independent external consultant, which is based on the 10-day average daily closing share price prior to the offer being made. Fair values are discounted for the value of foregone dividends and, in the case of performance rights, the risk of performance conditions not being met.

Vesting of performance rights granted prior to 2013, including those subject to performance testing during 2013, is dependent on AMP's TSR performance relative to a comparator group of Australian listed companies over a three-year performance period. The comparator group was the top 50 industrial companies in the S&P/ASX 100 Index (based on market capitalisation rank) as defined at the start of the relevant performance period. Vesting of performance rights granted during 2013 is also dependent on AMP's RoE performance during the applicable performance period (refer to section 2.3.1). The performance testing period is provided in the following table.

Plan	2013 annual award[1]	2012 annual award	2011 executive award	2011 CEO award	2010 annual award	2009 annual award
Grant date	06/06/2013	07/06/2012	09/09/2011	09/06/2011	08/09/2010	12/03/2010[3]
Performance period	TSR tranche: 07/03/2013–06/03/2016 RoE tranche[2]: 01/01/2015–31/12/2015	01/03/2012–28/02/2015	01/08/2011–31/07/2014	01/05/2011–30/04/2014	01/08/2010–31/07/2013	01/08/2009–31/07/2012

1 Performance rights granted under the 2013 LTI award are subject to two performance hurdles. 50% of the LTI award value will be comprised of performance rights subject to AMP's TSR performance hurdle (TSR tranche) and 50% will be comprised of performance rights subject to an RoE performance hurdle (RoE tranche).
2 Vesting of these performance rights will be based on AMP's RoE performance for the year ending 31 December 2015.
3 The 2009 annual award was granted later than usual as a result of pending changes to taxation rules. To ensure continuity in long-term performance assessment, the vesting conditions were applied from August 2009.

Vesting schedule
As outlined above, for the 2013 LTI award there are two performance measures that will combine to determine the number of performance rights that will vest at the end of the vesting period. Whilst the TSR and RoE performance rights are subject to different performance periods, they both have the same vesting period, which concludes upon the end of the TSR performance period, during March 2016.

The number of performance rights in the TSR tranche that vest and are converted into AMP shares at the end of the vesting period will be determined in accordance with the following vesting schedule.

TSR performance	Percentage of performance rights in the TSR tranche to vest
AMP's TSR ranking below the 50th percentile of the market comparator group	0%
AMP's TSR ranking at the 50th percentile of the market comparator group	50%
AMP's TSR ranking between the 50th and 75th percentile of the market comparator group	50% plus 2% for each additional percentile (rounded to the nearest whole percentile)
AMP's TSR ranking in at least the 75th percentile of the market comparator group	100%

At the end of the performance period, an independent external consultant provides the PRC with AMP's TSR ranking against the comparator group.

The number of performance rights in the RoE tranche that vest and are converted into AMP shares at the end of the vesting period will be determined in accordance with the following vesting schedule.

RoE performance	Percentage of performance rights in the RoE tranche to vest
RoE below threshold performance target	0%
RoE at threshold performance target	50%
RoE between threshold and maximum performance targets	Proportionate vesting between 50% and 100%
RoE equal to or greater than maximum performance target	100%

For the purposes of the RoE hurdle, RoE will be calculated as follows (and then expressed as a percentage):

$$\frac{\text{Underlying profit less dividends paid on any preference shares}}{\text{AMP shareholder equity (book value)}}$$

Where:

Underlying profit = Underlying profit for the year ending 31 December 2015, as reported in AMP's 2015 annual report.

AMP shareholder equity (book value) will be calculated by adding AMP shareholder equity as at 31 December 2014 and AMP shareholder equity at the end of each month over 2015, but excluding any equity attributable to any preference shareholders, and dividing the resulting number by 13. For this purpose AMP shareholder equity is the total equity of shareholders of AMP Limited plus adjustments made to statutory shareholder equity (in each case as shown or defined in AMP's audited statement of financial position and notes as at 31 December 2014 and 31 December 2015 or the management accounts for each other month).

Dividends paid on, and equity relating to, any preference shares will be excluded from the measure, to focus on returns to ordinary shareholders.

At the end of the performance period, AMP's Finance division will provide the PRC with AMP's RoE performance expressed as a percentage.

The PRC then determines the number of performance rights subject to either a TSR or RoE performance hurdle, if any, which vest with reference to the above vesting schedules. There is no subsequent performance retesting. Consequently, any awards that do not vest at the end of the vesting period are forfeited.

Conversion to shares
If the awards vest, they are automatically converted to shares on behalf of participants. Upon conversion, participants become entitled to shareholder benefits, including dividends and voting rights.

2.4 Other equity arrangements – executive minimum shareholding requirement
In 2006, the PRC introduced guidelines outlining the minimum number of AMP shares that nominated executives are expected to hold. The guidelines were introduced to strengthen the alignment between the interests of the nominated executives and shareholders in the long-term performance of AMP. The nominated executives were expected to establish and maintain the following minimum shareholdings by 2011 (or within five years of appointment if appointed after 2006):

– CEO: 300,000 shares
– direct reports to the CEO: 60,000 shares.

Share rights allocated to nominated executives as a result of STI deferral will be included in balances for the purpose of minimum shareholding requirements. The table below summarises the movements in the holdings of shares in AMP Limited held by the nominated executives and their personally related entities over the reporting period.

Name	Date by which minimum holding must be met	Holding at 1 Jan 2013	Granted as remuneration during the period[1]	Received on exercise of performance rights	Other changes[2]	Holding at 31 Dec 2013
Craig Dunn	Jan 2013	806,010	196,646	–	–	1,002,656
Craig Meller	Oct 2012	243,168	119,078	–	–	362,246
Stephen Dunne	Jul 2011	368,263	149,267	–	–	517,530
Colin Storrie	Jan 2017	108,476	75,053	–	–	183,529
Paul Sainsbury	Dec 2015	78,453	85,535	–	–	163,988
Lee Barnett	Jul 2011	138,713	69,602	–	–	208,315
Brian Salter	Jul 2013	105,632	62,474	–	1,106	169,212
Fiona Wardlaw	Aug 2013	135,504	54,088	–	3,100	192,692
Matthew Percival	Jul 2011	108,535	44,864	–	-15,000	138,399
Jonathan Deane	Jan 2013	154,508	44,026	–	–	198,534

1 Grants include STI deferral plan share rights only, which were allocated on 30 April 2013 with a fair value of $4.87 per share right.
2 Other changes represent individuals' purchases and sales made during the period or participation in the AMP dividend reinvestment plan.

All nominated executives have acquired the necessary number of shares to meet the executive minimum shareholding requirement.

3 The link between company performance and remuneration

3.1 Company performance and short-term incentive expenditure

The following table shows how STI outcomes compared to AMP's financial results over the past five years. STI outcomes and company results are not expected to be perfectly correlated as AMP's STI performance assessment involves a broader consideration of AMP's progress in generating future value for shareholders (eg non-financial performance and financial results relative to the targets set by the board and shareholder expectations).

Financial results	2009	2010	2011	2012	2013
Underlying profit ($m)	772	760	909	950	**849**
Operating earnings ($m)	701	686	792	810	**789**
Underlying return on equity	32%	26%	15.1%	12.8%	**10.7**
STI pool ($m)	72	62	89[1]	96[2]	**83**
STI pool as % of underlying profit	9%	8%	9.8%	10.1%	**9.8%**
Average STI as % of maximum opportunity for the nominated executives	67%	65%	60%	63%	**43%**
Total dividend (cents per share)	30	30	29	25	**23**
Share price at 31 December	$6.77	$5.29	$4.07	$4.81	**$4.39**

1 The STI pool for 2011 was higher than in 2010 because of the increase in AMP's headcount following AMP's merger with the Australian and New Zealand businesses of AXA Asia Pacific Holdings and other structural changes in the balance of at-risk remuneration for a number of employees.
2 The 2012 STI pool is inclusive of the CEO STI plan and the AMP group STI plan.

With regard to the non-financial measures as outlined in section 2.2.2, AMP performed strongly overall and particularly against AMP's measures of investment performance and key strategic priorities. Further commentary is provided below:

Non-financial measures	2013 performance
Investment performance (% of assets under management meets or exceeds clients' goals)	– Over two-thirds of assets under management at or above clients' goals for a three-year period – 86% of assets under management at or above clients' goals for a 12-month period
Customer advocacy (% of customers who are advocates)	– Strong second half performance against this measure reflecting organisation's focus on customer experience
Employee engagement	– Results matched 2012 engagement scores
Other key priorities	

Complete integration	– Integration completed successfully
	  – Over $200m of pre-tax cost synergies recognised, exceeding targets
	  – Key integration projects delivered

Develop transformation strategy	– Cost savings in excess of $60m identified for delivery in 2014 – Customer experience strategy developed – Considerable progress on digital strategy
Execute growth strategies for self-managed superannuation funds and Asia	– Strong growth in total self-managed superannuation funds administered – Established retail funds for Mitsubishi UFJ Trust and Banking, AMP Capital's alliance partner, and a joint venture Asset Management company with China Life
Manage regulatory change	– Constructive engagement with Government, Treasury and regulators on regulatory development – Effective management of internal regulatory projects

3.2 Company performance and 2013 STI outcomes for the nominated executives

The following table shows STI opportunities for each nominated executive (as a percentage of fixed remuneration) and the proportions of STI opportunity awarded and forfeited during 2013. On average, the nominated executives were awarded 43 per cent of their maximum opportunity. The 2013 STI outcomes for the nominated executives were significantly lower than 2012 STI outcomes (when the average percentage awarded was 63 per cent).

Executive	Position	Maximum STI opportunity	Awarded[2]	Not awarded
Craig Dunn	Chief Executive Officer and Managing Director	200%	39%	61%
Craig Meller	Managing Director, AMP Financial Services	200%	39%	61%
Stephen Dunne	Managing Director, AMP Capital	n/a[1]	n/a[1]	n/a[1]
Colin Storrie	Chief Financial Officer	175%	43%	57%
Paul Sainsbury	Chief Customer Officer	200%	43%	57%
Lee Barnett	Chief Information Officer	175%	49%	51%
Brian Salter	General Counsel	175%	43%	57%
Fiona Wardlaw	General Manager, Human Resources	175%	43%	57%
Matthew Percival	General Manager, Public Affairs	175%	43%	57%
Jonathan Deane	General Manager, Group Strategy	175%	49%	51%
Average			**43%**	**57%**

1 The AMP Capital MD has STI opportunity delivered under the AMP Capital enterprise profit share plan (refer to section 2.2.3) and this opportunity is uncapped. Accordingly STI opportunity, % awarded and % not awarded, is not applicable.
2 The amounts awarded are inclusive of the deferred component (ie include both the cash and deferred share rights).

3.3 Company performance and long-term incentive vesting

Performance rights awarded to nominated executives prior to 2013 are subject to a single total shareholder return (TSR) hurdle whereby AMP's TSR must be equal to or greater than the median TSR of the top 50 industrial companies in the S&P/ASX 100 Index (refer to section 2.3.1).

The table below illustrates how LTI outcomes for the nominated executives are linked to shareholder returns. For each LTI grant made during the last four years, the table provides the relevant performance period, and for all completed performance periods:

– AMP's TSR for that period (absolute and relative to the specified comparator group for the relevant LTI award)
– details of whether the award vested.

Year	Award	Performance period for the LTI grant	AMP's TSR for that period[1]	AMP's ranking relative to the LTI comparator group	Vesting status at 31 Dec 2013
2009	Annual award	01/08/2009–31/07/2012	-7.58%	37th	Lapsed
2010	Annual award	01/08/2010–31/07/2013	6.42%	37th	Lapsed
2011	CEO award Executive award	01/05/2011–30/04/2014 01/08/2011–31/07/2014	Performance period not complete Performance period not complete		
2012	Annual award	01/03/2012–28/02/2015	Performance period not complete		
2013	Annual award	TSR tranche: 07/03/2013–06/03/2016 RoE tranche: 01/01/2015–31/12/2015	Performance period not complete Performance period not complete		

1 TSR was calculated as the growth in share price (using the ASX adjusted price series) plus dividend payments and capital returns over the period.

As shown in the table above, performance rights issued under the 2010 LTI offer lapsed as the TSR hurdle was not met.

4 Remuneration for the nominated executives in 2013

4.1 Accounting value of 2013 remuneration

The following table shows the remuneration details for the nominated executives for the year ended 31 December 2013. The share-based payments shown below are not amounts actually received by nominated executives during the year, as they include accounting values for unvested share awards.

		Short-term employee benefits			Post-employment benefits		Share-based payments[1]	
Executive		Cash salary $'000	Short-term incentive[2] $'000	Other short-term benefits $'000	Superannuation benefits[3] $'000	Subtotal $'000	Rights[4] $'000	Grand total[5] $'000
Craig Dunn Chief Executive Officer and Managing Director	**2013** 2012	**1,713** 1,713	**819** 1,407	**12** 12	**25** 25	**2,569** 3,157	**2,533** 2,306	**5,102** 5,463
Craig Meller Managing Director, AMP Financial Services	**2013** 2012	**1,027** 1,026	**504** 852	**13** 14	**25** 25	**1,569** 1,917	**1,282** 1,070	**2,851** 2,987
Stephen Dunne Managing Director, AMP Capital	**2013** 2012	**1,046** 1,048	**1,086** 1,068	**–** –	**19** 17	**2,151** 2,133	**1,355** 1,085	**3,506** 3,218
Colin Storrie[6] Chief Financial Officer	**2013** 2012	**912** 911	**432** 537	**400** 14	**25** 25	**1,769** 1,487	**673** 283	**2,442** 1,770
Paul Sainsbury[7] Chief Customer Officer (from 1 April 2013)	**2013** 2012	**687** 536	**441** 612	**64** 64	**50** 50	**1,242** 1,262	**754** 514	**1,996** 1,776
Lee Barnett Chief Information Officer	**2013** 2012	**727** 733	**396** 498	**11** 12	**27** 20	**1,161** 1,263	**789** 719	**1,950** 1,982
Brian Salter General Counsel	**2013** 2012	**741** 716	**354** 447	**11** 12	**26** 42	**1,132** 1,217	**775** 721	**1,907** 1,938
Fiona Wardlaw General Manager, Human Resources	**2013** 2012	**604** 603	**291** 387	**11** 12	**25** 25	**931** 1,027	**654** 602	**1,585** 1,629
Matthew Percival General Manager, Public Affairs	**2013** 2012	**540** 524	**258** 321	**1** 1	**24** 40	**823** 886	**573** 532	**1,396** 1,418
Jonathan Deane General Manager, Group Strategy	**2013** 2012	**506** 479	**270** 315	**–** –	**19** 46	**795** 840	**539** 496	**1,334** 1,336
2013 total		**8,503**	**4,851**	**523**	**265**	**14,142**	**9,927**	**24,069**
2012 total		8,289	6,444	141	315	15,189	8,328	23,517

1 For accounting purposes, all share-based payments are equity-settled as per the relevant Australian Accounting Standard (AASB 2 *Share-based Payment*).
2 Short-term incentive values represent 60% of the total STI award, with 40% being deferred into STI deferral plan share rights.
3 Superannuation benefits for 2013 include contributions made above statutory requirements.
4 Includes performance rights, share rights and STI deferral plan share rights. The minimum future value for these awards is nil and there is no maximum future value for these awards as they are linked to the performance of AMP. The fair value of share rights and performance rights has been calculated as at the grant date by external consultants using a Monte Carlo simulation. The fair value of the TSR performance rights has been discounted for the probability of not meeting the TSR performance hurdles. The value of the award made in any year is amortised over the vesting period.
5 No termination payments, non-monetary benefits or other post-employment benefits were made to nominated executives during 2013.
6 Colin Storrie was granted cash retention awards payable on 31 December 2013 and 31 March 2014. The amortised value of these payments is recorded above as 'Other short-term benefits'. The award was made to ensure flexibility regarding handover arrangements with AMP's new CFO and to incentivise early completion of a number of strategic projects.
7 Paul Sainsbury was Integration Director and Managing Director, AMP SMSF before being appointed as Chief Customer Officer on 1 April 2013.

4.2 Performance rights holdings

The table below summarises the movements, by number, in the nominated executives' holdings of performance rights granted by AMP Limited, for the year ended 31 December 2013. For details of the fair valuation methodology, refer to note 28 to the financial statements.

Name	Grant date	Performance condition[1]	Fair value per performance right	Market price on exercise	Holding at 1 Jan 2013	Rights granted in 2013	Rights exercised in 2013[2]	Rights lapsed in 2013	Holding at 31 Dec 2013	Vested[3] and exercisable at 31 Dec 2013
Craig Dunn	08/09/10	TSR	$2.50	–	697,675	–	–	697,675	–	–
	09/06/11[4]	TSR	$2.39	–	729,167	–	–	–	729,167	–
	07/06/12	TSR	$1.28	–	1,110,406	–	–	–	1,110,406	–
	06/06/13	TSR	$2.00	–	–	450,102	–	–	450,102	–
		RoE	$4.21	–	–	306,372	–	–	306,372	–
Total					**2,537,248**	**756,474**	**–**	**697,675**	**2,596,047**	**–**
Craig Meller	08/09/10	TSR	$2.50	–	307,309	–	–	307,309	–	–
	09/09/11	TSR	$1.92	–	400,376	–	–	–	400,376	–
	07/06/12	TSR	$1.28	–	540,609	–	–	–	540,609	–
	06/06/13	TSR	$2.00	–	–	219,149	–	–	219,149	–
		RoE	$4.21	–	–	149,168	–	–	149,168	–
Total					**1,248,294**	**368,317**	**–**	**307,309**	**1,309,302**	**–**
Stephen Dunne	08/09/10	TSR	$2.50	–	307,309	–	–	307,309	–	–
	09/09/11	TSR	$1.92	–	400,376	–	–	–	400,376	–
	07/06/12	TSR	$1.28	–	540,609	–	–	–	540,609	–
	06/06/13	TSR	$2.00	–	–	219,149	–	–	219,149	–
		RoE	$4.21	–	–	149,168	–	–	149,168	–
Total					**1,248,294**	**368,317**	**–**	**307,309**	**1,309,302**	**–**
Colin Storrie	08/09/10	TSR	$2.50	–	–	–	–	–	–	–
	09/09/11	TSR	$1.92	–	75,188	–	–	–	75,188	–
	07/06/12	TSR	$1.28	–	409,898	–	–	–	409,898	–
	06/06/13	TSR	$2.00	–	–	166,163	–	–	166,163	–
		RoE	$4.21	–	–	113,103	–	–	113,103	–
Total					**485,086**	**279,266**	**–**	**–**	**764,352**	**–**
Paul Sainsbury	08/09/10	TSR	$2.50	–	132,891	–	–	132,891	–	–
	09/09/11	TSR	$1.92	–	207,707	–	–	–	207,707	–
	07/06/12	TSR	$1.28	–	280,456	–	–	–	280,456	–
	06/06/13	TSR	$2.00	–	–	174,897	–	–	174,897	–
		RoE	$4.21	–	–	119,047	–	–	119,047	–
Total					**621,054**	**293,944**	**–**	**132,891**	**782,107**	**–**
Lee Barnett	08/09/10	TSR	$2.50	–	230,233	–	–	230,233	–	–
	09/09/11	TSR	$1.92	–	244,455	–	–	–	244,455	–
	07/06/12	TSR	$1.28	–	330,076	–	–	–	330,076	–
	06/06/13	TSR	$2.00	–	–	133,807	–	–	133,807	–
		RoE	$4.21	–	–	91,079	–	–	91,079	–
Total					**804,764**	**224,886**	**–**	**230,233**	**799,417**	**–**
Brian Salter	08/09/10	TSR	$2.50	–	232,559	–	–	232,559	–	–
	09/09/11	TSR	$1.92	–	246,053	–	–	–	246,053	–
	07/06/12	TSR	$1.28	–	332,233	–	–	–	332,233	–
	06/06/13	TSR	$2.00	–	–	134,682	–	–	134,682	–
		RoE	$4.21	–	–	91,674	–	–	91,674	–
Total					**810,845**	**226,356**	**–**	**232,559**	**804,642**	**–**
Fiona Wardlaw	08/09/10	TSR	$2.50	–	192,692	–	–	192,692	–	–
	09/09/11	TSR	$1.92	–	204,512	–	–	–	204,512	–
	07/06/12	TSR	$1.28	–	276,142	–	–	–	276,142	–
	06/06/13	TSR	$2.00	–	–	111,945	–	–	111,945	–
		RoE	$4.21	–	–	76,198	–	–	76,198	–
Total					**673,346**	**188,143**	**–**	**192,692**	**668,797**	**–**
Matthew Percival	08/09/10	TSR	$2.50	–	170,432	–	–	170,432	–	–
	09/09/11	TSR	$1.92	–	180,546	–	–	–	180,546	–
	07/06/12	TSR	$1.28	–	243,781	–	–	–	243,781	–
	06/06/13	TSR	$2.00	–	–	98,828	–	–	98,828	–
		RoE	$4.21	–	–	67,269	–	–	67,269	–
Total					**594,759**	**166,097**	**–**	**170,432**	**590,424**	**–**
Jonathan Deane	08/09/10	TSR	$2.50	–	157,808	–	–	157,808	–	–
	09/09/11	TSR	$1.92	–	167,764	–	–	–	167,764	–
	07/06/12	TSR	$1.28	–	226,522	–	–	–	226,522	–
	06/06/13	TSR	$2.00	–	–	91,832	–	–	91,832	–
		RoE	$4.21	–	–	62,507	–	–	62,507	–
Total					**552,094**	**154,339**	**–**	**157,808**	**548,625**	**–**

1 Performance rights granted under the 2013 LTI award are subject to two performance hurdles, a TSR and an RoE hurdle. Prior year awards were subject to a TSR hurdle only.
2 None of the nominated executives exercised performance rights during 2013.
3 No performance rights vested during 2013.
4 Will be forfeited upon retirement, as outlined in section 1.4.

4.3 Analysis of movements in the value of performance rights
The following table summarises the movement of performance rights, by value, during 2013. No performance rights were exercised during 2013.

Name	Value of performance rights granted during 2013 $'000	Value of performance rights exercised during 2013 $'000	Value of performance rights lapsed during 2013[1] $'000
Craig Dunn	2,190	–	3,153
Craig Meller	1,066	–	1,389
Stephen Dunne	1,066	–	1,389
Colin Storrie	808	–	–
Paul Sainsbury	851	–	601
Lee Barnett	651	–	1,041
Brian Salter	655	–	1,051
Fiona Wardlaw	545	–	871
Matthew Percival	481	–	770
Jonathan Deane	447	–	713

1 The performance rights lapsed are valued using the closing share price on the date the performance rights lapsed.

5 Contractual arrangements for the nominated executives

The table below provides a summary of the key contractual terms agreed with the nominated executives for 2013.

Contract term	CEO contract[1]	Other nominated executives
Length of contract	Open-ended	Open-ended, unless otherwise varied in the case of cessation of employment.
Notice period	– Employment may be terminated at any time by AMP giving 12 months' notice or by Craig Dunn giving six months' notice. – AMP may terminate Craig Dunn's employment immediately in certain events, including serious misconduct and material breach of contract. – In each case, AMP may pay the fixed remuneration for the balance of any notice period in order to bring an earlier end to his employment.	As for CEO, except: – Most of the other nominated executives may terminate immediately if there is a material adverse change in their role. – AMP is required to give some longer-serving nominated executives six months' notice if it wishes to terminate for poor performance.
Employee benefits not forming part of fixed remuneration (refer to section 2.1)	Not applicable	Long-serving nominated executives are entitled to up to $7,500 annually in reimbursement for taxation, legal or financial planning advice.
Entitlements on termination	– Accrued fixed salary and statutory entitlements. – Pro-rata STI may be paid for the period since the last 1 January except in case of misconduct or breach of contract. Where provided, the STI is pro-rated for time served and calculated based on performance to the date of termination. – Unvested LTI performance rights may be allowed to continue in the relevant LTI plan in the case of death, disablement, redundancy or notice without cause by AMP. In this case, the awards will continue to be subject to the original performance hurdles and performance periods. – In the case of termination by AMP, or termination due to death, disablement or a material change in circumstances, the most recent LTI award at the time of termination will be reduced pro-rata if 12 months have not passed since the award was granted. – Vested performance rights will be retained on cessation of employment except in the case of serious misconduct or breach of contract.	As for CEO, except: – Some longer-serving nominated executives are entitled to 50% of their maximum annual STI opportunity for the balance of the notice period on redundancy or termination by AMP without cause. – For contracts agreed after 1 January 2010, the above entitlement was removed, as the payment of such amounts would result in termination payments above the threshold requiring shareholder approval. – The most recent LTI award at the time of termination does not lapse pro-rata for time served (in the case of termination by AMP, termination due to death, disablement or a material change in circumstances).
Post-employment restraint	Craig Dunn is contractually restrained from entering employment with a competitor for six months, and has a 12 months' restraint on solicitation of AMP clients and employees.	– Most of the other nominated executives are not restricted from entering employment with a competitor. – Restraints on solicitation of AMP clients and employees are either for six or 12 months.

1 CEO contract terms relate to Craig Dunn. Craig Meller was appointed to the role of CEO effective 1 January 2014. Details of his contractual arrangements are available in the ASX announcement of his appointment dated 15 August 2013.

Since 2010, employment contracts issued to newly appointed employees (including any new nominated executives) provide that an employee's termination entitlements are limited to amounts not requiring shareholder approval under the *Corporations Act 2001* (ie their termination payments are capped at one year's base salary as defined for the purpose of section 200B of the *Corporations Act 2001*).

6 Non-executive director remuneration

6.1 Philosophy

Fees paid to non-executive directors (NEDs) of the AMP Limited Board are recommended by the Nomination Committee with regard to advice provided by AMP remuneration specialists and the Nomination Committee's appointed external remuneration adviser. Factors taken into consideration include the:
- level of fees paid to board members of other Australian corporations
- complexity of AMP's operations
- responsibilities and workload requirements of board members.

In order to maintain their independence, none of the NEDs' remuneration is linked to performance.

6.2 Structure

During 2013, non-executive director remuneration comprised three components.

Benefits	Superannuation and an expense allowance
Fees	Committee and subsidiary board fees AMP Limited Board fees

These fees and benefits are subject to the maximum non-executive director fee pool of $3.85 million.

6.2.1 AMP Limited Board fees

The annual base fee for a NED was unchanged in 2013. The base fees provided to each director are as follows:

	Chairman	Other non-executive directors
Base fee (excluding superannuation) 2013	$585,000	$170,000

The AMP Limited Board chairman receives an overall fee in relation to regular duties. No additional fees are paid for his membership of board committees or subsidiary boards, or for his attendance at board meetings or meetings of board committees of which he is not a member. An extra fee may be paid for additional board duties. Board fees are not paid to the CEO as responsibilities regarding board membership are considered to be part of the CEO's normal employment conditions.

6.2.2 Committee and subsidiary board fees

NEDs are paid additional fees for duties associated with membership of board committees, membership of AMP subsidiary boards and for duties associated with other special purpose committees. The 2013 fees (excluding superannuation) are presented below:

	Board/committee chairman	Board/committee member
AMP Bank Audit Committee	$25,000	$15,000
AMP Bank Board	$80,000	$50,000
AMP Capital Holdings Audit Committee	$25,000	$15,000
AMP Capital Holdings Board	$110,000	$70,000
AMP Life/NMLA Audit Committee	$28,750	$17,250
AMP Life/NMLA Board	$158,000	$98,000
Audit Committee	$42,000	$21,000
Nomination Committee	$15,000	$7,500
People and Remuneration Committee[1]	$42,000	$21,000

1 In 2013, the People and Remuneration Committee (PRC) took over the responsibilities of the Diversity Advisory Committee, which has been dissolved. The annual fees payable for the chairman and members of the PRC increased in 2013 due to expanded responsibilities.

During 2013, the Nomination Committee instructed PricewaterhouseCoopers (PwC), its external remuneration adviser, to provide market benchmarking services for the non-executive director roles. PwC did not provide any remuneration recommendations and as such, is not considered to be a remuneration consultant as defined under the *Corporations Act 2001*. As a result of the market review, the annual fees payable to the chairman and the members of the AMP Limited Audit Committee will increase to $45,750 and $25,000 respectively, with effect from 1 January 2014.

6.2.3 Benefits

Benefits provided to directors are as follows:

- *superannuation:* Superannuation contributions are paid in addition to fees and allowances. Contributions increased from 9 per cent to 9.25 per cent of total fees in July 2013 in accordance with superannuation legislation. Directors may also elect to salary-sacrifice their fees into superannuation.
- *expense allowance:* An annual expense allowance of $6,000 is paid to each director, except the chairman, for incidental expenses related to the business of the company.
- *retirement benefits:* No retirement benefits are provided to directors.

6.3 AMP non-executive directors' share plan (NED share plan)

A minimum of 26 per cent of non-executive directors' fees, up to a maximum of 50 per cent, must be taken in the form of AMP shares which are held in the NED share plan for 10 years or until the director resigns from the AMP Limited Board, unless otherwise withdrawn with the approval of the Nomination Committee. There are no performance hurdles attached to this plan, as non-executive directors use part of their fees to acquire these shares.

Non-executive directors do not participate in any other equity plans.

Shareholdings

The following table summarises the movements in AMP Limited shares held by the non-executive directors and their personally related entities during 2013.

Non-executive director	Holding at 1 Jan 2013	Purchased through the NED share plan	Other changes[1]	Holding at 31 Dec 2013
Peter Mason[2]	542,549	31,263	27,024	**600,836**
Patricia Akopiantz	21,286	9,086	–	**30,372**
Richard Allert	82,338	9,086	2,532	**93,956**
Catherine Brenner	50,487	9,085	664	**60,236**
Brian Clark[3]	57,522	9,086	2,978	**69,586**
Paul Fegan	33,927	9,086	–	**43,013**
Simon McKeon[4]	50,000	6,379	1,314	**57,693**
John Palmer	77,012	9,086	3,927	**90,025**
Nora Scheinkestel[3,5]	130,292	3,484	3,077	**136,853**
Peter Shergold	45,635	9,086	2,400	**57,121**

1 Other changes are as a result of participation in the dividend reinvestment plan.
2 The AMP Capital China Growth Fund invests in China A shares, which are shares in companies listed on China's Shanghai or Shenzhen stock exchanges. Peter Mason indirectly holds 63,374 units in the fund. Between 1 January 2013 and 31 December 2013 this holding increased by 1,204 units.
3 AMP Notes 1 are debentures issued by AMP Group Finance Services Limited, a subsidiary of AMP Limited. In addition to their AMP Limited shareholdings above, Brian Clark and Nora Scheinkestel held 980 and 150 AMP Notes 1 respectively. Between 1 January 2013 and 31 December 2013, there were no changes to Brian Clark's and Nora Scheinkestel's AMP Notes 1 holdings.
4 The opening holding for Simon McKeon is as at 27 March 2013, the date he was appointed to the AMP Limited Board.
5 Nora Scheinkestel retired from the AMP Limited Board on 9 May 2013. The closing holding is at 10 May 2013 and includes 663 AMP Limited shares acquired under the non-executive director share purchase plan relating to April 2013 director's fees.

6.4 Accounting value of 2013 non-executive director remuneration

The table below shows the remuneration details for the non-executive directors of AMP Limited for 2013.

		Short-term benefits					Post-employment benefits	
		AMP Limited Board and committee fees[1] $'000	Fees for other group boards[1] $'000	Other short-term benefits $'000	Additional board duties[2] $'000	Non-monetary benefits $'000	Superannuation $'000	Total $'000
Peter Mason	**2013**	**585**	**–**	**–**	**–**	**–**	**17**	**602**
Chairman	2012	585	–	–	–	–	16	601
Patricia Akopiantz	**2013**	**191**	**74**	**6**	**–**	**–**	**25**	**296**
Non-executive director	2012	188	58	6	–	–	23	275
Richard Allert	**2013**	**191**	**24**	**6**	**–**	**–**	**20**	**241**
Non-executive director	2012	191	–	6	–	–	18	215
Catherine Brenner	**2013**	**180**	**175**	**6**	**–**	**–**	**33**	**394**
Non-executive director	2012	175	175	6	–	–	32	388
Brian Clark	**2013**	**199**	**125**	**6**	**–**	**–**	**30**	**360**
Non-executive director	2012	201	125	6	–	–	30	362
Paul Fegan	**2013**	**212**	**8**	**6**	**20**	**–**	**22**	**268**
Non-executive director	2012	212	68	6	–	–	26	312
Simon McKeon[3]	**2013**	**143**	**55**	**5**	**20**	**–**	**20**	**243**
Non-executive director	2012	–	–	–	–	–	–	–
John Palmer	**2013**	**212**	**98**	**6**	**–**	**–**	**29**	**345**
Non-executive director	2012	207	98	6	–	–	28	339
Nora Scheinkestel[4]	**2013**	**66**	**30**	**2**	**–**	**–**	**9**	**107**
Non-executive director	2012	192	118	6	–	–	28	344
Peter Shergold	**2013**	**191**	**115**	**6**	**–**	**–**	**28**	**340**
Non-executive director	2012	196	115	6	–	–	29	346
Total for 2013		**2,170**	**704**	**49**	**40**	**–**	**233**	**3,196**
Total for 2012[5]		2,147	757	48	–	–	230	3,182

1 Details of the non-executive directors' committee memberships and directorships of subsidiary boards are provided in the directors' report.
2 Relates to additional work performed for AMP group capital initiatives.
3 Simon McKeon was appointed to the AMP Limited Board on 27 March 2013.
4 Nora Scheinkestel retired from the AMP Limited Board on 9 May 2013.
5 In line with disclosure requirements, the totals for the year ended 31 December 2012 relate to individuals disclosed in the 2012 annual report and so do not equal the sum of the amounts disclosed for individuals specified for the 2013 annual report.

Signed in accordance with a resolution of the directors.

Peter Mason
Chairman

Sydney, 20 February 2014

Craig Meller
Chief Executive Officer and Managing Director

Analysis of shareholder profit

for the year ended 31 December 2013

This table shows an analysis of the source of profit after income tax attributable to shareholders of AMP Limited.

All amounts are after income tax	2013 $m	Restated 2012 $m
Australian Wealth Management	**330**	285
AMP Bank	**83**	62
Australian Wealth Protection	**64**	190
Australian Mature	**178**	167
New Zealand	**97**	73
AMP Financial Services	**752**	777
AMP Capital	**99**	99
Business unit operating earnings	**851**	876
Group office costs	**(62)**	(66)
Total operating earnings	**789**	810
Underlying investment income	**135**	226
Interest expense on corporate debt	**(75)**	(86)
Underlying profit	**849**	950
Other items	**(2)**	21
AMP AAPH integration costs	**(57)**	(128)
Business efficiency program costs	**(39)**	–
Amortisation of AMP AAPH acquired intangibles	**(91)**	(99)
Profit before market adjustments and accounting mismatches	**660**	744
Market adjustment – investment income	**2**	(12)
Market adjustment – annuity fair value	**27**	(9)
Market adjustment – risk products	**(5)**	(4)
Accounting mismatches	**(12)**	(30)
Profit attributable to shareholders of AMP Limited	**672**	689

Approach to corporate governance

The AMP Limited Board and management have a set of values that recognise the group's responsibilities to all its stakeholders, including shareholders, customers and clients, business partners and advisers, employees and the community.

The board places great importance on the highest standards of governance and periodically reviews its governance practices to address AMP's obligations as a responsible corporate citizen.

In accordance with the recommendations contained in the Australian Securities Exchange (ASX) Corporate Governance Principles and Recommendations (ASX Recommendations), AMP has posted copies of its governance practices (including copies of relevant charters, policies and terms of reference) in the corporate governance section of its website: amp.com.au/corporategovernance. AMP believes its governance practices were consistent with all of the ASX Recommendations during 2013. The information in this statement is current as at 20 February 2014.

ASX Principle 1: Lay solid foundations for management and oversight

Role of the AMP Limited Board and management

Role of the AMP Limited Board

The board is responsible to AMP's shareholders for the overall governance and performance of the AMP group.

The role of the board includes:

- providing strategic direction to AMP through constructive engagement with senior management in the development, execution and modification of AMP's strategy and in approving AMP's strategic plan
- approving major business initiatives within the AMP group
- guiding and monitoring the businesses within the AMP group
- appointing the managing director and chief executive officer (CEO), the chief financial officer (CFO) and the company secretaries
- monitoring the CEO's performance
- providing advice and counsel to senior management of the AMP group
- approving succession plans for the CEO and reviewing the succession planning policy and approach for the direct reports of the CEO and for critical business roles
- approving AMP group's talent management strategy, including seeking to encourage diversity on the boards of AMP and its key operating subsidiaries and in senior management
- approving remuneration policies and practices, including the total remuneration package, performance objectives and performance appraisal for the CEO, the direct reports of the CEO and other persons whose individual activities may, in the People and Remuneration Committee's opinion, affect the AMP group's financial soundness or that of its key operating subsidiaries
- overseeing and approving AMP group's governance model, including monitoring and overseeing the work of the boards of the key operating subsidiaries and monitoring the implementation by those boards of the policies and decisions of the AMP Limited Board
- seeking to ensure the effectiveness of the boards of AMP and its key operating subsidiaries; approving the remuneration for AMP and key operating subsidiary non-executive directors, as recommended by the Nomination Committee
- reviewing and approving policies that seek to ensure the AMP group's businesses are conducted ethically and transparently
- reporting to AMP shareholders
- considering AMP shareholders' views on the management and direction of the AMP group
- considering the interests of all stakeholders in the AMP group, including its shareholders, customers and clients, business partners and advisers, employees and the community
- approving policies that seek to ensure AMP group's compliance with its legal and regulatory obligations
- reviewing and approving AMP group's strategic risk management and seeking to ensure appropriate group-wide compliance and risk frameworks are in place
- approving major decisions concerning the financial capital of the AMP group
- monitoring the AMP group's financial results
- determining dividends
- approving the half and full year financial results for the AMP group
- approving releases to the ASX on major matters
- approving the delegation of powers to the CEO and senior management.

The board's responsibilities are documented in the AMP Limited corporate governance charter, which has been adopted by the board and is available in the corporate governance section of AMP's website.

Details on the role of the chairman are set out in this statement under ASX Principle 2: Structure the board to add value.

Role of the CEO and management

The CEO is responsible for the overall management and financial performance of the AMP group. The CEO manages the organisation in accordance with the strategy, plans, risk appetite, policies, and delegations of authority approved by the board.

An executive leadership team assists the CEO with implementing the policies and strategies set by the board and running the general operations and financial business of AMP.

Directors decide what matters are delegated to management and seek to ensure that adequate controls are in place to oversee the operation of these delegated powers. The areas of authority which have been delegated to management are documented in a delegations of authority framework, which has been adopted by the board.

Allocation of individual responsibilities

Each non-executive director has been issued with a formal letter of appointment, setting out key terms and conditions and other corporate expectations. Each member of the executive leadership team has clearly defined goals and accountabilities and an employment contract setting out their terms of employment, duties, rights and responsibilities and entitlements on termination of employment.

Performance evaluation and induction of senior executives

Performance evaluation process

AMP's remuneration strategy is to align executive rewards with the creation of shareholder value. Performance of senior executives is assessed using a combination of quantitative and qualitative measures that take into account the performance of the AMP group, business unit, division and individual over the past year. Further information about the process for evaluating the performance of senior executives is set out in the remuneration report.

Performance objectives and performance appraisals for senior executives were reviewed by the People and Remuneration Committee and recommended to the board for approval during 2013, in accordance with the process set out above. Further details of the People and Remuneration Committee's responsibilities are set out in this statement under ASX Principle 8: Remunerate fairly and responsibly.

Induction

AMP has procedures and courses for the induction of managers, to assist them in participating fully and actively in management decision-making at the earliest opportunity.

ASX Principle 2: Structure the board to add value

Independent directors

Independent decision-making

The AMP Limited corporate governance charter provides that a majority of directors will be independent. Director independence is assessed by considering applicable laws, rules and regulations, including the criteria set out in Box 2.1 of the ASX Recommendations. The board regularly reviews each director's independence and considers that each of the non-executive directors is independent.

In making its assessment, the board noted that certain AMP Limited directors are also directors or officers of suppliers to, or customers of, the AMP group. The board has noted these directors are not directly involved in the provision of services to or by AMP and dealings have been at arm's length:

- Peter Mason is a Director of Singapore Telecommunications Limited, which provides telecommunications services to AMP
- Nora Scheinkestel, who was a Director until 9 May 2013, is a Director of Telstra Corporation Limited, which provides telecommunications services to AMP
- Peter Mason is the Chairman of David Jones Limited, which currently leases three stores in AMP Capital shopping centres and has entered into agreements to lease two further stores
- Peter Mason is a senior adviser to UBS Investment Bank, which periodically provides transaction advisory services to AMP
- Paul Fegan was the Chief Financial Officer of Genworth Australia, which provides lenders' mortgage insurance to AMP Bank, from January to December 2013
- Peter Shergold is a Director of Corrs Chambers Westgarth, which is on AMP's panel of nine preferred law firms for commercial advice
- Peter Shergold is a Director of Veda Group Limited, which provides credit-referencing services to AMP
- Simon McKeon was, until January 2014, an executive of Macquarie Group, which periodically provides commercial and advisory services to AMP and invests in various securities and financial instruments issued by AMP group companies.

From time to time:

- AMP purchases various securities and financial instruments issued by companies in which AMP's directors hold board or executive positions, for the purpose of investing shareholders' funds, unitholders' funds and policyholders' funds
- AMP operates corporate superannuation schemes for employees of companies in which AMP's directors hold board or executive positions
- properties managed by AMP Capital or its affiliates are leased to companies in which AMP's directors hold board or executive positions.

The board is of the view that these relationships are not material and do not interfere with the exercise of the directors' independent judgement and their ability to act in the best interests of AMP. 'Materiality' is assessed based on the:

- strategic importance to AMP's business of the services or advice purchased by the AMP group
- nature of the services or advice
- nature and value of the transaction to the AMP group.

Directors are required to monitor and disclose any potential conflict of interest that may arise. Directors must:

- disclose to the chairman any actual or potential conflicts of interest that may exist as soon as the situation arises (in the case of the chairman, this disclosure would be made to the chairman of the Nomination Committee or to the board, as appropriate)
- take necessary and reasonable steps to resolve any conflict of interest
- comply with the *Corporations Act 2001* requirements about disclosing interests and restrictions on voting.

Potential related-party transactions (other than those occurring at arm's length) must be discussed with the chairman, reported in writing to the company secretary and, where appropriate, be raised for consideration at the next board meeting. In the meantime, the director concerned should not commit to the transaction.

A list of directors' interests is regularly reviewed by directors as circumstances change. If the board concludes a director has lost their independent status, that conclusion will be disclosed to the market in a timely manner.

The AMP Limited corporate governance charter provides that directors are entitled to seek independent professional advice on AMP-related matters at AMP's expense. Directors must ensure the costs are reasonable and must advise the chairman before the advice is sought. Any advice received must be made available to the rest of the board unless otherwise agreed by the chairman or the board.

The chairman and other non-executive directors hold meetings from time to time without management present.

Role of the chairman

The chairman is appointed by and from the independent non-executive directors of the board. The chairman's responsibilities include:

- providing appropriate leadership to the board and the AMP group
- facilitating board discussions
- maintaining a regular dialogue and mentor relationship with the CEO
- monitoring board performance
- guiding and promoting the effectiveness of the board and individual directors.

There is a clear division of responsibilities between the chairman and the CEO, which is set out in the AMP Limited corporate governance charter.

Nomination Committee

Membership, attendance and terms of reference

Throughout 2013, the Nomination Committee had three independent directors as its members: Catherine Brenner (member and chairman from 9 May 2013), Nora Scheinkestel (member and chairman until 9 May 2013), Brian Clark and Peter Mason.

Attendance records for the committee are shown in the directors' report and a copy of the committee's terms of reference is available in the corporate governance section of AMP's website.

Responsibilities

The committee supports and advises the board on board matters including policies, performance, remuneration, composition, fitness and propriety of directors and the board (as required by the Australian Prudential Regulation Authority) and succession planning. This includes identifying, evaluating and recommending candidates to the board.

The committee also oversees and recommends to the AMP Limited Board the appointment of non-executive directors to the boards of key operating subsidiaries.

Board selection and competencies
Succession planning is a regular item on the Nomination Committee's agenda. As part of the process of considering new non-executive directors for AMP and its key operating subsidiaries, the committee considers a wide base of potential directors. It identifies, evaluates and recommends board candidates, taking into account the relevant experience, skills, personal attributes and availability of candidates, and the required time commitments of the position.

A skills framework, which reflects the overall mix of skills and diversity that the board aims to achieve in its membership and, where relevant, the membership of its key operating subsidiaries, is used to assess the suitability of candidates. This includes business experience (in different industries and countries), gender, age, background, professional expertise and qualifications. Other factors taken into account before a recommendation is made by the committee include the current composition of the board, succession planning, independence requirements, AMP's diversity targets, the strategic direction of the AMP group, and the geographic spread and mix of AMP's businesses.

From time to time, the committee uses external consultants to assist in its considerations. During 2013, the committee engaged external consultants to conduct searches for new directors of AMP Limited and certain key operating subsidiaries. The committee gave the consultants guidance on the attributes that would complement the skills and experience of each entity's current directors, taking into account the factors described above.

Further details on AMP's gender diversity objectives are set out in this statement under ASX Principle 3: Promote ethical and responsible decision-making. Biographical details setting out the skills, experience and period of office held by each of the directors in office at the date of this statement are set out in the directors' report.

Composition and commitment of the AMP Limited Board
AMP Limited's constitution, available in the corporate governance section of AMP's website, provides that there will be a minimum of three directors and a maximum of 16 directors. As at the date of this statement, the board is made up of nine independent non-executive directors and one executive director, the CEO.

Prior to appointment or re-election, non-executive directors advise the Nomination Committee of their other commitments and confirm they will have sufficient time to meet their expected requirements as an AMP Limited director.

Any proposed non-AMP board or executive appointments being considered by directors must be discussed with the chairman. Directors must advise AMP of such appointments to other companies as soon as possible after the appointment is made.

Re-appointment of directors
No director (other than the CEO) may hold office for more than three years without being re-elected by shareholders. The board reviews whether retiring directors should stand for re-election, having regard to their contribution to the board. A director appointed by the board to fill a casual vacancy or as an addition to the existing directors will hold office until the next annual general meeting (AGM), when that director is required to stand for election.

A non-executive director can continue to hold office after a nine-year term provided they are re-elected by shareholders at every subsequent AGM.

Board performance

Board performance assessment
Board and director performance reviews are conducted annually and prior to any director standing for re-election at a general meeting of the company. Reviews are conducted either directly or through a third party. Consistent with this process, during 2013, formal evaluations of the performance of the board, its committees and each non-executive director (including the chairman) were facilitated by an independent third party. One-on-one interviews and questionnaires were completed by each director and the executive leadership team. The resultant evaluation reports for the board and committees were reviewed and discussed at each forum, for action as necessary. The chairman discussed evaluation reports on individual directors with that director. The evaluation report for the chairman was provided to each of the other directors.

The boards and the committees of key operating subsidiaries also regularly review their own performance.

Induction and education
The Nomination Committee considers board policies relating to the orientation and education of new directors and the continuing education and development of directors. All directors participate in a formal induction process co-ordinated by the secretariat. Board meetings regularly include sessions on developments in governance, regulatory, accounting and capital management matters. Each non-executive director is allocated an annual budget to spend on education, training and professional development, specific to their professional development needs.

Access to information
Directors are able to access members of senior management to request information. When conducting board business, directors will question, request information, raise any issue of concern to them, canvass fully all aspects of any issue confronting AMP and vote on any resolution according to their own judgement.

Directors keep confidential all board discussions, deliberations and decisions except where decisions are required to be disclosed publicly.

Company secretaries
AMP Limited has three appointed company secretaries, whose biographical details and qualifications are set out in the directors' report. The company secretaries are responsible for advising the board on governance matters and facilitating the flow of information between the board and its committees, and between senior executives and directors. All directors have access to the advice and services of the company secretaries, whose appointment and removal are a matter for decision by the board.

ASX Principle 3: Promote ethical and responsible decision-making

Code of conduct

AMP's reputation as a trusted and respected company is our most valuable asset. The AMP Limited Board has adopted a code of conduct, which was reviewed and updated in 2012. The code outlines the standards of behaviour expected of all directors, officers, employees, contractors and consultants of the AMP group. The code reinforces an already strong ethical culture for the benefit of AMP's shareholders, customers and clients, business partners and advisers, employees and the community.

AMP has a whistleblowing policy and processes to support people who report suspected breaches of the code in good faith. A copy of the code of conduct is provided to all directors and employees on joining AMP and is available in the corporate governance section of AMP's website.

Trading policy

The board has adopted a trading policy to protect stakeholder interests.

In accordance with the *Corporations Act 2001*, directors, employees or their close associates are prohibited from trading in, or procuring, arranging or encouraging someone else to trade in, AMP securities while in possession of inside information relating to those AMP securities.

Except in certain circumstances, the trading policy requires directors, employees or their close associates not to trade in AMP shares (and other AMP securities over or relating to AMP shares) outside specified trading windows. Breaches of the policy are investigated and treated seriously and may lead to disciplinary action being taken against the director or employee, including dismissal from employment in serious cases.

A copy of the trading policy is available in the corporate governance section of AMP's website.

Diversity policy

AMP is committed to creating a diverse and inclusive workplace. By inviting and embracing diversity of thought, AMP believes it will increase creativity and innovation, make better business decisions and create great experiences for its customers and employees alike.

Diversity within the organisation is guided by AMP's leadership team who are responsible for reinforcing AMP's commitment to having a diverse and inclusive workplace and achieving the group's diversity objectives.

In 2013, AMP focused on four key diversity and inclusion priorities:

- **Leadership commitment:** creating a clear and visible commitment to diversity of thought as a strategic business imperative.

  In 2013, AMP established the Diversity and Inclusion Council – comprising all members of the executive leadership team – to drive AMP's diversity and inclusion strategy. AMP's executives also completed in-depth education on how to identify and counteract unconscious bias in everyday decision making.

- **Changing mindsets:** building a more inclusive culture in which AMP uses diversity of thought to challenge assumptions, make decisions and solve problems, and where different modes of working become a normal way of doing business.

  AMP conducted a program for its leaders to help them think differently about how they engage employees by promoting diversity of thought and creating a more inclusive team environment. This included how to encourage employees to speak up, check for assumptions or bias, engage in constructive debate and put the customer at the centre of every interaction.

  In 2013, AMP also ran a series of interactive sessions to help challenge existing ideas about career paths and success by profiling the diverse life stories of a number of senior executives and AMP Limited Board members.

- **Diversify the workforce:** actively appointing more diverse leaders to increase diversity of thought and reinforce AMP's commitment to diversity and inclusion.

  Attracting and appointing women into senior leadership roles remained a focus and in 2013 AMP moved closer to its 2015 gender targets. AMP advocates that the shortlist for all executive roles contain a mix of men and women, and both men and women interview candidates through the executive recruitment process. In AMP's customer operations area, a tailored leadership program also helped female leaders identify opportunities and solutions to career progression and work/life balance challenges.

- **Measurement:** identifying blockages and biases that work against diversity of thought, and track current progress.

  AMP embarked on extensive research in late 2013 to explore existing opportunities and barriers to creating a more diverse and inclusive culture. The outcome of this work will form the basis of AMP's 2014–2016 diversity and inclusion strategy.

The People and Remuneration Committee continues to oversee the implementation of AMP's diversity and inclusion initiatives, and to report progress against specific, measurable gender diversity targets set by the AMP Limited Board.

AMP's diversity and inclusion policy is available in the corporate governance section of the AMP website and highlights the importance of diversity and inclusion in achieving organisational performance and growth. The policy outlines AMP's commitment to diversity and inclusion across all areas of its business, including recruitment, talent and succession management, leadership development, employee retention, mentoring, coaching and decision making.

Gender diversity objectives and reporting

In 2010, AMP set targets for 2015 for the representation of women in senior executive, middle management and AMP Limited Board roles.

AMP is progressing towards these targets, with women now comprising 32 per cent of executive roles (the top 8.5 per cent of the organisation) and 40 per cent of middle management roles (the next 22 per cent of the organisation).

Overall, women make up 50 per cent of AMP's workforce.

Dr Nora Scheinkestel retired from the AMP Limited Board on 9 May 2013, reducing the percentage of women on the board from 30 per cent to 20 per cent. AMP aims to gain 30 per cent representation on the board by 2015.

In 2013, the Equal Opportunity for Women in the Workplace Agency (EOWA) extended AMP's 2012 Employer of Choice for Women (EOCFW) citation. As a founding member, AMP also remains a committed supporter of the Diversity Council of Australia.

Representation of women in roles against 2015 targets

Roles	2015 target	31 December 2013	31 December 2012
AMP Limited Board	30%	20%	30%
Senior executives	35%	32%	31%
Middle management	43%	40%	38%
All employees	n/a	50%	51%

ASX Principle 4: Safeguard integrity in financial reporting

Audit Committee

Membership, attendance and terms of reference

Throughout 2013, the Audit Committee had the following independent directors as its members: Paul Fegan (Chairman), Rick Allert, Simon McKeon (appointed May 2013) and Peter Shergold. Paul Fegan has over 30 years experience in the financial services industry, and all members have appropriate financial expertise and experience as detailed in the directors' report. The chairman of the committee is not the chairman of the board. Attendance records for the committee are shown in the directors' report and a copy of the committee's terms of reference is available in the corporate governance section of AMP's website.

Responsibilities

The primary function of the Audit Committee is to assist the board to discharge its corporate governance responsibilities in regard to the:

- integrity and appropriateness of AMP's financial statements and related external financial communications
- oversight of the enterprise risk management framework including compliance and internal controls
- performance and independence of the internal audit function and the external auditor
- adequacy of the AMP group's insurance program, including directors' and officers' liability insurance cover.

The AMP Limited chairman and CEO attend committee meetings where appropriate. The chairman of the committee reports on any matters of substance at the next full board meeting and the minutes of committee meetings are available to the board. The committee regularly holds private sessions with internal and external auditors, without management present.

Further details on the committee's role in reviewing risk management and internal control systems are set out in this statement under ASX Principle 7: Recognise and manage risk.

Internal auditors

The committee is responsible for assessing whether the internal audit function is independent of management and adequately resourced, and for reviewing and approving the appointment or replacement of the head of internal audit in consultation with the CEO. AMP has an internal audit charter which is approved by the committee. As required by the internal audit charter, the head of internal audit maintains an internal quality assurance and improvement program. There is also an external quality assessment of the internal audit function on a periodic basis.

Further details about the role of internal audit are set out in this statement under ASX Principle 7: Recognise and manage risk.

External auditors

The independence of the external auditor is of particular importance to shareholders and the board. The board has adopted a charter of audit independence, which provides for:

- the rotation of the lead and independent review audit partners
- the annual confirmation by the auditor that it has satisfied all professional regulations relating to auditor independence
- reporting on the levels of audit and non-audit fees
- the specific exclusion of the audit firm from work which may give rise to a conflict.

AMP requires the external auditor to rotate the lead and independent review audit partners in accordance with the *Corporations Act 2001*, and have suitable succession planning in place to ensure consistency for AMP. During 2013, the lead audit partner for AMP was replaced in accordance with these rotation requirements.

The committee receives a quarterly report, detailing the level of audit and non-audit financial service fees paid to the external auditor, and each half year it reviews and reports to the board on the independence of the external auditor. Details of fees paid or payable for non-audit services during 2013 are set out in the directors' report.

The committee is responsible for reviewing the performance of the external auditor and for recommending to the board the terms of engagement and fees of external auditors for AMP and its group companies. A performance evaluation of Ernst & Young was conducted during 2013 using the results from a questionnaire which was completed by committee members and regular meeting attendees.

If it becomes necessary to replace the external auditor for independence or performance reasons then the committee will formalise a procedure for the selection and appointment of the new auditor and make a recommendation to the board.

ASX Principle 5: Make timely and balanced disclosure

Continuous disclosure policy

AMP is committed to ensuring that all shareholders and the market are provided with timely and balanced disclosure of all material matters concerning AMP. This commitment to continuous disclosure is set out in AMP's market disclosure policy, which is available in the corporate governance section of AMP's website.

The guiding principle of the policy is that AMP must immediately notify the market via an announcement to the ASX of any information concerning AMP that a reasonable person would expect to have a 'material' effect on the price or value of AMP securities. The policy permits exceptions to immediate notification in accordance with the ASX Listing Rules.

AMP's Market Disclosure Committee ensures that company announcements:

- are made in a timely manner
- are factual
- are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions
- do not omit material information.

AMP provides commentary on its financial results in an annual shareholder review and produces an investor report for each full year and half year. AMP makes presentations of the full and half year results to the investment community immediately after the public release of those results.

The board reviewed and updated AMP's market disclosure policy in 2013 to address updated ASX guidance on continuous disclosure.

ASX Principle 6: Respect the rights of shareholders

Communications policy

AMP is committed to transparency and quality in its communication to shareholders. The group's approach to communicating with shareholders and financial markets is set out in AMP's market disclosure policy, which is available in the corporate governance section of AMP's website. Information is communicated to shareholders through the distribution of the annual report, shareholder review and other communications as required.

Electronic communication

Annual reports, shareholder reviews, notices of meeting and all other significant information is posted in the shareholder centre section of AMP's website as soon as it is disclosed to the ASX. Presentations of full and half year results are webcast and the presentation materials are uploaded to the website. Shareholders can elect to receive all communications electronically or elect not to receive some communication materials by visiting amp.com.au/shareholdercentre or by contacting AMP's share registry. Beneficial owners of shares and other members of the public are encouraged to register on AMP's website for free email alerts.

Annual general meeting
All shareholders are encouraged to attend and/or participate in AMP's annual general meeting (AGM). The meeting is webcast live or shareholders can attend in person or appoint a proxy as their representative. Online completion and lodgement of the proxy form is also available for all shareholders prior to the meeting, including via their smartphones.

Directors and senior management attend the AGM, along with a representative from the external auditor. Full details of the 2014 AGM are included in the 2014 notice of meeting and are available in the shareholder section of AMP's website.

Briefings
AMP follows a calendar of regular disclosures to the ASX on its financial and operational results. The calendar is in the shareholder section of AMP's website and allows users to set up automatic diary reminders of the dates of upcoming announcements and presentations.

AMP conducts group and one-on-one briefings in accordance with its market disclosure policy. Briefings are coordinated and attended by AMP Investor Relations. Where practical, AMP webcasts group briefings. Notes of briefings and a record of those present are retained by Investor Relations.

ASX Principle 7: Recognise and manage risk

Enterprise risk management policy

Enterprise risk management framework
The AMP Limited Board has overall responsibility for establishing a system of risk management, internal controls and compliance across the business and for monitoring and reviewing its effectiveness. It also has responsibility for approving the risk appetite of the AMP group and the risk management related policies to support that appetite, and for seeking to ensure these are implemented. A summary of the enterprise risk management policy, which sets out the principles, processes, roles and responsibilities for the management of risk at AMP, is available in the corporate governance section of AMP's website.

While the board is responsible for risk management, specific responsibility for the monitoring and evaluation of the effectiveness of risk management and the internal control environment has been delegated to the Audit Committee.

The Audit Committee also oversees AMP's accounting policies, reporting practices and production of financial statements and monitors the application of appropriate management controls. It considers internal and external audit reports and reviews AMP's procedures and internal controls in order to monitor enterprise-wide risks.

Risk and compliance processes and reporting procedures provide assurance to the board and Audit Committee that the preparation of the financial statements and the control systems underlying them are adequate.

Compliance is a key element of risk management. The board has overall responsibility for the establishment of processes to manage compliance with the laws, regulations, contracts, industry codes, internal standards and policies applicable to AMP's operations and for monitoring and reviewing their effectiveness.

While the board is responsible for AMP's compliance framework, specific responsibility for the monitoring of compliance has been delegated to the Audit Committee. The Audit Committee oversees the system of compliance that has been implemented across AMP's businesses. The system covers a broad range of legal requirements, duties and responsibilities. Any compliance issues or incidents are reported quarterly to the Audit Committee, or more urgently if required.

As required by the *Corporations Act 2001*, AMP's Australian financial services' licensed entities have conflict of interest policies in place to manage conflicts of interest.

Material business risks
Management engages in a regular process to review risks and how they are being managed. AMP manages risks across the following four main risk categories:

- strategic risk
- operational risk (including legal and compliance risk)
- financial risk
- product and insurance risk.

Management of material business risks

Risk management structures
The Audit Committee is supported by the risk management structures which exist throughout the organisation, including the Group Asset and Liability Committee and the Group Risk and Compliance Committee. The Audit Committee relies on the work of the Audit Committees of key operating subsidiaries on risk and compliance matters relating to those subsidiaries. The enterprise risk management framework enables the business to identify and assess risks and controls, respond promptly and appropriately and continue to monitor risks and issues as they evolve. Risk and compliance information is reported quarterly to the Audit Committee, or more regularly if required.

AMP's risk management structures and procedures are continually being enhanced or updated. In addition, the internal audit function provides independent and objective assurance to the board that risks are being managed effectively across the group. The chief risk officer of the AMP group leads the enterprise risk management function and has authority to provide effective challenge to activities and decisions that may materially impact AMP's risk profile.

Management has reported to the board that AMP's material business risks have been managed effectively for the year ended 31 December 2013. The board has assessed and accepted that report.

The enhancement of the risk management and internal control systems is the subject of ongoing attention and effort. Where internal control deficiencies are identified during the year, additional tests of procedures or tests of resulting account balances included in the financial statements are undertaken to confirm there has been no material impact on the financial statements.

Internal audit
AMP's internal audit function provides the board and executive management with an independent and objective evaluation of the adequacy and effectiveness of management's control over risk. The internal audit function conducts audits for AMP Limited and its subsidiaries by following a risk-based planning approach.

The head of internal audit has a functional reporting line to the chairman of the Audit Committee. Further information about the internal audit function is set out in this statement under ASX Principle 4: Safeguard integrity in financial reporting.

CEO and CFO assurance

The board receives regular reports about the financial condition and operational results of AMP and its controlled entities. The board has received and considered the annual certification from the CEO and the CFO in accordance with ASX Recommendation 7.3. The certification states that the declaration provided in accordance with section 295A of the *Corporations Act 2001* is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

ASX Principle 8: Remunerate fairly and responsibly

People and Remuneration Committee

Membership, attendance and terms of reference
Throughout 2013, the People and Remuneration Committee had the following independent directors as its members: John Palmer (Chairman), Patty Akopiantz, Brian Clark and Peter Mason. Attendance records for the committee are shown in the directors' report and a copy of the committee's terms

of reference is available in the corporate governance section of AMP's website.

Responsibilities
The committee advises the board on the effectiveness, integrity and legal compliance of AMP's remuneration policy, plans and practices. Each year the committee also reviews and reports on remuneration by gender. Other key responsibilities include annually reviewing and recommending to the board the succession planning and talent management approach.

The committee also reviews the AMP group short-term incentive pools, the total remuneration package, performance objectives and performance appraisal for the CEO, direct reports of the CEO and other people whose individual activities may, in the committee's opinion, affect the financial soundness of the AMP group and its key operating subsidiaries. During 2013, performance evaluations for key executives were carried out in accordance with the process disclosed in the 2013 remuneration report. The committee has access to advice on remuneration policies from management, but no individual is directly involved in deciding their own remuneration. The committee also engages external consultants as and when required to assist it in fulfilling its responsibilities.

Remuneration policy
Comprehensive information on AMP's remuneration policies and practices is contained in the remuneration report. AMP uses a variety of equity-based remuneration arrangements to align employee interests with shareholders' long-term interests and aid in the retention of selected individuals. AMP's policy on hedging of equity incentives prohibits employees from using any hedging arrangements over the restricted shares, share rights, share bonus rights, options or performance rights held by employees in any of AMP's equity incentive plans. The purpose of the policy is to ensure that the alignment between employee and shareholder interests is not undermined by the use of hedging arrangements.

Non-executive directors' and executives' remuneration
There is a clear distinction between the remuneration structure for non-executive directors and executives. Further information is available in the remuneration report.

The Nomination Committee is responsible for reviewing the remuneration policies for non-executive directors on the AMP Limited Board and on boards of key operating subsidiaries. The non-executive directors do not receive options, bonus payments or retirement benefits, other than superannuation.

Details of the termination entitlements of AMP's key management personnel are set out in the remuneration report. AMP also disclosed details of the termination entitlements of Craig Dunn and Craig Meller to the ASX on announcing their appointments as Chief Executive Officer in September 2007 and August 2013, respectively.

Comparison of NZX and ASX corporate governance rules
As an overseas listed issuer, AMP is deemed to satisfy and comply with all the New Zealand Stock Exchange (NZX) Listing Rules so long as it remains listed on the ASX. The only NZX requirements applicable to AMP are to give the NZX the same information and notices it is required to give to the ASX and to include a statement in its annual report.

The ASX Listing Rules and the ASX Recommendations may differ materially from NZX's corporate governance rules and the principles of the NZX Corporate Governance Best Practice Code.

Further information about the ASX Recommendations may be obtained from the ASX website: asx.com.au/regulation/corporate-governance-council.htm.

Corporate responsibility at AMP
For more than 160 years, AMP has been dedicated to helping Australians and New Zealanders create financial security. AMP provides products and services that enable individuals, families and organisations to take control and own their tomorrow.

For many people this involves helping them buy a home, pay off their mortgage, protect themselves and their families in tough times and make smart savings and investment decisions.

AMP is committed to the enduring sustainability of its business and the communities it serves, recognising the correlation between the organisation's environmental and social impacts, the quality of its corporate governance, and its long-term business success.

AMP contributes to the sustainability of its business and the communities that it serves by using its expertise to:
- provide high quality financial advice, products and services and investments to individuals and organisations
- educate the community on the value of informed financial decisions
- improve its resource efficiency and minimise its environmental impact
- encourage good corporate governance
- invest in the community through the AMP Foundation.

As a significant participant in Australia's financial services industry, AMP also actively engages in conversations with the government and local communities, providing tools, education, advice and research about both contemporary and future financial issues and opportunities.

By sharing its expertise, AMP aims to build people's confidence and help them feel in control of their financial future.

Minimising AMP's environmental impact
AMP is committed to reducing the impact its operations have on the environment by improving the company's resource efficiency and minimising its carbon footprint. AMP believes sound environmental management practices make good business sense and takes an active role in understanding environmental risks and opportunities for the organisation including environmental risks associated with investments managed by AMP Capital.

AMP's environmental program is coordinated by the Environment Leadership Team (ELT). The ELT is responsible for setting targets and developing strategies to reduce AMP's environmental impacts. The team meets monthly to review progress against its key priorities and objectives and progress is communicated to AMP's leadership team and the board by the managing director of AMP Capital.

The ELT's strategic priorities for 2013 included:
- achieving a 10 per cent decrease in office-based electricity emissions year-on-year (YoY)
- implementing energy efficiency initiatives and improving waste management practices at AMP's main office buildings
- promoting and enabling employee work practices that improve environmental performance
- installing additional video conferencing capacity to reduce air travel
- improving environmental performance monitoring systems across all buildings
- expanding AMP's carbon offset purchasing program
- seeking external assurance of AMP's 2013 carbon emissions data.

The ELT was also working towards carbon neutrality for the AMP group by 31 December 2014, however AMP achieved carbon neutrality in 2013, 12 months ahead of the target.

AMP's carbon emissions data for 2013 is provided in the table below and is calculated in accordance with AMP's greenhouse gas reporting criteria. Information on the criteria can be found in the corporate responsibility section on AMP's website: amp.com.au.

In 2013, Scope 2 emissions, associated with office-based electricity use, decreased by 6 per cent YoY. This was due to the implementation of energy efficiency initiatives including lighting upgrades at major AMP buildings, adjustments to AMP data centres and consolidation of offices.

Scope 3 emissions, associated with air travel, showed a significant YoY decrease of 15 per cent. This is a result of the adoption of a more accurate (less conservative) international calculation method as detailed in the greenhouse gas reporting criteria.

As part of the environmental program, AMP retired 32,422 carbon offsets in 2013. These offsets were purchased from a range of projects that deliver environmental and community based benefits and meet the requirements of internationally recognised verification protocols (VCS, Gold Standard) and the Australian Government's National Carbon Offset Standard (NCOS). Further details on these projects are provided in the AMP 2013 community report.

In 2014, AMP aims to maintain carbon neutrality and external assurance of its carbon footprint through an ongoing focus on energy efficiency at all major buildings and by reducing non-essential air travel. AMP will also continue to improve waste management practices and introduce more sustainable procurement strategies.

AMP reports annually to the Australian Government's Department of Industry and Department of the Environment on compliance with the *Energy Efficiency Opportunities Act 2006* and the *National Greenhouse and Energy Reporting Act 2007*. AMP reports on environmental performance under these laws at an AMP Limited level, with AMP Capital making up a core component of the reporting through its property and infrastructure divisions. AMP Capital remained an active founding member of the Investor Group on Climate Change, engaging with policy-makers on investment-related issues associated with climate change, and a signatory to the Carbon Disclosure Project.

AMP's 2013 report on energy efficiency opportunities and further information on AMP's environmental activities, environmental policy and Carbon Disclosure Project submission are available on AMP's website.

Encouraging good corporate governance

AMP Capital is one of the longest standing managers of responsible investment funds in Australia. As an investor in companies and assets on behalf of clients, AMP Capital recognises the strong link between an organisation's environmental and social impacts, the quality of its corporate governance, and its long-term business success.

As a signatory to the Principles for Responsible Investment since 2007, AMP Capital is committed to integrating environmental, social and corporate governance factors into its investment decision-making and active ownership practices, across all asset classes.

This is achieved through integrating investment guidelines and policies, investment research and analysis and engaging with investee boards and management teams on their corporate governance practices, environmental performance and relationship with society as a whole. AMP Capital also engages with boards and management teams on issues such as executive remuneration, board composition and risk management, and lodges considered proxy votes on all resolutions.

Further information on AMP Capital's environmental, social, governance and responsible investment philosophy and activities is available at ampcapital.com.au/esg.

Investing in the community

AMP has a long tradition of supporting the community. In 1992, AMP set up the AMP Foundation which takes a strategic approach to philanthropy by forming long-term community partnerships focusing on one or two key areas. Since then, the AMP Foundation has donated more than $70 million to the community. In 2013, the AMP Foundation donated more than $4 million to charities by funding education and employment programs for disadvantaged young people (focusing on indigenous students), supporting the non-profit sector to operate more effectively and facilitating the volunteering and fundraising efforts of AMP employees. In 2013, AMP employees raised more than $870,000 for charity and also volunteered their time and skills with numerous charities.

Further information on the AMP Foundation's activities can be found in the AMP community report at amp.com.au/ampfoundation.

AMP Financial Planning and Hillross advisers also provide free financial planning advice to cancer patients and their families through an AMP Foundation-funded program with the Cancer Council New South Wales.

AMP's carbon emissions data for 2013

Emissions	FY13[1] tonnes/CO_2e	YoY % reduction	FY12 tonnes/CO_2e	FY11[2] tonnes/CO_2e	FY10 tonnes/CO_2e	FY09 tonnes/CO_2e
Scope 1+2 emissions	20,830	6	22,204	18,828	12,263	13,067
Scope 3 emissions	11,592	27	15,830	18,015	9,545	8,843
Total emissions	32,422	15	38,033	36,843	21,808	21,910
Carbon offsets retired	32,422		27,078	16,069	9,545	8,843
Target	Carbon neutral		50% below 2009 (incl. AXA)	50% below 2009 (excl. AXA)	Offset all air travel	Offset all air travel

1 Ernst & Young has provided assurance of AMP's 2013 emissions data which can be found in the corporate responsibility section on AMP's website: amp.com.au.

2 In March 2011, AMP merged with the Australian and New Zealand businesses of AXA Asia Pacific Holdings Limited (AXA). FY2011 includes changes in AMP's emissions profile due to additional AXA tenancies and air travel associated with the merger and business integration activities.

Financial report
for the year ended 31 December 2013

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Income statement

for the year ended 31 December 2013

	Note	Consolidated 2013 $m	Consolidated Restated 2012 $m	Parent 2013 $m	Parent 2012 $m
Income and expenses of shareholders, policyholders, external unitholders and non-controlling interests[1]					
Life insurance premium and related revenue	4	**2,283**	2,218	**–**	–
Fee revenue	4	**2,434**	2,252	**12**	12
Other revenue	4	**419**	696	**–**	–
Investment gains and (losses)	5	**14,963**	12,258	**1,677**	297
Share of profit or (loss) of associates accounted for using the equity method		**14**	5	**–**	–
Life insurance claims and related expenses	6	**(2,084)**	(2,048)	**–**	–
Operating expenses	6	**(3,876)**	(4,202)	**(12)**	(13)
Finance costs	6	**(753)**	(889)	**–**	–
Movement in external unitholder liabilities		**(1,634)**	(969)	**–**	–
Change in policyholder liabilities					
– life insurance contracts	20	**(381)**	(934)	**–**	–
– investment contracts		**(9,887)**	(7,000)	**–**	–
Income tax (expense) credit	7	**(782)**	(688)	**10**	5
Profit for the year		**716**	699	**1,687**	301
Profit attributable to shareholders of AMP Limited		**672**	689	**1,687**	301
Profit (loss) attributable to non-controlling interests		**44**	10	**–**	–
Profit for the year		**716**	699	**1,687**	301

1 Income and expenses include amounts attributable to shareholders' interests, policyholders' interests in the AMP life insurance entities' statutory funds, external unitholders' interests and non-controlling interests. Amounts included in respect of the AMP life insurance entities' statutory funds have a substantial impact on most of the consolidated Income statement lines, especially Investment gains and losses and Income tax (expense) credit. In general, policyholders' interests in the transactions for the period are attributed to them in the lines Change in policyholder liabilities.

	Consolidated 2013 cents	Consolidated Restated 2012 cents
Earnings per share for profit attributable to ordinary shareholders of AMP Limited		
Basic	**23.2**	24.2
Diluted	**22.9**	24.0

Statement of comprehensive income

for the year ended 31 December 2013

	Consolidated 2013 $m	Consolidated Restated 2012 $m	Parent 2013 $m	Parent 2012 $m
Profit	**716**	699	**1,687**	301
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Available for sale financial assets				
– gains and (losses) in fair value of available for sale financial assets	**7**	5	**–**	–
	7	5	**–**	–
Cash flow hedges[1]				
– gains and (losses) in fair value of cash flow hedges	**(8)**	(44)	**–**	–
– income tax (expense) credit	**2**	13	**–**	–
– transferred to profit for the year	**33**	20	**–**	–
– transferred to profit for the year – income tax (expense) credit	**(10)**	(6)	**–**	–
	17	(17)	**–**	–
Exchange difference on translation of foreign operations				
– exchange gains (losses)	**124**	30	**–**	–
– transferred to profit for the year	**–**	3	**–**	–
– transferred to profit for the year – income tax (expense) credit	**–**	(1)	**–**	–
	124	32	**–**	–
Revaluation of hedge of net investments				
– gains and (losses) in fair value of hedge of net investments	**(3)**	(1)	**–**	–
– income tax (expense) credit	**1**	–	**–**	–
– transferred to profit for the year – gross	**–**	(3)	**–**	–
– transferred to profit for the year – income tax (expense) credit	**–**	1	**–**	–
	(2)	(3)	**–**	–
Items that will not be reclassified subsequently to profit or loss				
Defined benefit plans[2]				
– actuarial gains and (losses)	**218**	73	**–**	–
– income tax (expense) credit	**(65)**	(22)	**–**	–
	153	51	**–**	–
Owner-occupied property revaluation				
– gains (losses) in valuation of owner-occupied property	**10**	12	**–**	–
– income tax (expense) credit	**–**	(1)	**–**	–
	10	11	**–**	–
Other comprehensive income for the year	**309**	79	**–**	–
Total comprehensive income for the year	**1,025**	778	**1,687**	301
Total comprehensive income attributable to shareholders of AMP Limited	**981**	768	**1,687**	301
Total comprehensive income (loss) attributable to non-controlling interests	**44**	10	**–**	–
Total comprehensive income for the year	**1,025**	778	**1,687**	301

1 Cash flow hedge movements are predominantly in respect of interest rate swaps used to manage AMP Bank's interest rate risk on its mortgage portfolio.

2 Actuarial gains and (losses) are determined in accordance with AASB 119 *Employee Benefits*. This is not the same as the calculation methods used to determine the funding requirements for the plans.

Statement of financial position

as at 31 December 2013

	Note	Consolidated 2013 $m	Consolidated Restated 2012 $m	Consolidated Restated 2011 $m	Parent 2013 $m	Parent 2012 $m
Assets						
Cash and cash equivalents	25	**2,938**	4,388	4,816	**6**	1
Receivables	8	**2,418**	2,077	2,316	**50**	59
Current tax assets		**175**	22	248	**–**	–
Inventories and other assets	9	**216**	210	294	**–**	–
Investments in financial assets	10	**114,779**	101,132	90,682	**2,085**	620
Investment properties	11	**6,889**	6,508	7,424	**–**	–
Investments in associates accounted for using the equity method	31	**113**	81	115	**–**	–
Property, plant and equipment	12	**456**	1,040	1,016	**–**	–
Deferred tax assets	7	**1,062**	1,217	1,125	**62**	65
Intangibles	13	**4,136**	4,502	4,677	**–**	–
Investments in controlled entities		**–**	–	–	**10,807**	10,807
Assets of disposal groups	30	**42**	187	–	**–**	–
Total assets of shareholders of AMP Limited, policyholders, external unitholders and non-controlling interests		**133,224**	121,364	112,713	**13,010**	11,552
Liabilities						
Payables	14	**1,910**	2,288	2,332	**47**	35
Current tax liabilities		**53**	82	86	**26**	27
Provisions	15	**451**	614	584	**3**	3
Other financial liabilities	10	**2,469**	2,337	2,607	**–**	–
Borrowings	16	**14,822**	12,362	12,373	**–**	–
Subordinated debt	17	**1,421**	1,111	949	**325**	–
Deferred tax liabilities	7	**2,110**	1,425	961	**–**	–
External unitholder liabilities		**10,724**	9,702	8,126	**–**	–
Life insurance contract liabilities	20	**24,934**	25,055	24,399	**–**	–
Investment contract liabilities	21	**66,049**	58,385	52,940	**–**	–
Defined benefit plan liabilities	27	**73**	286	370	**–**	–
Liabilities of disposal groups	30	**8**	74	–	**–**	–
Total liabilities of shareholders of AMP Limited, policyholders, external unitholders and non-controlling interests		**125,024**	113,721	105,727	**401**	65
Net assets of shareholders of AMP Limited and non-controlling interests		**8,200**	7,643	6,986	**12,609**	11,487
Equity[1]						
Contributed equity	19	**9,602**	9,333	9,074	**9,747**	9,610
Reserves		**(1,973)**	(2,157)	(2,540)	**18**	15
Retained earnings		**461**	332	364	**2,844**	1,862
Total equity of shareholders of AMP Limited		**8,090**	7,508	6,898	**12,609**	11,487
Non-controlling interests		**110**	135	88	**–**	–
Total equity of shareholders of AMP Limited and non-controlling interests		**8,200**	7,643	6,986	**12,609**	11,487

1 Further information on Equity is provided in the Statement of changes in equity on the following page.

Statement of changes in equity

for the year ended 31 December 2013

	Equity attributable to shareholders of AMP Limited													
Consolidated	Contributed equity $m	Equity contribution reserve[1] $m	Share-based payment reserve[2] $m	Capital profits reserve[3] $m	Demerger loss reserve[4] $m	Available-for-sale financial assets reserve[5] $m	Cash flow hedge reserve[6] $m	Foreign currency translation reserve[7] $m	Hedge of net investment reserve[8] $m	Owner-occupied property revaluation reserve[9] $m	Retained earnings $m	Total shareholder equity $m	Non-controlling interest $m	Total equity $m
2013														
Balance at the beginning of the year before restatement	**9,339**	**1,019**	**61**	**329**	**(3,585)**	**–**	**(34)**	**(32)**	**1**	**85**	**251**	**7,434**	**97**	**7,531**
Balance at the beginning of the year – restated	**9,333**	**1,019**	**61**	**329**	**(3,585)**	**(1)**	**(34)**	**(32)**	**1**	**85**	**332**	**7,508**	**135**	**7,643**
Profit (loss)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**672**	**672**	**44**	**716**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**7**	**17**	**124**	**(2)**	**10**	**153**	**309**	**–**	**309**
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**7**	**17**	**124**	**(2)**	**10**	**825**	**981**	**44**	**1,025**
Share-based payment expense	**–**	**–**	**28**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**28**	**2**	**30**
Net sale/(purchase) of 'treasury shares'	**132**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**132**	**–**	**132**
Dividends paid[10]	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(705)**	**(705)**	**(85)**	**(790)**
Dividends paid on 'treasury shares'[10]	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**9**	**9**	**–**	**9**
New capital from shares issued[11]	**137**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**137**	**–**	**137**
Sales and acquisitions of non-controlling interest	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**14**	**14**
Balance at the end of the year	**9,602**	**1,019**	**89**	**329**	**(3,585)**	**6**	**(17)**	**92**	**(1)**	**95**	**461**	**8,090**	**110**	**8,200**
Restated 2012														
Balance at the beginning of the year before restatement	9,080	1,019	35	–	(3,585)	–	(17)	(64)	4	74	283	6,829	68	6,897
Balance at the beginning of the year – restated	9,074	1,019	35	–	(3,585)	(6)	(17)	(64)	4	74	364	6,898	88	6,986
Profit (loss)	–	–	–	–	–	–	–	–	–	–	689	689	10	699
Other comprehensive income	–	–	–	–	–	5	(17)	32	(3)	11	51	79	–	79
Total comprehensive income	–	–	–	–	–	5	(17)	32	(3)	11	740	768	10	778
Share-based payment expense	–	–	27	–	–	–	–	–	–	–	–	27	–	27
Share purchases	–	–	(1)	–	–	–	–	–	–	–	–	(1)	–	(1)
Net sale/(purchase) of 'treasury shares'	(54)	–	–	–	–	–	–	–	–	–	(23)	(77)	–	(77)
Dividends paid[10]	–	–	–	–	–	–	–	–	–	–	(762)	(762)	(5)	(767)
Dividends paid on 'treasury shares'[10]	–	–	–	–	–	–	–	–	–	–	13	13	–	13
New capital from shares issued[11]	313	–	–	–	–	–	–	–	–	–	–	313	–	313
Sales and acquisitions of non-controlling interest	–	–	–	329	–	–	–	–	–	–	–	329	42	371
Balance at the end of the year	9,333	1,019	61	329	(3,585)	(1)	(34)	(32)	1	85	332	7,508	135	7,643

Footnotes 1 to 11 are listed on the following page.

AMP Limited parent	Contributed equity $m	Share-based payment reserve[2] $m	Retained earnings $m	Total shareholder equity $m
2013				
Balance at the beginning of the year	**9,610**	**15**	**1,862**	**11,487**
Profit	**–**	**–**	**1,687**	**1,687**
Other comprehensive income	**–**	**–**	**–**	**–**
Total comprehensive income	**–**	**–**	**1,687**	**1,687**
Share-based payment expense	**–**	**3**	**–**	**3**
Share purchases	**–**	**–**	**–**	**–**
Dividends paid[10]	**–**	**–**	**(705)**	**(705)**
New capital from shares issued[11]	**137**	**–**	**–**	**137**
Balance at the end of the year	**9,747**	**18**	**2,844**	**12,609**
2012				
Balance at the beginning of the year	9,297	10	2,323	11,630
Profit	–	–	301	301
Other comprehensive income	–	–	–	–
Total comprehensive income	–	–	301	301
Share-based payment expense	–	5	–	5
Dividends paid[10]	–	–	(762)	(762)
New capital from shares issued[11]	313	–	–	313
Balance at the end of the year	9,610	15	1,862	11,487

1 There has been no movement in the Equity contribution reserve established in 2003 to recognise the additional loss on the demerger of AMP's UK operations in December 2003. This loss was the difference between the pro-forma loss on demerger (based upon directors' valuation of the UK operations and the estimated net assets to be demerged) and the market-based fair value of the UK operations (based upon the share price of the restructured UK operations on listing and the actual net assets of the UK operations on demerger).
2 The Share-based payment reserve represents the cumulative expense recognised in relation to equity settled share-based payments less the cost of shares purchased and transferred to share-based payments recipients upon vesting.
3 The Capital profits reserve represents gains attributable to shareholders of AMP on the sale of minority interests in controlled entities to entities outside the AMP group.
4 There has been no movement in the Demerger loss reserve established in 2003 to recognise the transfer from shareholders' retained earnings of the total loss on the demerger of AMP's UK operations in December 2003.
5 Unrealised gains or losses on available for sale financial assets are recognised in other comprehensive income as described in note 1(g) and accumulated in a separate reserve within equity. Upon impairment or disposal, the accumulated change in fair value within the Available for sale financial assets reserve is recognised within profit or loss in the Income statement.
6 The Cash flow hedge reserve represents the cumulative impact of changes in the fair value of derivatives designated as cash flow hedges which are effective for hedge accounting. Hedge gains and losses are transferred to the Income statement when they are deemed ineffective or upon realisation of the cash flow.
7 Exchange differences arising on translation of foreign controlled entities within the AMP group are recognised in Foreign currency translation reserve. Exchange gains and losses are transferred to the Income statement upon realisation of the investment in the foreign controlled entity.
8 The Hedge of net investment reserve reflects gains and losses on effective hedges of net investments in foreign operations. Hedge gains and losses are transferred to the Income statement when they are deemed ineffective or upon realisation of the investment in the foreign controlled entity.
9 The Owner-occupied property revaluation reserve represents cumulative valuation gains and losses on owner-occupied property required to be recognised in equity.
10 Dividends paid includes the dividends paid on 'treasury shares'. Dividends paid on 'treasury shares' are required to be excluded from the consolidated financial statements by adjusting retained earnings.
11 New capital from shares under dividend reinvestment plan $137m (2012: $313m).

Statement of cash flows
for the year ended 31 December 2013

	Note	Consolidated 2013 $m	Consolidated Restated 2012 $m	Parent 2013 $m	Parent 2012 $m
Cash flows from operating activities[1]	25				
Cash receipts in the course of operations		**17,702**	18,593	**12**	9
Interest and other items of a similar nature received		**2,357**	2,402	**2**	2
Dividends and distributions received[2]		**2,561**	1,018	**1,675**	295
Cash payments in the course of operations		**(20,859)**	(20,052)	**(9)**	–
Finance costs		**(714)**	(821)	**–**	–
Income tax refunded (paid)		**(189)**	(155)	**33**	(4)
Cash flows from operating activities		**858**	985	**1,713**	302
Cash flows from investing activities[1]					
Net proceeds from sale of/(payments to acquire):					
– investment property		**(38)**	989	**–**	–
– investments in financial assets[1,3]		**(5,241)**	(2,110)	**–**	–
– operating and intangible assets		**7**	(172)	**–**	–
(Payments to acquire) proceeds from disposal of subsidiaries and other businesses[4]		**(24)**	(14)	**–**	–
Net movement in loans (to) from controlled entities		**–**	–	**(1,465)**	147
Cash flows from (used in) investing activities		**(5,296)**	(1,307)	**(1,465)**	147
Cash flows from financing activities[1]					
Proceeds from borrowings – non-banking operations		**–**	517	**–**	–
Net movement in deposits from customers		**755**	416	**–**	–
Repayment of borrowings – non-banking operations		**(223)**	(984)	**–**	–
Net movement in borrowings – banking operations		**1,929**	(30)	**–**	–
Proceeds from issue of subordinated debt		**325**	150	**325**	–
Repayment of subordinated debt		**(30)**	–	**–**	–
Proceeds from the sale of 15% of AMP Capital Holdings Limited		**–**	425	**–**	–
Dividends paid[5]		**(559)**	(436)	**(568)**	(449)
Cash flows from (used in) financing activities		**2,197**	58	**(243)**	(449)
Net increase (decrease) in cash and cash equivalents		**(2,241)**	(264)	**5**	–
Cash and cash equivalents at the beginning of the year		**9,352**	9,600	**1**	1
Effect of exchange rate changes on cash and cash equivalents		**46**	16	**–**	–
Cash and cash equivalents at the end of the year[1]		**7,157**	9,352	**6**	1

1 Cash flows and cash and cash equivalents include amounts attributable to shareholders' interests, policyholders' interests in AMP life insurance entities' statutory funds and controlled entities of those statutory funds, external unitholders' interests and non-controlling interests. Amounts included in respect of AMP life insurance entities' statutory funds and controlled entities of those statutory funds have a substantial impact on cash flows from operating activities and investing activities and proceeds from and repayments of borrowing – non-banking operations, and cash and cash equivalents balances.

2 Dividends and distributions received are amounts of cash received mainly from investments held by AMP life insurance entities' statutory funds and controlled entities of those statutory funds. Dividends and distributions reinvested have been treated as non-cash items.

3 Net proceeds from sale of/(payment to acquire) investments in financial assets includes loans and advances made (net of payments) and purchases of financial assets (net of maturities) during the period by AMP Bank.

4 Payments to acquire other subsidiaries and other businesses (net of cash acquired) did not have a material impact on the composition of the AMP group.

5 The dividends paid amount is presented net of dividend reinvestment plan and dividends on 'treasury shares'. See Statement of changes in equity for further information.

1. Basis of preparation and summary of significant accounting policies

The consolidated economic entity (the AMP group) comprises AMP Limited (the parent entity), a company limited by shares, and incorporated and domiciled in Australia, and all entities that it controlled during the period and at the reporting date.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), and the *Corporations Act 2001*. The AMP group is a for-profit entity for the purposes of preparing financial statements. The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The financial statements for the year ended 31 December 2013 were authorised for issue on 20 February 2014 in accordance with a resolution of the directors.

The significant accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to the current year and comparative period, unless otherwise stated. Where necessary, comparative information has been reclassified to be consistent with current period disclosure.

The AMP group is predominantly a wealth management business conducting operations through registered life insurance companies (AMP life insurance entities) and other entities. Where permitted under accounting standards, the assets and liabilities associated with life insurance contracts and investment contracts are generally measured on a fair value basis and other assets and liabilities are generally measured on a historical cost basis.

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

Changes in accounting policy

A number of new accounting standards and amendments have been adopted effective 1 January 2013 which have had an impact on the financial position or performance of the AMP group, as set out below:

– AASB 10 *Consolidated Financial Statements* and revised AASB 127 *Separate Financial Statements*. These standards have changed the criteria for determining which entities are to be consolidated. As a result of adopting AASB 10, the following entities within the AMP group, which were previously not consolidated, are now assessed to be controlled by the AMP group and have been consolidated into the results of the AMP group from 1 January 2013, with retrospective adjustments for 2012:
  – Aged Care Investment Trusts No. 1 and No. 2, and their controlled entities
  – AMP Capital China Growth Fund, and its controlled entity
  – AMP Capital Infrastructure Equity Fund
  – AMP Capital Strategic Infrastructure Trust of Europe No. 1, No. 2, AMP Capital Investors (European Infrastructure No. 3) and AMP Capital Investors (European Infrastructure No. 4), and their controlled entities
  – Australia Pacific Airports Fund No. 3
  – AMP Foundation and AMP Foundation Income Beneficiary Pty Ltd.

  Other than for AMP Foundation and AMP Foundation Income Beneficiary Pty Ltd, investments in these entities are held on behalf of policyholders and the AMP life entities' statutory funds recognise a liability to the policyholders. In certain cases, over time, the amount of the net assets of the controlled entities recognised in the consolidated financial statements may not match the valuation of the relevant liability to the policyholder which results in certain policyholder asset movements impacting the profit attributable to shareholders of AMP Limited.

  The consolidation of these additional entities results in the financial statements of the AMP group recognising a new class of investments classified as available for sale, and a new class of owner-occupied property measured at cost less subsequent depreciation and impairments. The accounting policies for these assets are set out in note 1(g) and note 1(j).

– Revised AASB 119 *Employee Benefits*. Under the previous AASB 119, a gain was recognised in profit or loss for the expected earnings on the assets of defined benefit funds, with any difference between the expected earnings and the actual earnings recognised within other comprehensive income. Under the revised AASB 119, the amount recognised in profit or loss in relation to the assets is measured using the same discount rate as for the defined benefit liability, rather than expected earnings. This amount is presented net of the interest cost of funding the defined benefit liability, which on adoption results in a net interest expense. In addition, the revised AASB 119 also requires AMP group to discount the portion of annual leave expected to be settled beyond 12 months. However, the impact of this discounting of annual leave is not material.

Comparatives in the financial statements have been restated retrospectively for the adoption of AASB 10 *Consolidated Financial Statements* and Revised AASB 119 *Employee Benefits*. A reconciliation of the restated comparatives to the previously reported amounts in the Income statement, Statement of other comprehensive income, Statement of financial position and Statement of cash flows is set out in note 29.

The following Australian Accounting Standards and amendments have also become mandatory for adoption from 1 January 2013, but have not had any material effect on the financial position or performance of the AMP group:

– Revised AASB 101 *Presentation of Financial Statements*. The changes introduced by the revised AASB 101 relate to presentation only, and have resulted in items in the Statement of comprehensive income being segregated between those that may eventually be realised in the Income statement in future periods and those that will not.

– AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, revised AASB 128 *Investments in Associates and Joint Ventures* and AASB 2011-7 *Amendments to Australian Accounting Standards Arising from the Consolidation and Joint Arrangements Standards*. These standards have changed the criteria for determining which entities are to be accounted for using the equity method in preparing consolidated financial statements and the required disclosures in relation to consolidated entities, joint arrangements, joint operations, associates and structured entities.

1. Basis of preparation and summary of significant accounting policies continued

- AASB 13 *Fair Value Measurement*. This standard has centralised the definition and guidance for measuring fair values where required to be applied by various other accounting standards and removes some minor inconsistencies that previously existed between the guidance for determining fair value in these standards. The new standard requires quantitative and qualitative disclosures of all fair value measurements.
- AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities*. This standard has amended the disclosures in AASB 7 *Financial Instruments: Disclosures*, to require information on the effect or potential effect of netting arrangements, including rights of set-off associated with the group's recognised financial assets and recognised financial liabilities.
- AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities*. These amendments have clarified the meaning of 'currently has a legally enforceable right to set off' and the application of AASB 132 *Financial Instruments: Presentation*, offsetting criteria to settlement systems which apply to gross settlement mechanisms that are not simultaneous.
- AASB 2012-5 *Amendments Arising from the 2009-2011 Annual Improvements Project*. These amendments have clarified the disclosure requirements for segment assets and liabilities in interim financial statements to align reporting within interim financial statements to the requirements of AASB 8 *Operating Segments*.
- AASB 2012-9 *Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation 1039* removes the requirement to apply *Interpretation 1039* relating to consideration of substantive enactment of major tax bills in Australia.
- AASB 2012-10 *Amendments to Australian Accounting Standards – transition guidance and other amendments* makes various editorial amendments to a range of Australian Accounting Standards and amendments to AASB 10 and related Standards to revise the transition guidance for initial application of those Standards.
- AASB 2013-2 *Amendments to AASB 1038 – Regulatory Capital*. This standard amends the life insurance capital disclosure requirements so as to align the terminology with that used in the Australian Prudential Regulation Authority's revised capital requirements which applied from 1 January 2013.

Australian Accounting Standards issued but not yet effective

A number of new accounting standards and amendments have been issued but are not yet effective. The AMP group has not elected to early adopt any of these new standards or amendments in this financial report. These new standards and amendments, when applied in future periods, are not expected to have a material impact on the financial position or performance of the AMP group, other than as set out below:

- AASB 9 *Financial Instruments*. This standard makes significant changes to the way financial assets are classified for the purpose of determining their measurement basis and also to the amounts relating to fair value changes which are to be taken directly to equity. This standard also makes significant changes to hedge accounting requirements and disclosures. This standard is mandatory for adoption by the AMP group for the year ending 31 December 2017; however early application is permitted in certain circumstances. The financial impact to the AMP group of adopting AASB 9 has not yet been quantified.
- AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* and additions to *Corporations Regulations 2001*, Regulation 2M.3.03. The revised amendments to AASB 124 remove individual key management personnel disclosures. The revised AASB 124 is mandatory for adoption by the AMP group in the year ending 31 December 2014. The changes to AASB 124 relate to disclosure only and are not expected to have a financial impact on the AMP group.

(b) Principles of consolidation

The financial statements consolidate the financial information of controlled entities. The adoption, effective 1 January 2013, of AASB 10 *Consolidated Financial Statements* and revised AASB 127 *Separate Financial Statements*, has changed the criteria for determining control. Previously, control was assessed based on when AMP Limited had the power to govern the operating and financing policies of an entity so as to obtain benefits from its activities. Since 1 January 2013, an entity is controlled when AMP Limited is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee.

The financial information for controlled entities is prepared for the same reporting date as the parent entity, using consistent accounting policies. Where dissimilar accounting policies may exist, adjustments are made to ensure conformity with the group's accounting policies.

Consolidation principles require the total amounts of each underlying asset, liability, income and expense of the controlled entities to be recognised in the consolidated financial statements. When a controlled managed investment scheme is consolidated, the share of the unitholder liability attributable to the AMP group is eliminated but amounts due to external unitholders remain as liabilities in the consolidated Statement of financial position. The share of the net assets of controlled entities attributable to non-controlling interests is disclosed as a separate line item on the Statement of financial position. In the Income statement, the profit or loss of the AMP group is allocated between profit or loss attributable to non-controlling interests and profit or loss attributable to shareholders of the parent entity.

Controlled entities acquired are accounted for using the acquisition method of accounting. Information from the financial statements of controlled entities is included from the date the parent entity obtains control until such time as control ceases. Where the AMP group ceases to control an entity, the consolidated financial statements include the results for the part of the reporting period during which the parent entity had control.

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

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

Consolidation impact of investments of the AMP life insurance entities

AMP life insurance entities conduct wealth management business through separate life statutory funds. Income, expenses, assets and liabilities attributable to policyholders within the life statutory funds are consolidated into the AMP group financial statements, along with those attributable to the shareholders of the parent entity.

The majority of the AMP life insurance entities' statutory funds' investments are held through controlling interests in a number of managed investment schemes and companies. These investment assets are held on behalf of policyholders and the AMP life insurance entities' statutory funds recognise a liability to the policyholders valued as described in note 1(s) for Life insurance contract liabilities, and note 1(t) for Investment contract liabilities. In certain cases, the amount of the net assets of the controlled entities recognised in the consolidated financial statements may not match the valuation of the relevant liabilities to the policyholders, which results in certain policyholder asset movements impacting the profit attributable to shareholders of AMP Limited.

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

Securitisation vehicles
The banking operation of the AMP group sells mortgage loans to securitisation vehicles (also referred to as special purpose entities) through its loan securitisation program. These securitisation vehicles are controlled by the AMP group and are therefore consolidated.

(c) Accounting for wealth management and life insurance business

The accounting treatment of certain transactions in this financial report varies, depending on the nature of the contract underlying the transactions. The two major contract classifications relevant to the wealth management and insurance business of the AMP group 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 majority of the business of the AMP life insurance entities relates to wealth management products such as savings, investment-linked and retirement income policies. The nature of this business is that the AMP life insurance entities receive deposits from policyholders and those funds are invested on behalf of the policyholders. With the exception of fixed retirement income policies, the resulting liability to policyholders is linked to the performance and value of the assets that back those liabilities. For fixed retirement income policies, the resulting liability is linked to the fair value of the fixed retirement income payments and associated management services.

Under Australian Accounting Standards, such contracts are defined as life investment contracts and described as *investment contracts* throughout this financial report.

Life insurance contracts
AMP life insurance entities also issue 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 the AMP life insurance entities.

Under Australian Accounting Standards, such contracts are defined as *life insurance contracts*.

Assets measurement basis
Investment contract liabilities are measured at fair value as described in note 1(t) and life insurance contract liabilities are measured as described in note 1(s). Assets backing such liabilities are measured at fair value, to the extent permitted under Australian Accounting Standards. Realised and unrealised gains and losses arising from changes in the fair value are recognised in the Income statement, to the extent permitted under Australian Accounting Standards. The accounting policies for individual asset classes are described later in note 1.

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

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash-on-hand that is available on demand and deposits that are held at call with financial institutions. Cash and cash equivalents are measured at fair value, being the principal amount. For the purpose of the Statement of cash flows, Cash and cash equivalents also includes other highly liquid investments not subject to significant risk of change in value, with short periods to maturity, net of outstanding bank overdrafts. Bank overdrafts are shown within Borrowings in the Statement of financial position.

(e) 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 nominal amounts due, less any allowance for doubtful debts. An allowance for doubtful debts is recognised when collection of the full amount is no longer probable. Bad debts are written off as incurred. Given the short-term nature of most receivables, the recoverable amount approximates fair value.

(f) Inventories

Assets held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services are classified as *inventories*.

Inventories are measured at the lower of cost and net realisable value. *Net realisable value* is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

(g) Investments in financial assets

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

Subsequent to initial recognition, the fair value of investments measured at fair value through profit or loss is determined as follows:

– 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

1. Basis of preparation and summary of significant accounting policies continued

- the fair value of listed debt securities reflects the bid price at the reporting date. Listed debt securities that are not frequently traded are valued by discounting estimated recoverable amounts. The fair value of unlisted debt securities is estimated using interest rate yields obtainable on comparable listed investments. The fair value of loans is determined by discounting the estimated recoverable amount using prevailing interest rates
- the fair value of investments in unlisted managed investment schemes is determined on the basis of published redemption prices of those managed investment schemes at the reporting date
- there is no reduction for realisation costs in determining fair value
- the fair value of derivative financial assets is determined in accordance with the policy set out in note 1(q).

Investments in available for sale financial assets
Available for sale investments 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. Unrealised gains or losses arising from subsequent measurement at fair value are recognised as Other comprehensive income in the Available for sale financial assets reserve in the period in which they arise. Testing for impairment is conducted in accordance with note 1(l). Upon impairment or disposal, the accumulated change in fair value within the available for sale financial assets reserve is recognised within profit or loss in the Income statement.

Subsequent to initial recognition, the fair value of available for sale investments is determined on the same basis as for financial assets measured at fair value through profit or loss.

Investments in financial assets measured at amortised cost
Investments in financial assets measured at amortised cost are mainly assets of AMP Bank. Loans, advances and other receivables which arise when AMP Bank provides money directly to a customer, including loans and advances to advisers, with no intention of trading the financial assets, are measured at amortised cost. All other debt securities held by AMP Bank are classified as *held to maturity investments*. Held to maturity investments are non-derivative assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity.

Investments in financial assets measured at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. These assets are subsequently recognised at amortised cost using the effective interest rate method.

Investments in controlled entities
Investments by the parent entity in controlled entities are measured at cost (which, in the case of the investment in AMP Group Holdings Limited, was determined as net asset value on demutualisation) less any accumulated impairment losses.

(h) Investments in associates accounted for using the equity method

Associated entities are defined as those entities over which the AMP group has significant influence but there is no capacity to control. Investments in associates, other than those backing investment contract liabilities and life insurance contract liabilities, are initially measured at cost plus any excess of the fair value of AMP's share of identifiable assets and liabilities above cost at acquisition date subsequently adjusted for AMP group's share of post-acquisition profit or loss and movements in reserves net of any impairment. AMP group'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.

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

(i) Investment property

Investment property is held to earn revenue from rentals and/or for the purposes of capital appreciation. Investment property includes all directly held freehold and leasehold properties but excludes owner-occupied properties. See note 1(j). There are no property interests held under operating leases accounted for as investment property.

Investment property is initially recognised at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value.

Changes in value of investment property are taken directly to the Income statement and may comprise changes in the fair value from revaluation of investment property, and fair value adjustments in relation to:
- the straight-lining of fixed rental income
- tenant incentives including rent free periods and landlord and tenant owned fit-out contributions
- capitalised leasing fees.

The process adopted to determine fair values for investment properties is set out in note 11.

(j) Property, plant and equipment

Owner-occupied property
Under Australian Accounting Standards, where the whole or a significant portion of a property owned by the AMP group is held for use by the AMP group in the production or supply of goods or services, or for administrative purposes, that property is classified for accounting purposes as *owner-occupied property* within Property, plant and equipment in the Statement of financial position.

Owner-occupied property held by the AMP group for administrative purposes is initially recognised at cost, including transaction costs, and is subsequently measured at the revalued amount, being its fair value at the date of the revaluation, less any subsequent accumulated depreciation and accumulated impairment losses. Fair value is determined on the same basis as investment property in note 11.

Owner-occupied property assets used in the business operations of aged-care facilities, held as investments on behalf of policyholders of AMP life insurance entities controlled by AMP group, are primarily used to earn income from the supply of services. This class of owner-occupied property is initially recognised at cost, including transaction costs and subsequently measured at cost.

When a revaluation increases the carrying value of a property, the increase is recognised directly in Other comprehensive income through the owner-occupied property revaluation reserve. However, an increase is recognised in the Income statement to the extent that the amount reverses a revaluation decrease of the same asset previously recognised in the Income statement. When the carrying value of an asset is decreased as a result of a revaluation, the decrease is recognised in the Income statement. However, any decrease is recognised in the Owner-occupied property revaluation reserve to the extent that it reverses a balance existing in the reserve in respect of that asset.

Gains or losses on disposals are measured as the difference between proceeds and the carrying amount and are recognised in the Income statement. The balance of the owner-occupied property revaluation reserve, in respect of a property disposed of, is transferred to retained earnings.

Each part of an owner-occupied property, except land, that is significant in relation to the total property is depreciated on a systematic basis over the useful life of the asset, being a period not exceeding 40 years.

To the extent owner-occupied property is held by the life insurance entities' statutory funds, the amounts recognised for the asset in the consolidated financial statements may not match the valuation of the relevant liability to the policyholder, which results in certain policyholder asset movements impacting the profit attributable to shareholders of AMP Limited.

Plant and equipment

Plant and equipment is initially measured at cost, including transaction costs. It is subsequently measured at cost less any subsequent accumulated depreciation and accumulated impairment losses. The written down amount approximates fair value.

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

Leasehold improvements

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

(k) Intangible assets

Goodwill

When the aggregate of the fair value of the consideration transferred in a business combination, the recognised amount of any non-controlling interest and the fair value of any previously held equity interest in the acquiree exceeds the fair value of the identifiable assets acquired and liabilities assumed, the excess is recognised as goodwill. Subsequently, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not subject to amortisation.

Capitalised costs

Costs are capitalised and carried forward only where the costs relate to the creation of an asset with expected future economic benefits which are capable of reliable measurement. Otherwise, all costs are recognised as expenses in the period in which they are incurred. Capitalised costs are amortised on a straight-line basis over the estimated useful life of the asset, commencing at the time the asset is first put into use or held ready for use (whichever is the earlier). The useful lives of such assets generally do not exceed five years; however a useful life of up to 10 years has been applied to some capitalised costs relating to IT systems development projects where the AMP group expects benefits to flow over a longer period.

Value of in-force business

An intangible asset is recognised in a business combination for the fair value of future business arising from the existing contractual arrangements of the acquired businesses with its customers. The value of in-force business is measured initially at fair value and is subsequently amortised on a straight-line basis over its useful life. Value of in-force business has a useful life of 10 years for wealth management and distribution business and 20 years for wealth protection and mature business.

Distribution networks

An intangible asset is recognised in a business combination for the fair value of the existing contractual distribution arrangements of the acquired entity. Distribution networks intangibles are also recognised where the AMP group acquires customer lists, financial planner client servicing rights or other distribution related rights other than through a business combination. Distribution networks are measured initially at fair value and subsequently amortised on a straight-line basis over their useful lives of 3–15 years.

Financial planner client servicing rights held for sale in the ordinary course of business are classified as inventories and accounted for as described in note 1(f).

Other intangible assets

Other intangible assets comprise:

– amounts recognised in a business combination for the value of the software assets of the acquired entity where it is expected that future economic benefits will be derived. Software is recognised initially at fair value and is subsequently amortised on a straight-line basis over its useful life. Software has a useful life of 2–4 years. Software maintenance costs are expensed as incurred
– acquired management rights relating to AMP's asset management business. For closed ended funds where AMP cannot be removed as manager, these management rights have an indefinite useful life and are not amortised.

2012 included aged-care bed licences granted by government agencies that did not have an expiry date and for which there was no foreseeable limit to the period over which the assets were expected to generate net cash inflows for AMP group. AMP group ceased to control the entities which held the aged-care bed licences during the 2013 year.

Reassessment of useful life

The useful life of each intangible asset is reviewed at the end of the period and, where necessary, adjusted to reflect current assessments.

(l) Impairment of assets

Assets measured at fair value, where changes in fair value are reflected in the Income statement, are not subject to impairment testing. As a result, financial assets measured at fair value through profit or loss, and investment properties, are not subject to impairment testing.

Other assets such as: available for sale investments; investments in financial assets measured at amortised cost; property, plant and equipment; intangible assets including goodwill; investments in associates accounted for using the equity method; and (in the case of the parent entity) investments in controlled entities, are subject to impairment testing.

For available for sale investments, where there is objective evidence that an investment is impaired, an impairment is recognised in the Income statement, measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss previously recognised in profit or loss. Impairment losses for equity instruments are not reversed. Impairment losses for debt instruments are reversed only to the extent of a subsequent increase in fair value which can be objectively related to an event occurring after the impairment.

For loans, advances, held to maturity investments and other receivables, impairment is recognised in the Income statement when there is objective evidence a loss has been incurred, measured as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

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

1. Basis of preparation and summary of significant accounting policies continued

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

For the purposes of assessing impairment of goodwill, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates.

(m) Taxes

Tax consolidation

AMP Limited and its wholly-owned controlled entities which are Australian-domiciled companies comprise a tax-consolidated group of which AMP Limited is the head entity.

Following the AMP group's sale of 15 per cent ownership interest in AMP Capital Holdings Limited (AMPCH) on 1 March 2012, AMPCH and its wholly-owned controlled entities which are Australian-domiciled companies left the AMP Limited tax-consolidated group and formed their own tax-consolidated group of which AMPCH is the head entity.

The implementation date for the AMP Limited tax-consolidated group was 30 June 2003.

Under tax consolidation, the head entity assumes the following balances from entities within the tax-consolidated group:

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

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

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

Income tax expense

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

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

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

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 Income statement of AMP group which arises in respect of the AMP life insurance entities 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 the AMP group.

Arrangements made with some superannuation funds result in the 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 at the tax rates which are expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction.

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

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

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

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

Goods and services tax

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

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

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

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

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

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

Where the AMP group expects some or all of a provision to be reimbursed, eg 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.

Employee entitlements
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. All other employee entitlements are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the 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 or, in countries where there is no deep market in such bonds, using market yields at the end of the period on government bonds.

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

(p) Borrowings and subordinated debt
All borrowings and subordinated debt are financial liabilities and are initially recognised at fair value. In the case of borrowings and subordinated debt which are subsequently measured at amortised cost, initial fair value is calculated net of directly attributable transaction costs. For borrowings and subordinated debt which are subsequently measured at fair value through profit or loss, directly attributable transaction costs are expensed.

Borrowings and subordinated debt, other than those held by controlled entities of the AMP life insurance entities' statutory funds, are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income statement over the period of the contract using the effective interest rate method. It is AMP's policy to hedge currency and interest rate risk arising on issued bonds and subordinated debt. When fair value hedge accounting is applied to borrowings and subordinated debt, the carrying amounts of borrowings and subordinated debt are adjusted for changes in fair value for the period that the fair value hedge relationship remains effective. See note 1(q).

Borrowings of certain controlled managed investment schemes of the AMP life insurance entities' statutory funds are measured at amortised cost for the purpose of determining the unit price of those schemes. These borrowings are measured at amortised cost in this financial report with any difference between the proceeds (net of transaction costs) and the redemption amount recognised in the Income statement over the period of the contract using the effective interest rate method.

All other borrowings of the controlled entities of the statutory funds are subsequently measured at fair value with movements recognised in the Income statement.

(q) Derivative financial assets, derivative financial liabilities and hedging
The AMP group is exposed to changes in interest rates and foreign exchange rates as well as movements in the fair value of investment guarantees it has issued in respect of its products. To mitigate the risks arising from these exposures, the AMP group uses derivative financial instruments such as cross-currency and interest-rate swaps, forward rate agreements, futures, options and foreign currency contracts. Derivative financial instruments are also used to gain exposure to various markets for asset and liability management purposes.

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

The method of recognising the movement in fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The AMP group designates a hedge as either:
- a hedge of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge)
- a hedge of highly probable forecast transactions (cash flow hedge), or
- a hedge of a net investment in a foreign operation (net investment hedge).

AMP group documents the relationship between hedging instruments and hedged items at inception of the transaction, as well as the AMP group's risk management and strategy for undertaking various hedge transactions. The AMP group also documents its assessment of whether the derivatives used in hedging transactions have been, and will continue to be, highly effective in offsetting changes in fair values or cash flows of hedged items. This assessment is carried out both at hedge inception and on an ongoing basis.

1. Basis of preparation and summary of significant accounting policies continued

Accounting for hedges

(i) Fair value hedges:
- to the extent that a hedge is effective, changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the Income statement together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk
- the gain or loss relating to any ineffective portion of a hedge is recognised immediately in the Income statement
- if a hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item, for which the effective interest method is used, is amortised to the Income statement over the period until the forecast transaction occurs.

(ii) Cash flow hedges:
- the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised through Other comprehensive income in the Cash flow hedge reserve in equity. The balance of the Cash flow hedge reserve in relation to each particular hedge is transferred to the Income statement in the period when the hedged item affects profit or loss
- the gain or loss relating to any ineffective portion of a hedge is recognised immediately in the Income statement
- hedge accounting is discontinued when a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting. The cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income statement
- when a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Income statement.

(iii) Net investment hedges:
- hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way to cash flow hedges. Gains and losses on the hedging instrument relating to the effective portion of the hedge are recognised (including related tax impacts) through Other comprehensive income in the Hedge of net investment reserve, while any gains or losses relating to the ineffective portion of the hedge are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to the Income statement.

Derivatives that do not qualify for hedge accounting

Certain derivative financial instruments do not qualify for hedge accounting. Changes in the fair value of any derivative financial instrument that does not qualify for hedge accounting are recognised in the Income statement in the period in which they arise.

Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices at the reporting date. The quoted market price for financial assets is the current bid price; the quoted market price for financial liabilities is the current offer price.

The fair value of financial instruments not traded in an active market (eg 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.

(r) Recognition and de-recognition of financial assets and liabilities

Financial assets and financial liabilities are recognised at the date the AMP group 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.

(s) Life insurance contract liabilities

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

Under MoS, the excess of premium received over claims and expenses (the margin) is recognised over the life of the contract in a manner that reflects the pattern of risk accepted from the policyholder (the service). The 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 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 depends on the nature, structure and terms of the contract liabilities.

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

Allocation of operating profit and unvested policyholder benefits

The operating profit arising from discretionary participating contracts is allocated between shareholders and participating policyholders by applying the MoS principles in accordance with the *Life Insurance Act 1995* (*Life Act*) and, for The National Mutual Life Association (NMLA), the Memorandum of Demutualisation.

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

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

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

The principles of allocation of the profit arising from discretionary participating business 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 per cent policyholders and 20 per cent shareholders.

(ii) Other MoS profits arising from discretionary participating business are allocated 80 per cent to policyholders and 20 per cent to shareholders, with the following exceptions:
   - the profit arising from New Zealand corporate superannuation business is apportioned such that shareholders are allocated 15 per cent of the profit allocated to policyholders
   - the profit arising in respect of Preservation Superannuation Account business is allocated 92.5 per cent to policyholders and 7.5 per cent to shareholders
   - the profits arising from NMLA's discretionary participating investment account business where 100 per cent of investment profit is allocated to policyholders and 100 per cent of any other profit or loss is allocated to shareholders, with the over-riding provision being that at least 80 per cent of any profit and not more than 80 per cent of any loss be allocated to policyholders' retained profits of the relevant statutory fund
   - the underwriting profit arising in respect of NMLA's Participating Business Super Risk business is allocated 90 per cent to policyholders and 10 per cent to shareholders
   - for AMP Life, additional tax on taxable income to shareholders in respect of Australian superannuation business is allocated to shareholders only.

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

Allocation of expenses within the life insurance entities' statutory funds

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

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

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

Investment management expenses of the life statutory funds are classified as operating expenses. See note 1(aa).

(t) Investment contract liabilities

An investment contract consists of a financial instrument and an investment management services element, both of which are measured at fair value. With the exception of fixed retirement-income policies, the resulting liability to policyholders is closely linked to the performance and value of the assets (after tax) that back those liabilities. The fair value of such liabilities is therefore the same as the fair value of those assets (after tax charged to the policyholders) except where accounting standards prevent those assets from being measured at fair value.

For fixed retirement-income policies, the financial instrument element of the liability is the fair value of the fixed retirement-income payments, being their net present value using a 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.

(u) Contributed equity

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.

Treasury shares

The Australian Securities and Investments Commission (ASIC) has granted relief from restrictions in the *Corporations Act 2001* to allow AMP's life insurance entities to hold and trade shares in AMP Limited as part of the policyholder funds' investment activities. These shares (defined by Australian Accounting Standards as *treasury shares*) are held on behalf of policyholders and, as a result, the AMP life insurance entities' statutory funds also recognise a corresponding liability to policyholders.

Under Australian Accounting Standards, the AMP group cannot recognise 'treasury shares' in the consolidated Statement of financial position. These assets, plus any corresponding Income statement fair value movement on the assets and dividend income, are eliminated when the AMP life insurance entities' statutory funds are consolidated into the AMP group. The cost of the investment in the shares is deducted to arrive at the amount of contributed equity.

However, the corresponding investment contract and life insurance contract liabilities, and related Income statement change in the liabilities, remain on consolidation. At the AMP group consolidated level, this mismatch results in policyholder asset movements impacting the profit attributable to shareholders of AMP Limited.

The AMP Foundation also holds AMP Limited shares. These assets, plus any corresponding Income statement fair value amount on the assets and any dividend income, are also eliminated on consolidation of the AMP Foundation into AMP group. As the net assets and profit of the AMP Foundation Trust are fully attributable to non-controlling interests, this has no impact on the net assets or profit attributable to the shareholders of AMP Limited.

(v) Foreign currency transactions

Functional and presentation currency

The consolidated financial report is presented in Australian dollars (the presentation currency). Items included in the

1. Basis of preparation and summary of significant accounting policies continued

financial statements for each of the AMP group entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The functional currency of the parent entity is Australian dollars.

Transactions and balances
Income and expense items denominated in a currency other than the functional currency are translated at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date, with exchange gains and losses recognised in the Income statement.

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

Translation of controlled entities
Where the functional currency of a controlled entity is not the presentation currency, the transactions and balances of that entity are translated as follows:
– income and expenses are translated at average exchange rates, unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates. In this case, income and expenses are translated at the dates of the transactions
– assets and liabilities are translated at the closing rate at the reporting date
– all resulting exchange differences are recognised in Other comprehensive income in the foreign currency translation reserve.

When a foreign operation is sold, the cumulative amount in the foreign currency translation reserve relating to that operation is recognised in the Income statement as part of the gain or loss on sale. If a portion of the operation is sold, the proportionate share of the cumulative amount is recognised.

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

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

Investment contracts
There is no premium revenue in respect of investment contracts. Amounts received from policyholders in respect of investment contracts comprise:
– origination fees, advice fees and ongoing investment management fees. See note 1(x)
– amounts credited directly to investment contract liabilities. See note 1(t).

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

An investment contract consists of a financial instrument and an investment-management services element.

The payment by the policyholder includes the amount to fund the financial instrument and a fee for the origination of the contract. In many cases, that origination fee is based on amounts paid to financial planners for providing initial advice. The financial instrument is classified as an investment contract and is measured at fair value. See note 1(t).

The revenue that can be attributed to the origination service is recognised at inception. Any amounts paid to financial planners is also recognised as an expense at that time. See note 1(aa).

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

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

(y) Investment gains or losses
Dividend and interest income is recognised in the Income statement on an accruals basis when the AMP group obtains control of the right to receive the revenue.

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

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

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

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

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

(aa) Operating expenses
All operating expenses, other than those allocated to life insurance contracts, (see note 1(s)), are expensed as incurred.

Expenses of controlled entities of the AMP life insurance entities' statutory funds represent the business costs of those entities and are consolidated into the results of the AMP group.

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

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

(bb) Finance costs
Finance costs include:
(i) Borrowing costs:
- interest on bank overdrafts, borrowings and subordinated debt, and
- amortisation of discounts or premiums related to borrowings.

(ii) Exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.
(iii) Changes in the fair value of derivative hedges together with any change in the fair value of the hedged asset or liabilities that are designated and qualify as fair value hedges, foreign exchange gains and losses and other financing related amounts. The accounting policy for derivatives is set out in note 1(q).

Borrowing costs are recognised as expenses when incurred.

(cc) Share-based payments
The AMP group issues performance rights, restricted shares and other equity instruments to employees as a form of equity-settled share-based compensation. Equity-settled share-based compensation to employees is considered to be an expense in respect of the services received and is recognised in the Income statement over the vesting period of the instrument with a corresponding amount in the share-based payment reserve within equity.

The expense is based on the fair value of each grant, measured at the date of the grant. For performance rights and similar instruments, the fair value is determined by an external valuer. The fair value calculation takes into consideration a number of factors, including the likelihood of achieving market-based vesting conditions such as total shareholder return. The fair value determined at grant date is not altered over the vesting period. Non-market vesting conditions are included in assumptions about the number of instruments that are expected to vest. At each reporting date, the AMP group reviews its estimates of the number of instruments that are expected to vest. Any changes to the original estimates are recognised in the Income statement and the share-based payment reserve, over the remaining vesting period.

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

Expenses for awards that do not ultimately vest are reversed in the period in which the instrument lapses, except for awards where vesting is conditional upon a market condition, in which case no reversal is recognised.

When instruments vest, shares are purchased on market and transferred to the employee. The cost of the purchase is recognised in the share-based payment reserve.

(dd) Superannuation funds
The AMP group operates superannuation funds that provide benefits for employees and their dependants on resignation, retirement, disability or death of the employee. The funds have both defined contribution and defined benefit sections. Refer to note 27 for further information on the funds.

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

For the defined benefit sections of superannuation funds operated by the AMP group, the AMP group recognises the net deficit or surplus position of each fund in the Statement of financial position as defined by AASB 119 *Employee Benefits*. This does not represent an assessment of the funds' funding positions. The deficit or surplus is measured as the difference between the fair value of the funds' assets and the discounted defined benefit obligations of the funds, using discount rates determined with reference to market yields at the end of the reporting period on high quality corporate bonds or, in countries where there is no deep market in such bonds, using market yields at the end of the period on government bonds.

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

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

(ee) Earnings per share
Basic earnings per share is calculated by dividing the consolidated profit attributable to shareholders of AMP Limited, by the weighted average number of ordinary shares outstanding during the period. The weighted average number of 'treasury shares' held during the period is deducted in calculating the weighted average number of ordinary shares outstanding.

Diluted earnings per share is calculated by dividing the profit used in the determination of basic earnings per share by the weighted average number of shares outstanding during the period adjusted for potential ordinary shares considered to be dilutive. Potential ordinary shares are contracts such as options and performance rights that may entitle the holder to ordinary shares. These potential ordinary shares are considered dilutive when their conversion into ordinary shares would be likely to cause a reduction in earnings per share. The weighted average number of 'treasury shares' held during the period is deducted in calculating the weighted average number of ordinary shares outstanding for diluted earnings per share.

(ff) Disposal groups held for sale
A *disposal group* is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Disposal groups are classified as held-for-sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. The criteria for held-for-sale classification is regarded as met only when the sale is highly probable, the disposal group is available for immediate sale in its present condition, management is committed to a plan to sell the group and a sale is expected to be completed within a year.

Disposal groups classified as held-for-sale are measured at the lower of their carrying amount and fair value less costs of disposal. Assets and liabilities of disposal groups are shown separately from other assets and liabilities in the Statement of financial position.

2. Significant accounting judgements, estimates and assumptions

The making of judgements, estimates and assumptions is a necessary part of the financial reporting process and these judgements, estimates and assumptions can have a significant effect on the reported amounts in the financial statements. Estimates and assumptions are determined based on information available to management at the time of preparing the financial report and actual results may differ from these estimates and assumptions. Had different estimates and assumptions been adopted, this may have had a significant impact on the financial statements. Significant accounting judgements, estimates and assumptions are re-evaluated at each reporting period in the light of historical experience and changes to reasonable expectations of future events. Significant accounting judgements, estimates and assumptions include but are not limited to:

(a) Consolidation

Entities are included within the consolidated financial statements of the AMP group where AMP Limited has control over the entities. Control arises from exposure, or rights, to variable returns from involvement with an entity, where AMP Limited has the ability to affect those returns through its power over the entity. Judgement is applied by management in assessing whether control exists.

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

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

(b) Fair value of investments in financial assets

The AMP group measures investments in financial assets, other than those held by AMP Bank and loans and advances to advisers, 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 23.

(c) Fair values of investment properties and owner-occupied property

The AMP group measures investment properties at fair value through profit or loss. Owner-occupied property is measured at fair value at last valuation date less subsequent depreciation. The valuation of investment properties and owner-occupied property requires judgement to be applied in selecting appropriate valuation techniques and setting valuation assumptions. The AMP group engages independent registered valuers to value each of its investment properties on a rolling annual basis. Further detail on the determination of fair values of investment properties is set out in note 11.

(d) Acquired intangible assets

Subject to some exceptions, accounting standards require the assets and liabilities of businesses acquired through a business combination to be measured at their acquisition date fair values. Management apply judgement in selecting valuation techniques and setting valuation assumptions to determine the acquisition date fair values and to estimate the useful lives of these assets. Note 25(d) provides details of intangibles acquired through business combinations during the period.

Accounting standards require management to assess, at each reporting period, whether there are any indicators of impairment in relation to the carrying value of intangible assets. Where an impairment indicator is identified, and at least annually for assets with indefinite useful lives, the recoverable amount of the asset must be determined and compared to the carrying amount.

Judgement is applied by management in assessing whether there are any impairment indicators and, where required, determining the recoverable amount. For further details on impairment of intangibles, refer to note 13.

(e) Goodwill

Goodwill is required to be allocated to cash generating units and tested for impairment on an annual basis. Management apply judgement in determining cash generating units and allocating the goodwill arising from business combinations to these cash generating units. Impairment is assessed annually by determining the recoverable amount of each cash generating unit which has a goodwill balance. Management applies judgement in selecting valuation techniques and setting valuation assumptions to determine the recoverable amount. Note 13 sets out further information on the impairment testing of goodwill.

2. Significant accounting judgements, estimates and assumptions continued

(f) Tax

The AMP group 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 the AMP group 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. Note 7 sets out information on carried forward tax losses for which a deferred tax asset has not been recognised.

(g) Provisions

A provision is recognised for items where the AMP group has a present obligation arising from a past event, it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The provision is measured as the best estimate of the expenditure required to settle the present obligation. Management apply judgement in assessing whether a particular item satisfies the above criteria and in determining the best estimate. Note 15 sets out further information on provisions.

(h) Insurance contract liabilities

The measurement of insurance contract liabilities is determined using the margin on services (MoS) methodology. The determination of the liability amounts involves judgement in selecting the valuation methods and profit carriers for each type of business and setting valuation assumptions. The determination is subjective and relatively small changes in assumptions may have a significant impact on the reported profit. The board of each of the life entities is responsible for these judgements and assumptions, after taking advice from the Appointed Actuary. Further detail on the determination of insurance contract liabilities is set out in note 20.

(i) 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 and the North capital guarantee, fair value is determined using valuation models. Judgement is applied in selecting the valuation model and setting the valuation assumptions. Further details on investment contract liabilities are set out in note 21.

(j) Defined benefit plan liabilities

The defined benefit plan liabilities of the AMP group are measured as the difference, for each fund, of the fair value of the fund's assets and the actuarially determined present value of the obligation to fund members. AASB 119 *Employee Benefits* requires defined benefit plan liabilities to be measured using discount rates determined with reference to market yields at the end of the reporting period or high quality corporate bonds or in countries where there is no deep market in such bonds, using market yields on government bonds. Judgement is applied in assessing whether there is a deep market in high quality corporate bonds and in the selection of government bonds used to determine the yield.

The determination of the fair value of the fund's assets is also subject to the other judgements, estimates and assumptions discussed at (b) above. The calculation of the obligation to fund members requires judgement to be applied in the setting of actuarial assumptions. Further detail on the determination of defined benefit plan liabilities is set out in note 27.

3. Segment information

(a) Segments – background

Operating segments have been identified based on separate financial information that is regularly reviewed by the Chief Operating Decision Maker (CODM). The term CODM refers to the function performed by the Chief Executive Officer and his immediate team, as a team, in assessing performance and determining the allocation of resources. The operating segments are identified according to the nature of profit generated and services provided. Segment information in this note is reported separately for each operating segment. AMP group evaluates the performance of segments on a post-tax operating earnings basis.

Segment information is not reported for activities of AMP group office companies as it is not the function of these departments to earn revenue and any revenues earned are only incidental to the activities of the AMP group.

Asset segment information has not been disclosed because the balances are not provided to the CODM for the purposes of evaluating segment performance and deciding the allocation of resources to segments.

(b) Description of segments

AMP Financial Services

AMP Financial Services provides a range of products and services to customers in Australia and New Zealand. These products and services are primarily distributed through self-employed financial planners and advisers, as well as through extensive relationships with independent financial advisers.

AMP Financial Services is reported as five separate divisions:

- *Australian Wealth Management (WM)* – Financial planning services (including owned advice businesses), platform, including SMSF, administration, unit-linked superannuation, retirement income and managed investment products business. Superannuation products include personal and employer sponsored plans.
- *AMP Bank (Bank)* – Australian retail bank offering residential mortgages, deposits, transaction banking, and SMSF products for around 100,000 customers. It also has a portfolio of practice finance loans. The bank distributes through brokers, AMP planners, and direct to retail customers via phone and internet banking.
- *Australian Wealth Protection (WP)* – Includes individual and group term, disability and income protection insurance products. Products can be bundled with a superannuation product or held independently of superannuation.
- *Australian Mature (Mature)* – A business comprising products which are mainly in run-off. Products within mature include whole of life, endowment, investment linked, investment account, Retirement Savings Accounts, Eligible Rollover Funds, annuities, insurance bonds, personal superannuation and guaranteed savings accounts.
- *AMP Financial Services New Zealand (AFS NZ)* – A risk insurance business and mature book (traditional participating business), with a growing wealth management business driven by KiwiSaver.

AMP Bank was previously reported as part of the Australian Wealth Management operating segment. It has been disclosed separately in the current period and comparatives have been restated to be consistent with the current period presentation.

AMP Capital

AMP Capital is a diversified investment manager, providing investment services for domestic and international customers. Through a team of in-house investment professionals and a carefully selected global network of investment partners, AMP Capital manages investments across major asset classes including equities, fixed interest, property, infrastructure and multi-manager and multi-asset funds. AMP Capital also provides commercial, industrial and retail property management services.

AMP Capital has established operations in Australia and New Zealand and a growing international presence with offices in Bahrain, China, Hong Kong, India, Japan, Luxembourg, the United Kingdom and the United States, allowing it to source offshore investment opportunities and customers.

On 1 March 2012, AMP Capital and Mitsubishi UFJ Trust and Banking Corporation (MUTB) completed the transaction which formed the strategic business and capital alliance between the two parties, with MUTB also acquiring a 15 per cent ownership interest in AMP Capital.

3. Segment information continued

	WM $m	Bank $m	WP[2] $m	Mature[2] $m	AFS NZ[2] $m	AMP Capital[3] $m	Total operating segments $m
(c) Segment profit							
2013							
Segment profit after income tax[1]	**330**	**83**	**64**	**178**	**97**	**99**	**851**
Other segment information[4]							
External customer revenue	**1,441**	**219**	**64**	**178**	**97**	**236**	**2,235**
Intersegment revenue[5]	**116**	**–**	**–**	**–**	**–**	**237**	**353**
Income tax expense	**141**	**35**	**27**	**76**	**38**	**43**	**360**
Depreciation and amortisation	**57**	**–**	**5**	**1**	**7**	**11**	**81**
Restated 2012							
Segment profit after income tax[1]	285	62	190	167	73	99	876
Other segment information[4]							
External customer revenue	1,351	185	190	167	73	240	2,206
Intersegment revenue[5]	113	–	–	–	–	222	335
Income tax expense	120	27	81	72	28	37	365
Depreciation and amortisation	40	–	6	5	3	11	65

1 Segment profit after income tax differs from Profit attributable to shareholders of AMP Limited due to the exclusion of the following items:
   i group office costs
   ii investment return on shareholder assets invested in income producing investment assets
   iii interest expense on corporate debt
   iv AMP AAPH integration costs, business efficiency program costs and other items (refer to note 3(d) for further details). These items do not reflect the underlying operating performance of the operating segments, and
   v accounting mismatches, market adjustments (annuity fair value and risk products) and amortisation of AMP AAPH acquired intangible assets.
2 Statutory reporting revenue for Australian Wealth Protection, Australian Mature and AMP Financial Services New Zealand includes premium and investment gains and losses. However, for segment reporting, external customer revenue is operating earnings which represents gross revenue less claims, expenses, movement in insurance contract liabilities and tax relating to those segments.
3 AMP Capital segment revenue is reported net of external investment manager fees paid in respect of certain assets under management. AMP Capital segment profit is reported net of 15 per cent attributable to MUTB (FY12: period from March 2012). Other AMP Capital segment information is reported before deductions of minority interests.
4 Other segment information excludes revenue, expenses and tax relating to assets backing policyholder liabilities.
5 Intersegment revenue represents operating revenue between segments priced on an arm's length basis.

3. Segment information continued

	2013 $m	Restated 2012 $m
(d) Reconciliation of segment profit after tax		
Australian Wealth Management	**330**	285
AMP Bank	**83**	62
Australian Wealth Protection	**64**	190
Australian Mature	**178**	167
New Zealand	**97**	73
AMP Financial Services	**752**	777
AMP Capital	**99**	99
Business unit operating earnings	**851**	876
Group office costs	**(62)**	(66)
Total operating earnings	**789**	810
Underlying investment income[1]	**135**	226
Interest expense on corporate debt	**(75)**	(86)
Underlying Profit	**849**	950
Other items[4]	**(2)**	21
AMP AAPH integration costs	**(57)**	(128)
Business efficiency program costs	**(39)**	–
Amortisation of AMP AAPH acquired intangible assets	**(91)**	(99)
Profit before market adjustments and accounting mismatches	**660**	744
Market adjustment – investment income[1]	**2**	(12)
Market adjustment – annuity fair value[2]	**27**	(9)
Market adjustment – risk products[3]	**(5)**	(4)
Accounting mismatches[5]	**(12)**	(30)
Profit attributable to shareholders of AMP Limited	**672**	689
(e) Reconciliation of segment revenue		
Total segment revenue	**2,588**	2,541
Add revenue excluded from segment revenue		
– Investment gains and (losses) – shareholders and policyholders (excluding AMP Bank interest revenue)	**14,154**	11,387
– Revenue of investment entities controlled by the life entities' statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group	**311**	609
– Other revenue	**108**	87
Add back expenses netted against segment revenue		
– Claims, expenses, movement in insurance contract liabilities and tax relating to Australian Wealth Protection, Australian Mature and AMP Financial Services NZ businesses	**1,944**	1,788
– Interest expense related to AMP Bank	**600**	696
– External investment manager and adviser fees paid in respect of certain assets under management	**761**	656
Remove intersegment revenue	**(353)**	(335)
Total revenue[6]	**20,113**	17,429

1 Underlying investment income consists of investment income on shareholder assets invested in income producing investment assets (as opposed to income producing operating assets) normalised in order to bring greater clarity to the results by eliminating the impact of short-term market volatility on underlying performance. Underlying returns are set based on long-term expected returns for each asset class, except for a short term return, equivalent to a one year government bond, set annually for the implicit DAC component of shareholder assets. Market adjustment – investment income is the excess (shortfall) between the underlying investment income and the actual return on shareholder assets invested in income producing investment assets.
2 Market adjustment – annuity fair value relates to the net impact of investment markets on AMP's annuity portfolio.
3 Market adjustment – risk products relates to the net impact of changes in market economic assumptions (bond yields and CPI) on the valuation of risk insurance liabilities.
4 Other items include one-off and non-recurring revenues and costs.
5 Under Australian Accounting Standards, some assets held on behalf of the policyholders (and related tax balances) are recognised in the financial statements at different values to the values used in the calculation of the liability to policyholders in respect of the same assets. Therefore, movements in these policyholder assets result in accounting mismatches which impact profit attributable to shareholders. These differences have no impact on the operating earnings of the AMP group.
6 Revenue as per the Income statement of $20,113m (2012: $17,429m) comprises Premiums and related revenue $2,283m (2012: $2,218m), Fee revenue $2,434m (2012: $2,252m), Other revenue $419m (2012: $696m), Investment gains and (losses) gains of $14,963m (2012: gains of $12,258m) and Share of profit or (loss) of associates accounted for using the equity method $14m (2012: $5m).

4. Income

	Consolidated 2013 $m	Consolidated Restated 2012 $m	Parent 2013 $m	Parent 2012 $m
(a) Life insurance premium and related revenue				
Life insurance contract premium revenue	**2,175**	2,105	**–**	–
Reinsurance recoveries	**108**	113	**–**	–
Total life insurance premium and related revenue	**2,283**	2,218	**–**	–
(b) Fee revenue				
Investment management and origination fees	**1,830**	1,729	**–**	–
Financial advisory fees	**604**	523	**–**	–
Service fees – subsidiaries	**–**	–	**12**	12
Total fee revenue	**2,434**	2,252	**12**	12
(c) Other revenue				
Investment entities controlled by the AMP life insurance entities' statutory funds[1]	**311**	609	**–**	–
Other entities	**108**	87	**–**	–
Total other revenue	**419**	696	**–**	–

1 Other revenue of investment entities controlled by the AMP life entities' statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group. The reduction is mainly due to AMP ceasing to control a number of controlled operating entities, principally the controlled entities of Aged Care Investment Trust 1 & 2, during 2013.

5. Investment gains and (losses)

	Consolidated 2013 $m	Consolidated Restated 2012 $m	Parent 2013 $m	Parent 2012 $m
Investment gains and (losses)				
Interest[1]				
– subsidiaries	**–**	–	**1**	–
– other entities	**2,301**	2,402	**1**	2
Dividends and distributions				
– subsidiaries	**–**	–	**1,675**	295
– associated entities not equity accounted	**923**	231	**–**	–
– other entities	**3,811**	2,489	**–**	–
Rental income	**582**	654	**–**	–
Net realised and unrealised gains and (losses)[2]	**7,306**	6,402	**–**	–
Other investment income	**40**	80	**–**	–
Total investment gains and (losses)[3]	**14,963**	12,258	**1,677**	297

1 Interest includes interest income from financial assets designated at fair value through profit or loss upon initial recognition, with the exception of $767m (2012: $838m) interest income from held to maturity investments and loans and advances in banking operations, which are measured at amortised cost.
2 Net realised and unrealised gains and losses predominantly consist of gains and losses on financial assets and financial liabilities designated at fair value through profit or loss upon initial recognition.
3 Investment gains and losses include amounts attributable to shareholders' interests, policyholders' interests in the AMP life insurance entities' statutory funds, external unitholders' interests and non-controlling interests.

6. Expenses

	Consolidated 2013 $m	Consolidated Restated 2012 $m	Parent 2013 $m	Parent 2012 $m
(a) Life insurance claims and related expenses				
Life insurance contract claims and related expenses	**(1,979)**	(1,953)	**–**	–
Outwards reinsurance expense	**(105)**	(95)	**–**	–
Total life insurance claims and related expenses	**(2,084)**	(2,048)	**–**	–
(b) Operating expenses				
Commission and advisory fee-for-service expense	**(1,105)**	(1,015)	**–**	–
Investment management expenses	**(281)**	(268)	**–**	–
Fee and commission expenses	**(1,386)**	(1,283)	**–**	–
Wages and salaries	**(966)**	(1,138)	**(4)**	(4)
Contributions to defined contribution plans	**(94)**	(110)	**–**	–
Defined benefit fund expense	**(27)**	(15)	**–**	–
Share-based payments expense	**(30)**	(27)	**(3)**	(5)
Other staff costs	**(83)**	(93)	**(1)**	(1)
Staff and related expenses	**(1,200)**	(1,383)	**(8)**	(10)
Occupancy and other property related expenses	**(105)**	(108)	**–**	–
Direct property expenses[1]	**(169)**	(179)	**–**	–
Information technology and communication	**(307)**	(296)	**–**	–
Professional and consulting fees	**(143)**	(123)	**–**	–
Advertising and marketing	**(42)**	(41)	**–**	–
Travel and entertainment	**(44)**	(42)	**–**	–
Impairment of intangibles[2]	**(25)**	(56)	**–**	–
Amortisation of intangibles	**(203)**	(218)	**–**	–
Depreciation of property, plant and equipment	**(44)**	(61)	**–**	–
Other expenses				
– investment entities controlled by the AMP life insurance entities' statutory funds[3]	**(76)**	(126)	**–**	–
– other entities[4]	**(132)**	(286)	**(4)**	(3)
Other operating expenses	**(1,290)**	(1,536)	**(4)**	(3)
Total operating expenses[3]	**(3,876)**	(4,202)	**(12)**	(13)
(c) Finance costs				
Interest expense on borrowings and subordinated debt	**(679)**	(811)	**–**	–
Other finance costs	**(74)**	(78)	**–**	–
Total finance costs	**(753)**	(889)	**–**	–

1 Direct property expenses relate to investment properties which generate rental income.
2 Impairment of intangibles includes $25m (FY12: $40m) in relation to controlled entities of AMP life insurance entities' statutory funds. Further information is provided in note 13.
3 Total operating expenses include certain trading expenses of investment entities controlled by the AMP life insurance entities' statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group.
4 Other expenses in 2012 includes $84m (before tax) provided for costs of implementing regulatory change.

7. Income tax

	Consolidated 2013 $m	Consolidated Restated 2012 $m	Parent 2013 $m	Parent 2012 $m
(a) Analysis of income tax (expense) credit				
Current tax (expense) credit	**(23)**	(300)	**6**	14
Increase (decrease) in deferred tax assets	**(95)**	16	**2**	(1)
(Increase) decrease in deferred tax liabilities	**(686)**	(494)	**–**	–
Over (under) provided in previous years including amounts attributable to policyholders	**22**	90	**2**	(8)
Income tax (expense) credit	**(782)**	(688)	**10**	5

(b) Relationship between income tax expense and accounting profit

The following table provides a reconciliation of differences between prima facie tax calculated as 30 per cent of the profit before income tax for the year and the actual income tax expense recognised in the Income statement for the year. The income tax expense amount reflects the impact of both income tax attributable to 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 per cent in Australia and 28 per cent 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 per cent, and certain classes of income on some annuity business are tax-exempt. The rate applicable to New Zealand life insurance business during the year is 28 per cent.

	Consolidated 2013 $m	Consolidated Restated 2012 $m	Parent 2013 $m	Parent 2012 $m
Profit before income tax	**1,498**	1,387	**1,677**	296
Policyholder tax (expense) credit recognised as part of the change in policyholder liabilities in determining profit before tax	**(564)**	(561)	**–**	–
Profit before income tax excluding tax charged to policyholders	**934**	826	**1,677**	296
Prima facie tax at the rate of 30%	**(280)**	(248)	**(503)**	(89)
Tax effect of differences between amounts of income and expenses recognised for accounting and the amounts deductible/taxable in calculating taxable income:				
– Shareholder impact of par-business tax treatment	**16**	(22)	**–**	–
– Non-deductible expenses	**(60)**	(65)	**(1)**	(1)
– Non-taxable income	**20**	5	**–**	–
– Tax offsets and credits	**65**	83	**–**	–
– Dividend income from controlled entities	**–**	–	**502**	89
– Other items	**(10)**	(4)	**7**	1
Over (under) provided in previous years after excluding amounts attributable to policyholders[1]	**15**	83	**2**	(7)
Benefit arising from previously unrecognised tax losses	**3**	31	**3**	12
Differences in overseas tax rate	**13**	10	**–**	–
Income tax (expense) credit attributable to shareholders	**(218)**	(127)	**10**	5
Income tax (expense) credit attributable to policyholders	**(564)**	(561)	**–**	–
Income tax (expense) credit per Income statement	**(782)**	(688)	**10**	5

1 The over provision in prior years reported in 2012 mainly relates to the release of provisions previously held against the tax treatment of amounts for which additional evidence has been obtained and analysis performed during the period supporting the validity of the original tax treatment.

7. Income tax continued

	Consolidated 2013 $m	Restated 2012 $m	Restated 2011 $m	Parent 2013 $m	Parent 2012 $m
(c) Analysis of deferred tax assets					
Expenses deductible and income recognisable in future years	**247**	344	350	**1**	1
Unrealised movements on borrowings and derivatives	**60**	59	55	**–**	–
Unrealised investment losses	**61**	100	273	**–**	–
Losses available for offset against future taxable income	**642**	600	356	**57**	59
Other	**52**	114	91	**4**	5
Total deferred tax assets	**1,062**	1,217	1,125	**62**	65
(d) Analysis of deferred tax liabilities					
Unrealised investment gains	**1,525**	770	274	**–**	–
Unrealised movements on borrowings and derivatives	**16**	86	62	**–**	–
Other	**569**	569	625	**–**	–
Total deferred tax liabilities	**2,110**	1,425	961	**–**	–
(e) Amounts recognised directly in equity					
Deferred income tax (expense) credit related to items taken directly to equity during the current period	**(87)**	(51)	58	**–**	–
(f) Unused tax losses and deductible temporary differences not recognised					
Revenue losses	**118**	121	116	**110**	110
Capital losses	**407**	485	560	**378**	408

8. Receivables

	Consolidated 2013 $m	Restated 2012 $m	Restated 2011 $m	Parent 2013 $m	Parent 2012 $m
Investment income receivable	**269**	111	193	**1**	–
Investment sales and margin accounts receivable	**1,012**	656	689	**–**	–
Life insurance contract premiums receivable	**366**	369	355	**–**	–
Reinsurance and other recoveries receivable	**26**	29	11	**–**	–
Reinsurers' share of life insurance contract liabilities	**465**	530	477	**–**	–
Trade debtors	**208**	227	309	**–**	1
Other receivables					
– investment entities controlled by the AMP life insurance entities' statutory funds	**6**	34	95	**–**	–
– other entities	**66**	121	187	**2**	2
– subsidiaries tax related amounts	**–**	–	–	**47**	56
Total receivables[1]	**2,418**	2,077	2,316	**50**	59

1 $387m (2012: $464m) of Total consolidated receivables is expected to be recovered more than 12 months from reporting date and nil (2012: nil) of Total receivables of the parent is expected to be recovered more than 12 months from reporting date.

9. Inventories and other assets

	Consolidated 2013 $m	Restated 2012 $m	Restated 2011 $m	Parent 2013 $m	Parent 2012 $m
Inventories[1]	**142**	145	202	**–**	–
Prepayments	**71**	53	71	**–**	–
Other assets[2]	**3**	12	21	**–**	–
Total inventories and other assets[3]	**216**	210	294	**–**	–

1 Inventories include inventories and development properties of investment entities controlled by the life entities' statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group. Inventories also include financial planning client servicing rights held for sale in the ordinary course of business. AMP group has arrangements in place with certain financial planning advisers whereby AMP group is required, subject to the adviser meeting certain conditions, to pay a benefit to those advisers on surrender of the client servicing rights. The benefit paid under these arrangements is calculated based on value metrics attributable to the client register at the valuation date. AMP has the right to change the multiples used to determine the benefit paid (subject to a notice period). In some cases, the arrangements can be changed without notice should legislation, economic or product changes render them inappropriate. In the normal course of business, AMP group seeks to on-sell the client servicing rights to other financial planning advisers and accordingly any client servicing rights acquired under these arrangements are classified as inventory.
2 Other assets are assets of investment entities controlled by the life entities' statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group.
3 $99m (2012: $93m) of inventories and other assets is expected to be recovered more than 12 months from the reporting date.

10. Investments in financial assets and other financial liabilities

	Consolidated 2013 $m	Restated 2012 $m	Restated 2011 $m	Parent 2013 $m	Parent 2012 $m
Investments in financial assets measured at fair value through profit or loss[1]					
Equity securities and listed managed investment schemes	**47,670**	38,111	33,016	**–**	–
Debt securities[2]	**32,680**	31,012	29,288	**–**	–
Investments in unlisted managed investment schemes	**16,356**	15,366	12,988	**–**	–
Derivative financial assets	**1,648**	2,144	2,251	**–**	–
Other financial assets[3]	**146**	145	179	**–**	–
Total investments in financial assets measured at fair value through profit or loss	**98,500**	86,778	77,722	**–**	–
Available for sale financial assets					
Equity securities and managed investment schemes	**61**	53	55	**–**	–
Total available for sale financial assets	**61**	53	55	**–**	–
Investments in financial assets measured at amortised cost					
Loans and advances – to subsidiaries	**–**	–	–	**2,085**	620
Loans and advances	**13,418**	12,462	11,254	**–**	–
Debt securities – held to maturity	**2,800**	1,839	1,651	**–**	–
Total investments in financial assets measured at amortised cost	**16,218**	14,301	12,905	**2,085**	620
Total investments in financial assets	**114,779**	101,132	90,682	**2,085**	620
Other financial liabilities					
Derivative financial liabilities	**1,041**	1,283	1,158	**–**	–
Collateral deposits held[4]	**1,428**	1,054	1,449	**–**	–
Total other financial liabilities	**2,469**	2,337	2,607	**–**	–

1 Investments measured at fair value through profit or loss are mainly assets of the life entities' statutory funds and controlled entities of the life entities' statutory funds.
2 Included within debt securities are assets held to back the liability for collateral deposits held in respect of debt security repurchase arrangements entered into by the life entities' statutory funds and the controlled entities of the life entities' statutory funds.
3 Other financial assets include investments of the life entities' statutory funds and controlled entities of the life entities' statutory funds.
4 Collateral deposits held are mostly in respect of the obligation to repay collateral held in respect of debt security repurchase arrangements entered into by the life entities' statutory funds and the controlled entities of the life entities' statutory funds.

11. Investment property

	Consolidated 2013 $m	Consolidated 2012 $m	Parent 2013 $m	Parent 2012 $m
Investment property				
Directly held	**6,889**	6,508	**–**	–
Total investment property	**6,889**	6,508	**–**	–
Movements in investment property				
Balance at the beginning of the year	**6,508**	7,424	**–**	–
Additions – through direct acquisitions	**54**	465	**–**	–
Additions – subsequent expenditure recognised in carrying amount	**151**	104	**–**	–
Acquisitions (disposal) through business combinations	**71**	(793)	**–**	–
Disposals	**(16)**	(766)	**–**	–
Net gains (losses) from fair value adjustments	**111**	70	**–**	–
Foreign currency exchange differences	**10**	4	**–**	–
Balance at the end of the year[1]	**6,889**	6,508	**–**	–

1 Investment property of $3,901m (2012: $3,066m) held by controlled entities of the life entities' statutory funds has been provided as security against borrowings of these controlled entities of the life entities' statutory funds.

Valuation of investment property

Investment property is measured at fair value at each reporting date. Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the reporting date.

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

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

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

	Consolidated 2013	Consolidated 2012	Parent 2013	Parent 2012
Primary assumptions used in valuing investment property				
Capitalisation rates[1]	**5.75%–10.00%**	6.00%–10.00%	**–**	–
Market determined, risk adjusted discount rate[2]	**8.50%–11.00%**	8.75%–11.00%	**–**	–

1 The fair value of investment properties would increase/decrease if the capitalisation rate was lower/higher.
2 The fair value of investment properties would increase/decrease if the risk adjusted discount rate was lower/higher.

12. Property, plant and equipment

	Owner-occupied property measured at fair value[1] $m	Owner-occupied property measured at cost[2] $m	Leasehold improvements $m	Plant and equipment[2] $m	Total $m
2013					
Property, plant and equipment					
Gross carrying amount	331	–	103	294	728
Less: accumulated depreciation and impairment losses	–	–	(88)	(184)	(272)
Property, plant and equipment at written down value	**331**	**–**	**15**	**110**	**456**
Movements in property, plant and equipment					
Balance at the beginning of the year	321	529	15	175	1,040
Additions (reductions) through acquisitions (disposal) of controlled entities[2]	–	(521)	–	(39)	(560)
Additions					
– through direct acquisitions	–	–	7	13	20
– subsequent expenditure recognised in carrying amount	3	15	–	–	18
Increases (decreases) from revaluations recognised directly in equity	10	–	–	–	10
Disposals	–	(18)	–	(3)	(21)
Depreciation expense	(3)	(5)	(7)	(29)	(44)
Transfer to disposal group	–	–	–	(8)	(8)
Other movements	–	–	–	1	1
Balance at the end of the year	**331**	**–**	**15**	**110**	**456**
Restated 2012					
Property, plant and equipment					
Gross carrying amount	321	538	98	356	1,313
Less: accumulated depreciation and impairment losses	–	(9)	(83)	(181)	(273)
Property, plant and equipment at written down value	321	529	15	175	1,040
Movements in property, plant and equipment					
Balance at the beginning of the year – before restatement	311	–	14	154	479
Balance at the beginning of the year – restated	311	503	14	188	1,016
Additions					
– through direct acquisitions	–	35	10	43	88
– subsequent expenditure recognised in carrying amount	2	–	–	–	2
Increases (decreases) from revaluations recognised directly in equity	12	–	–	–	12
Depreciation expense	(4)	(9)	(9)	(39)	(61)
Transfer to disposal group	–	–	–	(15)	(15)
Other movements	–	–	–	(2)	(2)
Balance at the end of the year	321	529	15	175	1,040

1 For Owner-occupied property measured at fair value; had the asset been measured at historic cost the amortised carrying value would have been $198m (2012: $198m).
2 Owner-occupied property measured at cost and Plant and equipment include operating assets of investment entities controlled by the AMP life insurance entities' statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group.

13. Intangibles

	Goodwill[1] $m	Capitalised costs $m	Value of in-force business $m	Distribution networks $m	Other intangibles $m	Total $m
2013						
Intangibles						
Gross carrying amount	**2,841**	**881**	**1,191**	**186**	**95**	**5,194**
Less: accumulated amortisation and/or impairment losses	**(130)**	**(526)**	**(282)**	**(46)**	**(74)**	**(1,058)**
Intangibles at written down value	**2,711**	**355**	**909**	**140**	**21**	**4,136**
Movements in intangibles						
Balance at the beginning of the year	**2,876**	**229**	**1,011**	**143**	**243**	**4,502**
Additions (reductions) through acquisitions (disposal) of controlled entities	**(116)**	**–**	**–**	**3**	**(190)**	**(303)**
Additions through separate acquisition	**–**	**–**	**–**	**–**	**–**	**–**
Additions through internal development	**–**	**190**	**–**	**–**	**–**	**190**
Disposals	**(16)**	**–**	**–**	**–**	**(6)**	**(22)**
Transferred to disposal groups	**(15)**	**–**	**–**	**–**	**(5)**	**(20)**
Amortisation expense[2]	**–**	**(64)**	**(102)**	**(16)**	**(21)**	**(203)**
Impairment losses[3]	**(18)**	**–**	**–**	**–**	**–**	**(18)**
Transfer from inventories	**–**	**–**	**–**	**10**	**–**	**10**
Balance at the end of the year	**2,711**	**355**	**909**	**140**	**21**	**4,136**
Restated 2012						
Intangibles						
Gross carrying amount	3,020	691	1,191	173	349	5,424
Less: accumulated amortisation and/or impairment losses	(144)	(462)	(180)	(30)	(106)	(922)
Intangibles at written down value	2,876	229	1,011	143	243	4,502
Movements in intangibles						
Balance at the beginning of the year – before restatement	2,815	171	1,114	128	119	4,347
Balance at the beginning of the year – restated	2,947	171	1,114	128	317	4,677
Additions (reductions) through acquisitions (disposal) of controlled entities and other businesses	23	–	–	13	–	36
Additions through separate acquisition	–	–	–	27	–	27
Additions through internal development	–	120	–	–	–	120
Disposals	–	–	–	–	(6)	(6)
Transferred to disposal groups	(54)	–	–	–	(19)	(73)
Amortisation expense[2]	–	(60)	(103)	(20)	(35)	(218)
Impairment losses[3]	(40)	(2)	–	–	(14)	(56)
Other movements	–	–	–	(5)	–	(5)
Balance at the end of the year	2,876	229	1,011	143	243	4,502

1 Total goodwill comprises amounts attributable to shareholders of $2,683m (2012: $2,682m) and amounts attributable to policyholders of $28m (2012: $194m).
2 Amortisation expense for the year is included in Operating expenses in the Income statement.
3 Impairment of goodwill relates to goodwill of controlled entities of the life entities' statutory funds, which carry out business operations unrelated to the core wealth management operations of the AMP group.

Impairment testing of goodwill

Goodwill includes balances attributable to shareholders and balances attributable to policyholders in investment entities controlled by the AMP life insurance entities' statutory funds.

Goodwill attributable to shareholders

$2,683m (2012: $2,682m) of the goodwill is attributable to shareholders and arose from the acquisition of AMP AAPH Limited group in the prior year, a previous *Life Act* Part 9 transfer of life insurance business into the statutory funds of AMP Life and other business combinations where AMP group was the acquirer.

13. Intangibles continued

Each of the businesses acquired included activities conducted in the same business units already operated by AMP. Those business units are Australian Wealth Management (WM), Australian Wealth Protection (WP), Australian Mature, AMP Financial Services New Zealand and AMP Capital and those business units are identified as the cash generating units for the purpose of assessing goodwill impairment.

For the purposes of impairment testing, the amount is allocated to the cash generating units as follows:
– Australian WM – goodwill attributable: $1,406m (2012: $1,405m)
– Australian WP – goodwill attributable: $668m (2012: $668m)
– Australian Mature – goodwill attributable: $350m (2012: $350m)
– AMP Financial Services New Zealand – goodwill attributable $172m (2012: $172m)
– AMP Capital – goodwill attributable $87m (2012: $87m).

AMP Capital has other intangible assets of $1m (2012: $1m) with an indefinite useful life. There were no other intangibles with indefinite useful lives allocated to the shareholder cash generating units.

The recoverable amount for each cash generating unit has been determined using the fair value less costs of disposal basis. For each cash generating unit, other than AMP Capital, the fair value has been determined considering a combination of the estimated embedded value plus the value of one year's new business times a multiplier. These are generally regarded as features of a Life insurance business that, when taken together, would be an estimate of fair value. Embedded value is a calculation which represents the economic value of the shareholder capital in the business and the future profits expected to emerge from the business currently in-force expressed in today's dollars.

The key assumptions applied in estimating the embedded value and value of one year's new business are: mortality, morbidity, discontinuance rates, maintenance unit costs, future rates of supportable bonus for participating business, franking credits, risk discount rates, investment returns and inflation rates. Premium and claim amounts are estimated over the expected life of the in-force policies which varies depending on the nature of the product. Future maintenance and investment expenses are estimated based on unit costs derived from budgeted amounts for the following year and increased in future years for expected rates of inflation. Assumptions applied in this valuation are consistent with the best estimate assumptions used in calculating the policy liabilities of AMP's life insurance entities except that the value of in-force and new business calculation includes a risk discount rate. Note 1(s) and note 20 provide extensive details with respect to the assumptions, management's approach to determining the values assigned to each key assumption and their consistency with past experience and external sources of information. All relevant business is projected for the embedded value and the description of the assumptions in note 20 applies even where that business is not valued by projection methods for profit reporting. The value of in-force and new business calculation uses a risk discount rate based on the zero coupon government bond curve plus a discount margin of 4 per cent (2012: 3 per cent): Australia 6.5–9.5 per cent (2012: 6.3 per cent), New Zealand 7.2–9.4 per cent (2012: 6.6 per cent).

The recoverable amount for the AMP Capital cash generating unit is determined based on a multiple of 17.4 times current period earnings, which approximates the fair value of this business, less an allowance for disposal costs.

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

Goodwill attributable to policyholders

The policyholder goodwill has arisen on acquisitions of operating subsidiaries controlled by the AMP life insurance entities' statutory funds, which carry out business operations unrelated to the core wealth management operations of the AMP group. The goodwill represents the future value of cash flows expected to be derived from those operating subsidiaries.

Policyholder cash generating units were allocated $28m of goodwill at 31 December 2013 (31 December 2012: $194m). Policyholder cash generating units had no other intangibles with indefinite useful lives (31 December 2012: $198m).

The individual goodwill components are not significant in comparison with the total carrying amount of goodwill attributable to policyholders. Impairment testing resulted in an impairment of $18m recognised during the year ended 31 December 2013 (31 December 2012: $40m). The $18m impairment was incurred as a result of a decline in projected future cash flows in underlying operating subsidiaries controlled by the AMP life insurance entities' statutory funds. Total impairment for the period was $25m of which $7m related to impairment of assets of disposal groups (refer to note 30).

Impairment testing of these goodwill balances is based on each asset's value in use, calculated as the present value of forecast future cash flows from those assets using discount rates of between 13.0 per cent and 19.6 per cent (2012: 11.9 per cent and 15.0 per cent).

The forecast cash flows used in the impairment testing for operating subsidiaries are based on assumptions as to the level of profitability for each business over the forecast period. Forecasts for the following 12 months have in each case been extrapolated based on terminal value growth rates of between 3.0 per cent and 4.0 per cent per annum (2012: 2.7 – 4.0 per cent per annum). The projected revenues are based on the businesses in their current condition. The assumptions do not include the effects of any future restructuring to which the entity is not yet committed or of future cash outflows by the entity that will improve or enhance the entity's performance.

At the reporting date, there is no reasonably possible change in key assumptions that could cause the carrying amount to exceed the recoverable amount.

Shareholders have no direct exposure to movements in goodwill attributable to policyholders. However, due to the impact of the accounting for investments in controlled entities of the AMP life insurance entities' statutory funds (see note 1(b)), policyholder asset movements (including goodwill) can impact the net profit after tax attributable to shareholders. Any impact is temporary in nature, reversing no later than the point at which AMP group ceases to control the investments.

14. Payables

	Consolidated 2013 $m	Consolidated Restated 2012 $m	Consolidated Restated 2011 $m	Parent 2013 $m	Parent 2012 $m
Investment purchases and margin accounts payable	**602**	454	551	**–**	–
Life insurance and investment contracts in process of settlement	**354**	314	349	**–**	–
Accrued expenses	**154**	217	206	**–**	–
Interest payable	**33**	24	34	**–**	–
Trade creditors	**93**	100	237	**–**	–
Other payables					
– subsidiaries	**–**	–	–	**–**	13
– subsidiaries tax related amounts	**–**	–	–	**45**	21
– investment entities controlled by AMP life insurance entities' statutory funds	**158**	473	412	**–**	–
– other entities	**516**	706	543	**2**	1
Total payables[1,2]	**1,910**	2,288	2,332	**47**	35

1 Total payables include payables of investment entities controlled by the AMP life insurance entities' statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group.
2 $7m (2012: $1m) of Total payables of the AMP group is expected to be settled more than 12 months from the reporting date and nil (2012: nil) of Total payables of the parent is expected to be settled more than 12 months from the reporting date.

15. Provisions

	Consolidated 2013 $m	Consolidated Restated 2012 $m	Consolidated Restated 2011 $m	Parent 2013 $m	Parent 2012 $m
(a) Provisions					
Employee entitlements[1]	**271**	320	295	**3**	3
Restructuring[2]	**16**	16	50	**–**	–
Other[3]	**164**	278	239	**–**	–
Total provisions	**451**	614	584	**3**	3

	Employee entitlements[1] $m	Restructuring[2] $m	Other[3] $m	Total $m
(b) Movements in provisions – consolidated				
Balance at the beginning of the year	**320**	**16**	**278**	**614**
Additions (reductions) through acquisitions (disposal) of controlled entities	**(33)**	**–**	**(6)**	**(39)**
Additional provisions made during the year	**171**	**23**	**112**	**306**
Unused amounts reversed during the year	**(16)**	**(6)**	**(91)**	**(113)**
Provisions used during the year	**(174)**	**(17)**	**(132)**	**(323)**
Foreign exchange movements	**3**	**–**	**3**	**6**
Balance at the end of the year	**271**	**16**	**164**	**451**
(c) Movements in provisions – parent				
Balance at the beginning of the year	**3**	**–**	**–**	**3**
Additional provisions made during the year	**3**	**–**	**–**	**3**
Unused amounts reversed during the year	**–**	**–**	**–**	**–**
Provisions used during the year	**(3)**	**–**	**–**	**(3)**
Balance at the end of the year	**3**	**–**	**–**	**3**

1 Provisions for employee entitlements are in respect of amounts accumulated as a result of employees rendering services up to the reporting date. These entitlements include salaries, wages, bonuses, annual leave and long service leave, but exclude share-based payments. $18m (2012: $17m) of the consolidated balance is expected to be settled more than 12 months from the reporting date. Nil (2012: $2m) of the parent balance is expected to be settled more than 12 months from the reporting date.
2 Restructuring provisions are recognised in respect of programs that materially change the scope of the business or the manner in which the business is conducted. Nil (2012: nil) is expected to be settled more than 12 months from the reporting date.
3 Other provisions are in respect of probable outgoings on data quality and integrity projects, settlements, and various other operational provisions. $14m (2012: $12m) is expected to be settled more than 12 months from the reporting date.

16. Borrowings

	Consolidated			Parent	
		Restated			
	2013 $m	2012 $m	2011 $m	2013 $m	2012 $m
Deposits[1]	**5,442**	4,687	4,271	**–**	–
Borrowings and interest bearing liabilities					
– AMP Bank and securitisation vehicles	**7,028**	5,099	5,133	**–**	–
– Corporate borrowings	**711**	706	594	**–**	–
– Investment entities controlled by AMP life insurance entities' statutory funds	**1,641**	1,870	2,375	**–**	–
Total borrowings[2]	**14,822**	12,362	12,373	**–**	–

1 Deposits mainly comprise at call retail cash on deposit and retail term deposits at variable interest rates within the AMP Bank.
2 Total borrowings comprise amounts to fund:
 i Corporate borrowings of AMP group $711m (2012: $706m). Of this balance $710m (2012: $706m) is expected to be settled more than 12 months from the reporting date
 ii AMP Bank and securitisation trusts borrowings $12,359m (2012: $9,667m). Of this balance $4,554m (2012: $4,816m) is expected to be settled more than 12 months from the reporting date, and
 iii Statutory fund borrowings and borrowings within controlled entities of AMP Life are $1,752m (2012: $1,989m). Of this balance $1,163m (2012: $1,441m) is expected to be settled more than 12 months from the reporting date.

17. Subordinated debt

	Consolidated		Parent	
	2013 $m	2012 $m	2013 $m	2012 $m
AMP Bank				
– Floating Rate Subordinated Unsecured Notes (first call date 2017, maturity 2022)[1]	**150**	150	**–**	–
Corporate subordinated debt[2]				
– 6.875% GBP Subordinated Guaranteed Bonds (maturity 2022)	**72**	67	**–**	–
– Floating Rate Subordinated Unsecured Notes (first call date 2016, maturity 2021)[3]	**602**	600	**–**	–
– AMP Notes 2 (first call date 2018, maturity 2023)[4]	**317**	–	**325**	–
– A$ AMP Notes (first call date 2014, maturity 2019)[5,6]	**173**	202	**–**	–
– NZ$ AMP Notes (first call date 2014, maturity 2019)[5]	**107**	92	**–**	–
Total subordinated debt	**1,421**	1,111	**325**	–

1 Floating rate subordinated unsecured notes are to fund AMP Bank's capital requirements. Of this balance all (2012: all) is expected to be settled more than 12 months from the reporting date.
2 Subordinated debt amounts are to fund corporate activities of AMP group. The A$ AMP Notes and NZ$ AMP Notes are expected to be called in 2014. The remainder of this balance (2012: all) is expected to be settled more than 12 months from the reporting date.
3 In the event that AMP does not call the subordinated debt at the first call date the note holders have the right to exchange the notes for AMP shares at a small discount to volume weighted average price at that time.
4 AMP Limited Floating Rate unsecured notes were issued on 18 December 2013 and are listed on the ASX. In certain circumstances, AMP may be required to convert some or all of AMP Notes 2 into AMP ordinary shares.
5 In the event that AMP does not call the subordinated debt at the first call date the note holders have the right to an interest margin 150 per cent higher than that at issue.
6 Under the Reinvestment Offer, Eligible Notes holders participated in the opportunity to sell their A$ AMP Notes to AMP to fund a subscription for AMP Notes 2.

18. Dividends

	Consolidated 2013 $m	Consolidated 2012 $m	Parent 2013 $m	Parent 2012 $m
Final dividends paid				
2012 final dividend paid in 2013: 12.5 cents per ordinary share franked to 65% (2011 final dividend paid in 2012: 14 cents per ordinary share franked to 50%)	**366**	400	**366**	400
Interim dividends paid				
2013: 11.5 cents per ordinary share franked to 70% (2012: 12.5 cents per ordinary share franked to 55%)	**339**	362	**339**	362
Total dividends paid[1,2]	**705**	762	**705**	762
Final dividends proposed but not recognised				
2013: 11.5 cents per ordinary share franked to 70%	**340**	366	**340**	366
Dividend franking account[3,4]				
Franking credits available to shareholders of AMP Limited (at 30%)	**196**	191	**196**	191

1 Total dividends paid includes dividends paid on 'treasury shares'. See Statement of changes in equity for further information regarding the impact of 'treasury shares' on dividends paid and retained earnings.
2 All dividends are franked at a tax rate of 30 per cent.
3 The franking credits available to shareholders are based on the balance of the dividend franking account at the reporting date adjusted for:
 i franking credits that will arise from the payment of the current tax liability
 ii franking debits that will arise from the payment of dividends recognised as a liability at the year end
 iii franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the year end, and
 iv franking credits that the entity may be prevented from distributing in subsequent years.
4 The company's ability to utilise the franking account credits depends on meeting Corporations Act requirements to declare dividends. The impact of the proposed dividend will be to reduce the balance of the franking credit account by $102m.

19. Contributed equity

	Consolidated 2013 $m	Consolidated Restated 2012 $m	Parent 2013 $m	Parent 2012 $m
Movements in issued capital				
Balance at the beginning of the year	**9,610**	9,297	**9,610**	9,297
27,314,418 (2012: 75,750,762) shares issued under dividend reinvestment plan[1]	**137**	313	**137**	313
Balance at the end of the year	**9,747**	9,610	**9,747**	9,610
Total issued capital				
2,957,737,964 (2012: 2,930,423,546) ordinary shares fully paid	**9,747**	9,610	**9,747**	9,610
Movements in 'treasury shares'				
Balance at the beginning of the year	**(277)**	(223)	**–**	–
(Increase) decrease due to purchases less sales during the year	**132**	(54)	**–**	–
Balance at the end of the period	**(145)**	(277)	**–**	–
Total treasury shares[2]				
29,177,280 (2012: 57,599,493) treasury shares	**(145)**	(277)	**–**	–
Total contributed equity				
2,928,560,684 (2012: 2,872,824,053) ordinary shares fully paid	**9,602**	9,333	**9,747**	9,610

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. Fully paid ordinary shares carry the right to one vote per share. Ordinary shares have no par value.

1 Under the terms of the dividend reinvestment plan (DRP), shareholders may elect to have all or part of their dividend entitlements satisfied by the issue of new shares rather than being paid cash. Shares were issued under the DRP for the 2012 final dividend (paid in April 2013) at $5.35 per share, 2013 interim dividend (paid in October 2013) at $4.65 per share.
2 Of the AMP Limited ordinary shares on issue 27,050,893 (2012: 53,720,838) are held by AMP's life insurance entities on behalf of policyholders. ASIC has granted relief from restrictions in the *Corporations Act 2001* to allow AMP's life insurance entities to hold and trade shares in AMP Limited as part of the policyholder funds' investment activities. The cost of the investment in these 'treasury shares' is reflected as a deduction from total contributed equity.

20. Life insurance contracts

The AMP group's life insurance related activities are conducted through two registered life insurance companies, AMP Life Limited (AMP Life) and The National Mutual Life Association of Australasia Limited (NMLA).

	Consolidated		Parent	
	2013 $m	2012 $m	2013 $m	2012 $m
(a) Analysis of life insurance contract premium and related revenue				
Total life insurance contract premiums received and receivable	**3,327**	3,203	**–**	–
Less: component recognised as a change in life insurance contract liabilities	**(1,152)**	(1,098)	**–**	–
Life insurance contract premium revenue[1]	**2,175**	2,105	**–**	–
Reinsurance recoveries	**108**	113	**–**	–
Total life insurance contract premium and related revenue	**2,283**	2,218	**–**	–
(b) Analysis of life insurance contract claims and related expenses				
Total life insurance contract claims paid and payable	**(3,974)**	(3,448)	**–**	–
Less: component recognised as a change in life insurance contract liabilities	**1,995**	1,495	**–**	–
Life insurance contract claims expense	**(1,979)**	(1,953)	**–**	–
Outwards reinsurance expense	**(105)**	(95)	**–**	–
Total life insurance contract claims and related expenses	**(2,084)**	(2,048)	**–**	–
(c) Analysis of life insurance contract operating expenses				
Life insurance contract acquisition expenses				
– commission	**(91)**	(109)	**–**	–
– other expenses	**(148)**	(148)	**–**	–
Life insurance contract maintenance expenses				
– commission	**(193)**	(191)	**–**	–
– other expenses	**(413)**	(427)	**–**	–
Investment management expenses	**(56)**	(54)	**–**	–
(d) Life insurance contract liabilities				
Life insurance contract liabilities determined using projection method				
Best estimate liability				
– value of future life insurance contract benefits	**18,179**	19,423	**–**	–
– value of future expenses	**4,465**	4,958	**–**	–
– value of future premiums	**(17,454)**	(18,987)	**–**	–
Value of future profits				
– life insurance contract holder bonuses	**2,824**	2,320	**–**	–
– shareholders' profit margins	**2,991**	3,230	**–**	–
Total life insurance contract liabilities determined using the projection method[2]	**11,005**	10,944	**–**	–
Life insurance contract liabilities determined using accumulation method				
Best estimate liability				
– value of future life insurance contract benefits	**11,194**	11,593	**–**	–
– value of future acquisition expenses	**(5)**	(6)	**–**	–
Total life insurance contract liabilities determined using the accumulation method	**11,189**	11,587	**–**	–
Value of declared bonus	**226**	221	**–**	–
Unvested policyholder benefits liabilities[2]	**2,049**	1,773	**–**	–
Total life insurance contract liabilities before reinsurance	**24,469**	24,525	**–**	–
Add: Reinsurers' share of life insurance contract liabilities	**465**	530	**–**	–
Total life insurance contract liabilities	**24,934**	25,055	**–**	–

1 Life insurance contract premium revenue consists entirely of direct insurance premiums; there is no inward reinsurance component.
2 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 policyholder benefits liabilities and is included within life insurance contract liabilities even though it is yet to be vested as specific policyholder entitlements.

20. Life insurance contracts continued

	Consolidated 2013 $m	Consolidated 2012 $m	Parent 2013 $m	Parent 2012 $m
(e) Reconciliation of changes in life insurance contract liabilities				
Total life insurance contract liabilities at the beginning of the year	**25,055**	24,399	**–**	–
Change in life insurance contract liabilities recognised in the Income statement	**381**	934	**–**	–
Premiums recognised as an increase in life insurance contract liabilities	**1,152**	1,098	**–**	–
Claims recognised as a decrease in life insurance contract liabilities	**(1,995)**	(1,495)	**–**	–
Change in reinsurers' share of life insurance contract liabilities	**(65)**	53	**–**	–
Foreign exchange adjustment	**406**	66	**–**	–
Total life insurance contract liabilities at the end of the year	**24,934**	25,055	**–**	–

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

Life insurance contract liabilities, and hence the net profit from life insurance contracts, are calculated by applying the principles of margin on services (MoS). Refer to note 1(s) for a description of MoS and the methods for calculating life insurance contract liabilities.

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

Business type	Method	Profit carriers (for business valued using projection method)
Conventional	Projection	Bonuses
Investment account	Modified accumulation	n/a
Retail risk (lump sum)	Projection	Expected premiums
Retail risk (income protection – AMP Life NZ only)	Projection	Expected premiums
Retail risk (income protection – all others)	Projection	Expected claims
Group risk (lump sum)	Accumulation	n/a
Group risk (income benefits)	Accumulation	n/a
Participating allocated annuities (AMP Life only)	Modified accumulation	n/a
Life annuities	Projection	Annuity payments

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

(i) Risk-free discount rates

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

Business type		Basis[1]	31 December 2013 Australia	31 December 2013 New Zealand	31 December 2012 Australia	31 December 2012 New Zealand
Retail risk (other than income benefit open claims)		Zero coupon government bond yield curve	**2.5%–5.5%**	**3.2%–5.4%**	2.6%–4.4%	2.5%–4.1%
Retail risk and group risk (income benefit open claims)		Zero coupon government bond yield curve (including liquidity premium)	**2.7%–5.7%**	**3.5%–5.7%**	2.9%–4.7%	2.8%–4.4%
Life annuities[2]	Non-CPI	Zero coupon government bond yield curve (including liquidity premium)	**2.8%–5.8%**	**3.6%–5.7%**	3.0%–4.8%	2.9%–4.5%
	CPI	Commonwealth indexed bond yield curve (including liquidity premium)	**1.2%–2.6%**	**2.2%–3.8%**	0.8%–1.8%	1.0%–2.0%

1 The discount rates vary by duration in the range shown above.
2 Australian non-CPI annuities and all CPI annuities are AMP Life only.

20. Life insurance contracts continued

(ii) Participating business discount rates

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

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

		Risk premiums				
	10 year government bonds	Local equities	International equities	Property	Fixed interest	Cash
Australia						
31 December 2013	**4.3%**	**4.5%**	**3.5%**	**2.5%**	AMP Life: **0.6%** NMLA: **0.9%**	**(0.5%)**
31 December 2012	3.3%	4.5%	3.5%	2.5%	AMP Life: 0.8% NMLA: 0.9%	(0.5%)
New Zealand						
31 December 2013	**4.8%**	**4.5%**	**3.5%**	**2.5%**	AMP Life: **0.6%** NMLA: **0.0%**	**(0.5%)**
31 December 2012	3.6%	4.5%	3.5%	2.5%	AMP Life: 0.8% NMLA: 0.0%	(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[1]		Equities	Property	Fixed interest	Cash
Australia					
31 December 2013	AMP Life	**29%**	**10%**	**40%**	**21%**
	NMLA	**37%**	**13%**	**35%**	**15%**
31 December 2012	AMP Life	30%	11%	39%	20%
	NMLA	37%	13%	35%	15%
New Zealand					
31 December 2013	AMP Life	**40%**	**17%**	**37%**	**6%**
	NMLA	**48%**	**2%**	**40%**	**10%**
31 December 2012	AMP Life	40%	17%	37%	6%
	NMLA	48%	2%	40%	10%

1 The asset mix above includes both conventional and investment account business for AMP Life, but only conventional business for NMLA. As described in note 1(s), 100 per cent of investment profits on NMLA's 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.

(iii) Future participating benefits

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

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

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

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

20. Life insurance contracts continued

Typical supportable bonus rates on major product lines are as follows for AMP Life and NMLA (31 December 2012 in parentheses).

		Bonus on sum insured	Bonus on existing bonuses
Reversionary bonus			
Australia	AMP Life	**1.0%–1.4%** (0.4%–0.9%)	**1.4%–2.1%** (0.7%–0.9%)
	NMLA	**0.6%–1.3%** (0.6%–1.2%)	**1.2%–1.9%** (1.2%–1.8%)
New Zealand	AMP Life	**0.9%–1.3%** (0.4%–0.7%)	**0.9%–1.3%** (0.4%–0.7%)
	NMLA	**1.2%** (0.9%)	**1.7%** (1.3%)

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

Crediting rates (investment account)		
Australia	AMP Life	**2.4%–6.7%** (2.2%–4.6%)
	NMLA	**2.7%–8.8%** (3.9%–7.8%)
New Zealand	AMP Life	**3.9%–5.2%** (2.9%–3.1%)
	NMLA	**3.0%–6.8%** (3.0%–5.0%)

(iv) Future maintenance and investment expenses

Unit maintenance costs are based on budgeted expenses in the year following the reporting date (including GST, as appropriate, and excluding one-off expenses). For future years, these are increased for inflation as described in (v) below. These expenses include fees charged to the life statutory funds by service companies in the AMP 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.

(v) Inflation and indexation

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

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

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

		Australia	New Zealand
31 December 2013	AMP Life and NMLA	**2.6% CPI, 3.0% expenses**	**2.5% CPI, 3.0% expenses**
31 December 2012	AMP Life and NMLA	2.7% CPI, 3.0% expenses	2.5% CPI, 3.0% expenses

(vi) Bases of taxation

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

(vii) Voluntary discontinuance

Assumptions for the incidence of withdrawals, paid ups and premium dormancy are primarily based on investigations of AMP Life's and NMLA'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 duration, premium structure, smoker status, age attained or short-term market and business effects. Given the variety of influences affecting discontinuance for different product groups, the range of voluntary discontinuance rates across AMP Life and NMLA are extremely diverse.

The assumptions for future rates of discontinuance for the major classes of life insurance contracts are shown in the following table. The table includes the short-term voluntary discontinuance assumptions for Australian risk business.

		31 December 2013		31 December 2012	
Business type	**Life company**	**Australia**	**New Zealand**	**Australia**	**New Zealand**
Conventional	AMP Life	**2.1%–3.0%**	**1.1%–1.9%**	2.1%–3.0%	1.3%–2.5%
	NMLA	**3.5%–4.0%**	**4.1%–4.7%**	3.6%–4.1%	4.2%–4.9%
Retail risk (lump sum)	AMP Life[1]	**12.1%–17.7%**	**12.0%–13.0%**	11.9%–14.6%	10.5%–12.0%
	NMLA	**13.3%–16.4%**	**12.1%**	11.5%–13.4%	11.3%
Retail risk (income benefit)	AMP Life	**9.1%–21.5%**	**7.0%–12.0%**	8.0%–20.0%	7.0%–12.0%
	NMLA	**12.0%–14.6%**	**9.2%–13.4%**	8.8%–9.4%	10.3%–10.6%
Flexible Lifetime Super (FLS) risk business	AMP Life	**10.2%–20.0%**	**n/a**	8.8%–22.7%	n/a
Investment account	AMP Life	**n/a**	**n/a**	n/a	n/a
	NMLA	**4.6%–21.9%**	**7.0%–8.0%**	4.8%–22.7%	7.0%–8.0%

1 Excludes a small mortgage insurance product for which rates are typically higher than other products.

20. Life insurance contracts continued

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

(ix) Mortality and morbidity
Standard mortality tables, based on national or industry wide data, are used. These are then adjusted by factors that take account of AMP Life and NMLA's own experience.

Rates of mortality assumed at 31 December 2013 for AMP Life and NMLA are as follows:
– conventional in Australia and New Zealand and Wealth Protection in New Zealand are unchanged from those assumed at 31 December 2012 in Australia and New Zealand. The rates are based on IA95-97 for AMP Life and IA90-92 for NMLA with an allowance for future mortality improvements for Conventional business
– annuitant mortality rates are unchanged from those assumed in December 2012
– AMP Life and NMLA Australian Retail Risk mortality rates have changed to be based on the new Industry standard IA04-08 Death Without Riders table modified based on our aggregated experience but with overall product specific adjustment factors.

For TPD and Trauma business the Australian AMPL and NMLA Retail Risk products assumptions have been changed to use the latest industry table IA04-08 modified based on our aggregated experience but with overall product specific adjustment factors. No changes have been made to the New Zealand assumptions.

For Income Protection business the assumptions have been updated to use the IAD89-93 standard table modified for AMPL and NMLA Australia and New Zealand combined experience with overall product specific adjustment factors. The adjustment factors include age, gender, occupation, waiting period, duration on claim, benefit band and benefit period.

The assumptions are summarised in the following table:

	Conventional – % of IA95-97 (AMP Life)		Conventional – % of IA90-92 (NMLA)	
Conventional	**Male**	**Female**	**Male**	**Female**
Australia	67.5%	67.5%	60.0%	68.0%
New Zealand	73.0%	73.0%	81.0%	95.0%

	Retail lump sum – % of table (AMP Life)		Retail lump sum – % of table (NMLA)	
Risk products	**Male**	**Female**	**Male**	**Female**
Australia[1]	86%–118%	86%–118%	88%–104%	88%–104%
New Zealand[2,3]	63.0%	63.0%	68.0%	60%–77.0%

1 Base IA04-08 Death Without Riders table modified based on our aggregated experience but with overall product specific adjustment factors.
2 AMP Life: Base IA95-97 Death Without Riders table modified based on our aggregated experience but with overall product specific adjustment factors.
3 NMLA: Base IA90-92 Death Without Riders table modified based on our aggregated experience but with overall product specific adjustment factors.

	AMP Life		NMLA	
Annuities	**Male – % of IML00***	**Female – % of IFL00***	**Male – % of PNML00**	**Female – % of PNFL00**
Australia and New Zealand[1]	95%	80%	80%	80%

1 Annuities tables modified for future mortality improvements.

Typical morbidity assumptions, in aggregate, are as follows:

Income protection	**Incidence rates – % of IAD 89-93 (AMP Life)**	**Incidence rates – % of IAD 89-93 (NMLA)**	**Termination rates (ultimate) – % of IAD 89-93 (AMP Life)**	**Termination rates (ultimate) – % of IAD 89-93 (NMLA)**
Australia	24%–138%	60%–122%	44%–68%	42%–72%
New Zealand	45%–67%	41%–80%	57%–67%	33%–46%

Retail lump sum	**Male % of IA04-08 (AMP Life)**	**Male % of IA04-08 (NMLA)**	**Female % of IA04-08 (AMP Life)**	**Female % of IA04-08 (NMLA)**
Australia TPD[1]	140%–155%	125%–138%	177%–196%	158%–175%
Australia Trauma[2]	105%–110%	96%–116%	105%–121%	96%–111%

1 Base IA04-08 TPD table modified based on our aggregated experience but with overall product specific adjustment factors.
2 Base IA04-08 Trauma table modified based on our aggregated experience but with overall product specific adjustment factors.

20. Life insurance contracts continued

The actuarial tables used were as follows:

IA95-97	A mortality table developed by the Actuaries Institute of Australia based on Australian insured lives experience from 1995–1997. The table has been modified to allow for future mortality improvement.
IA90-92	A mortality table developed by the Actuaries Institute of Australia based on Australian insured lives experience from 1990–1992.
IML00*/IFL00*	IML00 and IFL00 are mortality tables developed by the Actuaries Institute and the 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 experience.
PNML/PNFL	The UK 00 series tables represent the latest annuitant/pensioner experience and therefore replace the 80 series tables, which are based on experience from 1979 to 1982. Pensioner tables are used given that the NZ annuitants did not voluntarily obtain annuities as they received one automatically from their pension plan.
IA04-08 DTH	This was published by The Actuaries Institute under the name A graduation of the 2004–2008 Lump Sum Investigation Data. We refer to this table as IA04-08. The table contains separate graduations for Smokers, Non Smokers, Males and Females and Death With and Without Riders.
IA04-08 TPD	This is the TPD graduation published in the same paper as above.
IAD04-08 Trauma	This is the trauma graduation published in the same paper as above.
IAD 89-93	A disability table developed by Actuaries Institute of Australia based on the Australian disability income experience for the period 1989–1993. This table has been extensively modified based on our aggregate experience.

(x) 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 changes in assumptions from 31 December 2012 to 31 December 2013 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 for the two life companies.

	AMP Life			NMLA		
Assumption change	Change in future profit margins $m	Change in life insurance contract liabilities $m	Change in shareholders' profit and equity $m	Change in future profit margins $m	Change in life insurance contract liabilities $m	Change in shareholders' profit and equity $m
Non-market related changes to discount rates	2	–	–	–	(1)	1
Mortality and morbidity	(52)	–	–	(78)	109	(76)
Discontinuance rates	(179)	–	–	(40)	68	(47)
Maintenance expenses	10	–	–	23	(43)	30
Other assumptions[1]	40	–	–	21	(62)	44

1 Other assumption changes include the impact of product and premium rate changes.

In most cases, the overall amount of life insurance contract liabilities and the current period profit are not affected by changes in assumptions. However, where in the case of a particular related product group, the changes in assumptions at the end of a period eliminate any future profit margins for the related product group, and results in negative future profit margins, this negative balance is recognised as a loss in the current period. If the changes in assumptions in a period are favourable for a product group currently in loss recognition, then the previously recognised losses are reversed in the period.

(g) Insurance risk sensitivity analysis – life insurance contracts
For life insurance contracts that are accounted for under MoS, amounts of liabilities, income or expense recognised in the period are unlikely to be sensitive to changes in variables even if those changes may have an impact on future profit margins.

This table shows information about the sensitivity of life insurance contract liabilities for AMP Life and NMLA, 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 Gross of reinsurance $m	Change in life insurance contract liabilities Net of reinsurance $m	Change in shareholder profit after income tax, and equity Gross of reinsurance $m	Change in shareholder profit after income tax, and equity Net of reinsurance $m
AMP Life					
Mortality	10% increase in mortality rates	–	–	–	–
Annuitant mortality	50% increase in the rate of mortality improvement	–	–	–	–
Morbidity – lump sum disablement	20% increase in lump sum disablement rates	–	–	–	–
Morbidity – disability income	10% increase in incidence rates	11	7	(8)	(5)
Morbidity – disability income	10% decrease in recovery rates	25	18	(17)	(13)
Discontinuance rates	10% increase in discontinuance rates	–	–	–	–
Maintenance expenses	10% increase in maintenance expenses	1	1	(1)	(1)
NMLA					
Mortality	10% increase in mortality rates	–	–	–	–
Annuitant mortality	50% increase in the rate of mortality improvement	–	–	–	–
Morbidity – lump sum disablement	20% increase in lump sum disablement rates	–	–	–	–
Morbidity – disability income[1]	10% increase in incidence rates	116	98	(81)	(69)
Morbidity – disability income[1]	10% decrease in recovery rates	183	150	(128)	(105)
Discontinuance rates[1]	10% increase in discontinuance rates	20	20	(14)	(14)
Maintenance expenses[1]	10% increase in maintenance expenses	20	20	(14)	(14)

1 At 31 December 2012, changes in assumptions fully absorbed future profit margins on NMLA's retail ordinary disability income products and these products remain in a capitalised loss position at 31 December 2013. Any improvement in the assumptions for these products would be recognised initially as a reversal of the previously recognised loss.

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

The design of products carrying insurance risk is managed to ensure that policy wording and promotional materials are clear, unambiguous and do not leave AMP Life and NMLA open to claims from causes that were not anticipated. Product prices are set through a process of financial analysis, including review of previous AMP Life and NMLA and industry experience and specific product design features. 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 underwritten on their merits and are generally not issued without having been examined and underwritten individually. Individual policies which are transferred from a group scheme are generally issued without underwriting. Group risk insurance policies meeting certain criteria are underwritten on the merits of the employee group as a whole.

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

AMP Life and NMLA reinsure (cede) to specialist reinsurance companies a proportion of their portfolio or certain types of insurance risk, including catastrophe. This serves primarily to:
– reduce the net liability on large individual risks
– obtain greater diversification of insurance risks
– provide protection against large losses.

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

20. Life insurance contracts continued

Terms and conditions of life insurance contracts

The nature of the terms of the life insurance contracts written by AMP Life and NMLA 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 and NMLA depend.

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

(i) Liquidity risk and future net cash outflows

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

Total AMP Life and NMLA	Up to 1 year $m	1 to 5 years $m	Over 5 years $m	Total $m
2013	**1,208**	**2,479**	**8,225**	**11,912**
2012	1,026	2,411	8,169	11,606

21. Other life insurance and investment contract disclosures

	Consolidated 2013 $m	2012 $m
(a) Analysis of life insurance and investment contract profit		
Components of profit related to life insurance and investment contract liabilities:		
– planned margins of revenues over expenses released	**535**	498
– profits (losses) arising from difference between actual and assumed experience	**(49)**	70
– profits (losses) arising from changes in assumptions	**1**	(102)
– capitalised (losses) reversals	**(46)**	21
Profit related to life insurance and investment contract liabilities	**441**	487
Attributable to:		
– life insurance contracts	**249**	324
– investment contracts	**192**	163
Investment earnings on assets in excess of life insurance and investment contract liabilities	**109**	134

(b) Restrictions on assets in statutory funds

AMP Life and NMLA conduct 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.

The *Life Act* requires the life insurance business of AMP Life and NMLA to be conducted within life statutory funds.

AMP Life has three statutory funds as set out below:

No. 1 fund	Australia	Capital guaranteed business (whole of life, endowment, investment account, retail and group risk and immediate annuities).
	New Zealand	All business (whole of life, endowment, investment account, retail and group risk, investment-linked and immediate annuities).
No. 2 fund	Australia	Investment-linked superannuation business (retail and group investment-linked and deferred annuities).
No. 3 fund	Australia	Investment-linked ordinary business.

NMLA has six statutory funds as set out below:

No. 1 fund	Australia	Capital guaranteed ordinary business (whole of life, endowment, investment account and retail and group risk).
	New Zealand	All business (whole of life, endowment, investment account, retail and group risk, retail and group investment-linked and immediate annuities).
No. 2 fund	Australia	Investment-linked superannuation business (retail and group investment-linked and deferred annuities).
No. 3 fund	Taiwan	All business (individual whole of life, endowment and term and group life).
No. 4 fund	Australia	Capital guaranteed superannuation business (whole of life, endowment, investment account and retail (lump sum only) and group risk).
No. 5 fund	Australia	Investment-linked ordinary business.
No. 6 fund	Australia	North longevity guarantee.

21. Other life insurance and investment contract disclosures continued

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. See further details about solvency and capital adequacy in note 21(d).

Australian Accounting Standards require the income, expenses, assets and liabilities in the financial statements of AMP Life and NMLA to include amounts attributable to policyholders in investment linked and non-investment linked business of the life statutory funds. The following table shows a summary of the balances in the life statutory funds disaggregated between non-investment linked and investment linked business:

	2013 AMP Life and NMLA			2012 AMP Life and NMLA		
Assumption change	Non-investment linked $m	Investment linked $m	Total life entities' statutory funds $m	Non-investment linked $m	Investment linked $m	Total life entities' statutory funds $m
Assets of life entities' statutory funds						
Net assets of life entities' statutory funds attributable to policyholders and shareholders	**31,510**	**62,786**	**94,296**	32,297	54,731	87,028
Attributable to policyholders						
Life insurance contract liabilities	**24,934**	**–**	**24,934**	25,055	–	25,055
Investment contract liabilities[1]	**3,463**	**62,547**	**66,010**	4,093	54,207	58,300
	28,397	**62,547**	**90,944**	29,148	54,207	83,355
Attributable to shareholders	**3,113**	**239**	**3,352**	3,149	524	3,673

1 Investment contract liabilities in the table above exclude the investment contract liability for the North capital guarantee which is held outside the life companies.

The net assets of life statutory funds attributable to shareholders represent the interests of shareholders including funds required to meet regulatory requirements as well as further amounts of shareholder funds in excess of regulatory requirements.

Impact of the life statutory fund amounts on the AMP group consolidated financial statements

To the extent that investments by the life statutory funds are held through wholly or partly owned controlled entities of the life statutory funds, the balances of those controlled entities are consolidated by AMP Life and NMLA and therefore become part of the consolidated balances of this AMP group financial report. The consolidated balances include 100 per cent of the underlying investments in financial assets, investment property, and other net operating assets of the controlled entities of AMP life entities' statutory funds. Most of the controlled entities are managed investment schemes and the share of the consolidated profit and net assets of those managed investment schemes attributable to unitholders other than the AMP Life statutory funds is recognised in the consolidated income statement as Movement in external unitholders' liabilities and in the consolidated Statement of financial position as External unitholders' liabilities.

21. Other life insurance and investment contract disclosures continued

The following table shows a summary of the consolidated balances of AMP life entities' statutory funds and the entities controlled by AMP life entities' statutory funds.

	Life entities' statutory funds consolidated 2013 $m	Life entities' statutory funds consolidated Restated 2012 $m
Income statement		
Insurance premium and related revenue	**2,283**	2,218
Fee revenue	**1,200**	1,006
Other revenue	**215**	640
Investment gains and (losses)	**14,312**	11,475
Insurance claims and related expenses	**(2,084)**	(2,049)
Operating expenses including finance costs	**(2,670)**	(2,897)
Movement in external unitholders' liabilities	**(1,615)**	(922)
Change in life insurance contract liabilities	**(381)**	(934)
Change in investment contract liabilities	**(9,937)**	(6,997)
Income tax (expense)/credit	**(751)**	(840)
Profit	**572**	700
Assets		
Cash and cash equivalents	**5,061**	7,430
Investments in financial assets measured at fair value through profit or loss	**98,106**	86,210
Investment property	**7,220**	6,829
Other assets	**3,180**	3,388
Total assets of policyholders, shareholders and non-controlling interests	**113,567**	103,857
Liabilities		
Life insurance contract liabilities	**24,934**	25,055
Investment contract liabilities	**66,010**	58,300
Other liabilities	**8,124**	7,004
External unitholders' liabilities	**11,098**	9,753
Total liabilities of policyholders, shareholders and non-controlling interests	**110,166**	100,112
Net assets	**3,401**	3,745

	Consolidated 2013 $m	Consolidated 2012 $m
(c) Capital guarantees		
Life insurance contracts with a discretionary participating feature		
– amount of the liabilities that relate to guarantees	**19,402**	19,856
Investment linked contracts		
– amount of the liabilities subject to investment performance guarantees	**1,061**	1,228
Other life insurance contracts with a guaranteed termination value		
– current termination value	**137**	154

21. Other life insurance and investment contract disclosures continued

(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. New prudential capital standards for Australian Life and General Insurance Companies (LAGIC) were introduced effective 1 January 2013. This LAGIC framework is 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. The regulatory capital base and prescribed capital amounts at 31 December 2013 have been calculated based on the new standards. Capital disclosures prior to 1 January 2013 were based on the capital standards in place at the time and have not been restated to reflect the LAGIC requirements.

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

The excess of the Company's capital base over the prescribed capital amount under LAGIC as at 31 December 2013 was $865m and $315m for AMP Life and NMLA respectively.

The Appointed Actuaries of AMP Life and NMLA have confirmed that the available assets of each life statutory fund have exceeded PCA at all times during 2013 and exceeded the previous capital adequacy and the solvency reserve required at all times during 2012.

	AMP Life $m	NMLA $m
2013		
Common Equity Tier 1 Capital	**1,563**	**681**
Adjustments to Common Equity Tier 1 Capital	**–**	**–**
Additional Tier 1 Capital	**–**	**–**
Adjustments to Additional Tier 1 Capital	**–**	**–**
Tier 2 Capital	**215**	**85**
Adjustments to Tier 2 Capital	**–**	**–**
Total capital base	**1,778**	**766**
Total prescribed capital amount (PCA)	**913**	**451**
Capital adequacy multiple	**194%**	**170%**

Prior to 1 January 2013, Life companies were required to hold prudential reserves based on the greater of the requirements under solvency and capital adequacy standards. The purpose of the solvency requirement was to ensure, as far as practicable, that at any time the life company was able to meet all existing liabilities as they became due. The capital adequacy requirement was a separate requirement (usually greater), taking into account also viability as an ongoing concern. These were specified in the *Life Insurance Act 1995*, the previous *LPS 2.04 Solvency Standard* and *LPS 3.04 Capital Adequacy Standard*.

	AMP Life $m	NMLA $m
2012		
Solvency requirement	75,423	13,266
Assets available for solvency	4,121	1,460
Solvency reserve	3.7%	4.3%
Coverage of solvency reserve (times)	1.5	2.7

(e) Actuarial information

Mr Rocco Mangano, BA, FIA, FIAA, as the Appointed Actuary of AMP Life and Mr Anton Kapel, BEc, MAppFin, FIAA, FSA, FFin, CERA, as the Appointed Actuary of NMLA, are satisfied as to the accuracy of the data used in the valuations in the financial report and in the tables in this note and note 20.

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

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

Based on assumptions as to likely withdrawal patterns of the various product groups, it is estimated that approximately $12,632m (2012: $11,936m) of policy liabilities may be settled within 12 months of the reporting date.

22. Risk management and financial instruments disclosures

Financial risk management

Financial risk management (FRM) at AMP is an integral part of AMP group's enterprise risk management framework. The Audit Committee, supported by the Group Asset and Liability Committee (Group ALCO), is responsible for ensuring financial risks are appropriately managed.

(a) Risks and mitigation

Financial risks arising in the AMP group include market risk (investment risk, interest rate risk, foreign exchange risk, currency risk, property risk, and equity price risk); liquidity and refinancing risk; and credit risk. These risks are managed according to the Enterprise Risk Management Policy and individual policies for each risk category. This financial risk management includes the use of derivative financial instruments such as cross-currency and interest rate swaps, forward rate agreements, futures, options and foreign currency contracts to hedge risk exposures arising from changes in interest rates and foreign exchange rates.

Financial risk management includes decisions made about the allocation of investment assets across asset classes and/or markets and the management of risks within these asset classes. Financial risk for investments in the AMP group is managed by reference to the probability of loss relative to expected income over a one-year time horizon at a 90 per cent confidence level (profit at risk). In respect of investments held in the shareholder fund and in the life statutory funds, the loss tolerance over the discretionary investments is set at a low level because AMP has equity market exposure in its businesses (for example through fees on assets under management).

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. These movements include foreign exchange rates, interest rates, credit spreads, equity prices or property prices. Market risk in the AMP group arises from the management of insurance contracts and investment of shareholder capital including investments in equities, property, interest bearing investments and corporate debt.

(b) Market risk sensitivity analysis

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

The sensitivity is required to show the impact of a reasonably possible change in market rate (it is not intended to illustrate a remote, worst case, stress test scenario nor does it represent a forecast. In addition it does not include the impact of any mitigating management actions) over the period to the subsequent reporting date. The categories of risks faced and methods used for deriving sensitivity information did not change from previous periods.

The only market risk relating to the parent entity is in relation to the AMP Notes 2 subordinated debt instruments issued in December 2013 which have been on-lent to other AMP subsidiaries on the same terms and conditions.

(i) Interest rate risk

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

Interest rate risk arises from interest bearing financial assets and financial liabilities in various activities of the AMP group. Management of those risks is decentralised according to the activity. Details are as follows:

– *AMP group's long-term borrowings and AMP group's and the parent entity's subordinated debt* – interest rate risk arises in relation to long-term borrowings and subordinated debt raised through a combination of Australian dollar, New Zealand dollar and pound sterling denominated fixed-rate and floating-rate facilities. Most of AMP group's debt is Australian dollar denominated and AMP group's foreign denominated debt is converted to floating-rate Australian dollars through cross-currency swaps. Interest rate risk is managed by entering floating-to-fixed interest rate swaps, which have the effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the AMP group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

  AMP group policy is to maintain between 40–60 per cent of borrowings and subordinated debt at fixed rates. At the reporting date, 40 per cent (2012: 50 per cent) of the AMP group's borrowings and subordinated debt were effectively at fixed rates.

– *AMP Life and NMLA* – as discussed in note 1(b), AMP Life and NMLA conduct their wealth management and life insurance business through separate life statutory funds. Investment assets of the life statutory funds including interest bearing financial assets are held to back investment contract liabilities, life insurance contract liabilities, retained profits and capital.

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

22. Risk management and financial instruments disclosures continued

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

AMP Life and NMLA manage interest rate and other market risks pursuant to an asset and liability management policy that has regard to policyholder expectations and risks to the AMP Life and NMLA Board's target surplus philosophy for capital as advised by the appointed actuaries.

– *AMP Bank* – interest rate risk arises in AMP Bank from mismatches of repricing terms (for example, a three-year fixed rate loan funded with a 90 day term deposit – term risk) and variable rate short-term repricing bases (basis risk). AMP Bank uses natural offsets, interest-rate swaps and basis swaps to hedge the mismatches within exposure limits. Group Treasury manages the interest rate exposure in AMP Bank by maintaining a position, which is generally neutral, within the limits delegated and approved by the AMP Bank Board.

Interest rate risk sensitivity analysis
This analysis demonstrates the impact of a 100 basis point change in Australian and International interest rates, with all other variables held constant, on profit after tax and equity. It is assumed that all underlying exposures and related hedges are included in the sensitivity analysis, that the 100 basis point change occurs as at the reporting date and that there are concurrent movements in interest rates and parallel shifts in the yield curves. The impact on equity includes both the impact on profit after tax as well as the impact of amounts that would be taken directly to equity in respect of the portion of changes in the fair value of derivatives that qualify as cash flow hedges for hedge accounting. A sensitivity level of 100 basis points is determined considering the range of interest rates applicable to interest bearing financial assets and financial liabilities in the AMP group.

	2013		2012	
Change in variables	**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**
+100 basis points	**(45)**	**(23)**	(44)	(28)
-100 basis points	**61**	**39**	39	23

(ii) Currency risk

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

Other than where the impact would be immaterial, corporate debt is typically converted to Australian dollars through cross-currency swaps, individual investment assets in shareholder capital (excluding the international equities portfolio attributable to shareholders within the AMP Life Statutory Fund No. 1 fund) and seed and sponsor capital investments are hedged, and expected foreign currency receipts and payments are hedged once the value and timing of the expected cash flow is known. Subject to Group ALCO approval, Group Treasury may allow for natural hedging of foreign exchange risk through unhedged foreign currency borrowings, or enter into discretionary foreign exchange transactions to hedge enterprise-wide exposures.

AMP group does not hedge the capital invested in overseas operations (other than foreign seed and sponsor capital investments), thereby accepting the foreign currency translation risk on invested capital.

22. Risk management and financial instruments disclosures continued

Currency risk sensitivity analysis

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

	2013		2012	
Change in variables	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
10% depreciation of AUD	**10**	**10**	2	2
10% appreciation of AUD	**(4)**	**(4)**	(3)	(3)

(iii) Equity price risk

Equity price risk is the risk of an impact on AMP group's profit after tax and equity from movements in equity prices. The AMP group measures equity securities at fair value through profit or loss. Group Treasury may, with Group ALCO approval, use equity exposures or equity futures or options to hedge other enterprise-wide equity exposures.

Equity price risk sensitivity analysis

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

	2013		2012	
	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
10% increase in Australian equities	**18**	**18**	19	19
10% increase in International equities	**17**	**17**	13	13
10% decrease in Australian equities	**(14)**	**(14)**	(17)	(17)
10% decrease in International equities	**(12)**	**(12)**	(6)	(6)

(c) Liquidity and refinancing risk

Liquidity risk is the risk that the AMP group is not able to meet its debt obligations or other cash outflows as they fall due because of an inability to liquidate assets or obtain adequate funding when required. Refinancing risk is the risk that AMP group is not able to refinance the full quantum of its ongoing debt requirements on appropriate terms and pricing. This includes the AMP group corporate debt portfolio, AMP Bank and AMP Capital through various investment funds, entities or mandates that it manages or controls or in which AMP Capital, AMP Life or NMLA has significant ownership interest or influence.

To ensure that the AMP group has sufficient funds available, in the form of cash, liquid assets, borrowing capacity and un-drawn committed funding facilities to meet its liquidity requirements, Group Treasury maintains a defined surplus of cash plus six months of debt maturities to mitigate refinancing risk, satisfy regulatory requirements and protect against liquidity shocks in accordance with the liquidity risk management policy approved by the AMP Limited Board.

Financiers of loans owing by controlled entities of the life statutory funds do not have legal recourse beyond the operating subsidiary borrower and there is no direct effect on any other AMP group debt.

22. Risk management and financial instruments disclosures continued

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

Maturity profiles of undiscounted financial liabilities and off balance sheet items

	Up to 1 year or no term $m	1 to 5 years $m	Over 5 years $m	Other[2] $m	Total $m
2013					
Non-derivative financial liabilities[1]					
Payables	**1,893**	**17**	**–**	**–**	**1,910**
Borrowings	**9,371**	**5,550**	**1,101**	**–**	**16,022**
Subordinated debt	**340**	**910**	**519**	**–**	**1,769**
Investment contract liabilities	**1,190**	**960**	**1,717**	**62,829**	**66,696**
External unitholders' liabilities	**–**	**–**	**–**	**10,724**	**10,724**
Derivative financial instruments					
Cross currency swaps					
– outflows	**18**	**231**	**5**	**–**	**254**
– inflows	**(14)**	**(207)**	**(14)**	**–**	**(235)**
Interest rate swaps	**26**	**6**	**(11)**	**–**	**21**
Off balance sheet items					
Credit-related commitments – AMP Bank[4]	**1,898**	**–**	**–**	**–**	**1,898**
Credit-related commitments – Securitisation vehicles[4]	**906**	**–**	**–**	**–**	**906**
Total undiscounted financial liabilities and off balance sheet items[3]	**15,628**	**7,467**	**3,317**	**73,553**	**99,965**
2012 – restated					
Non-derivative financial liabilities[1]					
Payables	2,279	9	–	–	2,288
Borrowings	5,548	6,325	2,835	–	14,708
Subordinated debt	79	1,198	88	–	1,365
Investment contract liabilities	1,579	1,075	1,790	54,426	58,870
External unitholders' liabilities	–	–	–	9,702	9,702
Derivative financial instruments					
Cross currency swaps					
– outflows	11	318	74	–	403
– inflows	(13)	(240)	(154)	–	(407)
Interest rate swaps	(9)	203	(399)	–	(205)
Off balance sheet items					
Credit-related commitments – AMP Bank[4]	1,619	–	–	–	1,619
Credit-related commitments – Securitisation vehicles[4]	1,012	–	–	–	1,012
Total undiscounted financial liabilities and off balance sheet items[3]	12,105	8,888	4,234	64,128	89,355

1 The table provides maturity analysis of AMP group financial liabilities including financial liabilities of controlled entities of the life entities' statutory funds and non-linked investment contracts including term annuities.
2 Investment contract liabilities are liabilities to policyholders for investment linked business linked to the performance and value of assets that back those liabilities. If all those policyholders claimed their funds, there may be some delays in settling the liability as assets are liquidated, but the shareholder has no direct exposure to any liquidity risk. External unitholders' liabilities all relate to controlled entities of the life entities' statutory funds and would only be paid when the corresponding assets are realised.
3 Estimated net cash outflow profile of life insurance contract liabilities, disclosed in note 21, are excluded from the above table.
4 Loan commitments relate to commitments to provide credit to customers of AMP Bank.

22. Risk management and financial instruments disclosures continued

(d) Credit risk

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

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

Credit risk management is decentralised in business units within the AMP group. However, credit risk directly and indirectly (ie in the participating business) impacting shareholder capital is measured and managed by Group Treasury on a group basis, by aggregating risk from credit exposures taken in business units, as detailed below.

– *AMP Life and NMLA* – Credit risk on the invested fixed income portfolios in the AMP Life and NMLA statutory funds is managed by the AMP Capital Risk and Compliance Committee (AMP Capital R&C) and reported to the fund managers, within specified credit criteria in the mandate approved by the AMP Life and NMLA Boards. The shareholder portion of credit risk in AMP Life and NMLA is reported to Group ALCO by Group Treasury.
– *AMP Capital* – Credit risk, including portfolio construction, in the fixed income portfolios managed by AMP Capital is the responsibility of the individual investment teams. There is also a dedicated credit research team and a specific credit investment committee. The investment risk and performance team provides reports to the AMP Capital Investment Committee. This credit risk in the cash and fixed income portfolios relating directly to shareholders' funds is included in the aggregation by Group Treasury and reported to Group ALCO and the AMP Limited Audit Committee.
– *AMP Bank* – Credit risk arising in AMP Bank as part of lending activities and management of liquidity is managed as prescribed by AMP Bank's Risk Management Systems Description (RMSD) and reported to AMP Bank ALCO monthly. Wholesale credit exposures in AMP Bank's liquidity portfolio are included in the aggregation by Group Treasury and reported to Group ALCO.

(i) Management of credit risk concentration

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

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

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

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

(ii) Exposure to credit risk

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

	2013 $m	2012 $m
AAA	**5,266**	3,609
AA- to AA+	**9,836**	12,078
A- to A+	**3,847**	3,098
BBB- to BBB+[1]	**2,464**	1,298
BB+ and below	**375**	83
Total financial assets with credit risk exposure monitored by AMP Treasury	**21,788**	20,166

1 The increase in the BBB- to BBB+ exposure was principally due to changes in the fixed income portfolios in AMP Life statutory fund No. 1.

22. Risk management and financial instruments disclosures continued

(iii) Credit risk of the loan portfolio in AMP Bank

The Bank is predominantly a lender for residential properties – both owner occupied and for investment. In every case the Bank completes a credit assessment, which includes cost of living allowance and requires valuation of the proposed security property. About 30 per cent of the Bank's residential loan portfolio is securitised and all loans in securitisation vehicles are mortgage insured thereby further mitigating the risk. The Bank's Credit Committee and board oversee trends in lending exposures and compliance with concentration limits as a further basis of limiting lending risk. The Bank secures its loan with mortgages over relevant properties and as a result manages credit risk on its loan with conservative lending policies and particular focus on the loan to value ratio (LVR). The LVR is calculated by dividing the total loan amount outstanding by the lower of the Bank's approved valuation amount or the purchase price. Loans with LVR greater than 80 per cent are fully mortgage insured. The potential credit exposure to the loan mortgage insurers has been assessed to be minimal due to the stable historical relationship with the Bank and minimal level of historic claims rejections and reductions. The minimum level credit rating for the loans and lender mortgage insurers is AA- under Standard & Poor's rating and A3 under Moody's rating. The average LVR of the Bank's loan portfolio for existing and new business is set out in the following table:

LVR	Existing business 2013	New business 2013	Existing business 2012	New business 2012
0–50	**17%**	**9%**	17%	11%
51–60	**10%**	**7%**	11%	8%
61–70	**15%**	**12%**	15%	12%
71–80	**41%**	**52%**	40%	50%
81–90	**14%**	**15%**	14%	17%
91–95	**2%**	**4%**	2%	1%
> 95	**1%**	**1%**	1%	1%

(iv) Past due but not impaired financial assets

The following table provides an ageing analysis of financial assets that are past due as at reporting date but not impaired. No disclosures are required for the parent entity as the parent entity does not have any financial assets that are past due but not impaired at reporting date.

	Past due but not impaired				
	Less than 31 days $m	31 to 60 days $m	61 to 90 days $m	More than 91 days $m	Total $m
2013					
Receivables					
– Trade debtors	**8**	**1**	**3**	**1**	**13**
– Other receivables	**17**	**–**	**–**	**–**	**17**
Debt securities					
– Loans and advances	**331**	**55**	**17**	**44**	**447**
Total[1]	**356**	**56**	**20**	**45**	**477**
2012					
Receivables					
– Trade debtors	12	3	–	15	30
– Other receivables	11	2	–	2	15
Debt securities					
– Loans and advances	332	55	16	52	455
Total[1]	355	60	16	69	500

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

22. Risk management and financial instruments disclosures continued

(v) Adjustment for own credit risk in the determination of the fair value of life investment contract policy liabilities
The fair value of non-investment linked investment contract liabilities includes the following allowance for the credit risk that an external party would ascribe to an amount due from AMP Life and NMLA:

	2013 $m	2012 $m
Cumulative adjustment	**11**	20
Change during the period	**(9)**	(7)

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

(vi) Impaired financial assets and impairment assessment
Individual provisions and collective provisions are recognised in respect of impaired loans in AMP Bank. The amounts in the provision are not material to the AMP group.

The AMP Bank Credit Committee reviews the portfolio for provisioning at least quarterly. The review considers:
- current provisioning amount
- portfolio growth and performance – for both on and off balance sheet exposures
- current arrears position and specific loan provisions
- current and forecast state of economy, interest rate movements etc.

It also makes recommendations to the AMP Bank Board and Audit Committee.

Collective impairment loan loss provision
The collective impairment loan loss provision methodology is a statistically based model that removes subjectivity from the provisioning process and makes the provision reflective of historical loss performance.

The model utilises historical losses incurred by AMP Bank and researches external data sources to develop a series of probability of default and loss, given default factors that can be applied to loans and advances in arrears. The model also includes the ability to apply a management overlay if it is deemed that the economic environment is not representative of historical loss performance.

The model is reviewed quarterly and specific factors are formally validated every six months and reported to the AMP Bank Audit Committee.

Specific provision
The specific provision is created when there is clear evidence that AMP Bank will suffer a loss with little chance of recovery and the amount of the loss is measurable. This provision is reviewed quarterly and recommendations are made to the AMP Bank Audit Committee.

(vii) Collateral
AMP Life enters into debt security repurchase agreements and part of the agreement includes the receipt of collateral which is required to be returned to the counterparty on settlement.

AMP Bank uses residential property as collateral against its loans to customers. AMP Bank may take control of the collateral in the event the customer defaults.

(e) Derivative financial instruments
Derivative financial instruments are measured at fair value in the Statement of financial position as assets and liabilities. Asset and liability values on individual transactions are only netted if the transactions are with the same counterparty and the cash flows will be settled on a net basis. Changes in values of derivative financial instruments are recognised in the Income statement unless they qualify as effective cash flow hedges or net investment hedges for accounting purposes, as set out in note 1(q).

(i) Derivative transactions undertaken by AMP life insurance entities as part of life insurance operations
The AMP group uses derivative financial instruments including financial futures, forward foreign exchange contracts, exchange traded and other options and forward rate agreements to hedge the impact of market movements on the value of assets in the investment portfolios, and to effect a change in the asset mix of investment portfolios.

In respect of the risks associated with the use of derivative financial instruments, price risk is controlled by exposure limits, which are subject to monitoring and review. Foreign exchange hedges are monitored on a regular basis to ensure they are effective in the reduction of price risk.

22. Risk management and financial instruments disclosures continued

(ii) Derivative transactions undertaken in relation to the North product capital guarantee

AMP group supports the North product (North) which enables clients to invest their superannuation, pension and ordinary savings in a range of managed funds, with part or all of the total value of the investments guaranteed. The North guarantees are either term-based capital guarantees or provide a guaranteed level of income throughout the life of a client's retirement. At 31 December 2013 $1,748m (2012:$1,510m) of funds under management were invested subject to the North guarantees. A fair value of $35m (2012: $85m) was recorded for the North guarantee liability at 31 December 2013.

Hedging techniques are used to protect the AMP group against changes in the expected guarantee claim payments from market movements. AMP group also has the ability to review the periodic charge for new and existing clients. To the extent that the fair value of the guarantee is based on assumptions that may not be borne out in practice and that the hedge instruments used are not a perfect match for the expected guarantee payments, there is a residual risk that deviations from these assumptions may result in a profit or loss to shareholders.

Hedging of the North capital guarantee is performed based on the economic value of the guarantee. The economic value is consistent with the accounting fair value except that the calculation of accounting fair value applies a minimum liability, on a contract by contract basis, of the amount that would be payable on demand at reporting date, whereas the economic value does not include this minimum. The difference in the movement of accounting fair value and the movement in the economic value of the guarantee also results in a profit or loss to the shareholder.

(iii) Other derivative transactions undertaken by non-life insurance controlled entities

AMP Treasury, AMP Capital and AMP Bank use derivative financial instruments to hedge financial risk from movements in interest rates and foreign exchange rates. Swaps, forwards, futures and options in the interest rate and foreign exchange markets may be used. A description of each of these derivatives is given below.

– *Swaps* – a swap transaction obliges the two parties to the contract to exchange a series of cash flows at specified payment or settlement dates. Swap transactions undertaken by the AMP group include interest rate swaps, which involve the contractual exchange of fixed and floating interest rate payments in a single currency based on a notional amount and a reference rate (for example BBSW), and cross-currency swaps which involve the exchange of interest payments based on two different currency principal balances and reference interest rates, and generally also entail exchange of principal amounts at the start and/or end of the contract.

– *Forward and futures contracts* – these are agreements between two parties establishing a contractual interest rate on a notional principal over a specified period, commencing at a future date. Forward contracts are tailor-made agreements that are transacted between counter parties in the over-the-counter market (OTC), whereas futures are standardised contracts transacted on regulated exchanges.

– *Options* – an option contract gives the option buyer the right, but not the obligation, to buy or sell a specified amount of a given commodity or financial instrument at a specified price during a certain period or on a specific date. The seller of the option contract is obliged to perform if the holder exercises the right contained therein. Options may be traded OTC or on a regulated exchange.

(iv) Risk relating to derivative financial instruments

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

(f) Accounting for hedges

The accounting treatment of hedge transactions varies according to the nature of the instrument hedged and whether the hedge qualifies for hedge accounting.

Derivative transactions may qualify as fair value hedges, cash flow hedges or hedges of net investments in foreign operations. The AMP group's accounting policies for derivatives designated and accounted for as hedging instruments are explained in note 1(q), where terms used in the following section are also explained.

The AMP group also enters into derivative transactions that provide economic hedges but do not meet the requirements for hedge accounting treatment.

(i) Derivative instruments accounted for as fair value hedges

Fair value hedges are used to protect against changes in the fair value of financial assets and financial liabilities due to movements in exchange rates and interest rates.

During 2013, the AMP group recognised a net loss of $5m (2012: $7m loss) on hedging instruments designated as fair value hedges. The net gain on hedged items attributable to the hedged risks amounted to $5m (2012: $6m gain).

22. Risk management and financial instruments disclosures continued

(ii) Derivative instruments accounted for as cash flow hedges

The AMP group is exposed to variability in future cash flows on non-trading assets and liabilities which can bear interest at fixed and variable rates. The AMP group uses interest rate swaps and cash flow hedges to manage these risks.

The following schedule shows, as at reporting date, the periods when the hedged cash flows are expected to occur and when they are expected to affect profit and loss:

	0–1 year $m	1–2 years $m	2–3 years $m	3–4 years $m	4–5 years $m
2013					
Cash inflows	**154**	**87**	**42**	**9**	**6**
Cash outflows	**(178)**	**(87)**	**(38)**	**(11)**	**(8)**
Net cash inflow/(outflow)	**(24)**	**–**	**4**	**(2)**	**(2)**
2012					
Cash inflows	139	77	44	9	4
Cash outflows	(173)	(95)	(48)	(10)	(5)
Net cash inflow/(outflow)	(34)	(18)	(4)	(1)	(1)

Nil (2012: nil) was recognised in the Income statement due to hedge ineffectiveness from cash flow hedges.

(iii) Hedges of net investments in foreign operations

AMP group hedges its exposure to changes in exchange rates on the value of its foreign currency denominated seed pool investments. Gains or losses on effective seed pool hedges are transferred to equity to offset any gains or losses on translation of the net investment in foreign operations.

AMP group recognised a profit of nil (2012: nil) due to the ineffective portion of hedges relating to investments in seed pool foreign operations.

(g) Master netting or similar agreements

(i) Derivative financial assets and liabilities

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

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

As at 31 December 2013, if these netting arrangements were applied to the derivative portfolio, the derivative assets of $1,648m would be reduced by $171m to the net amount of $1,477m and derivative liabilities of $1,041m would be reduced by $171m to the net amount of $870m (31 December 2012: derivative assets of $2,144m reduced by $105m to the net amount of $2,039m and derivative liabilities of $1,283m reduced by $105m to the net amount of $1,178m).

(ii) Repurchase agreements

Included within debt securities are assets held to back the liability for collateral deposits held in respect of debt security repurchase arrangements entered into by the life entities' statutory funds and controlled entities of the life entities' statutory funds. Collateral deposits held includes the obligation to repay collateral held in respect of debt security repurchase arrangements entered into.
As at 31 December 2013, if repurchase arrangements were netted, debt securities of $32,628m would be reduced by $1,351m to the net amount of $31,277m and collateral deposits held of $1,428m would be reduced by $1,351m to the net amount of $77m (31 December 2012: debt securities of $31,012m reduced by $1,054m to the net amount of $29,958m and collateral deposits held of $1,054m reduced by $1,054m to the net amount of nil).

(h) Other collateral

The AMP group has collateral arrangements in place with some counterparties in addition to collateral deposits held with respect to repurchase agreements. Collateral generally consists of 11am loans and deposits and is exchanged between the counterparties to reduce the exposure from the net fair value of derivative assets and liabilities between the counterparties. As at 31 December 2013 there was $175m of collateral deposits due to other financial institutions (2012: $405m) and $231m of collateral loans due from other financial institutions relating to derivative assets and liabilities (2012: $147m).

23. Fair value information

(a) Fair values

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Statement of financial position at fair value. Bid prices are used to estimate the fair value of assets, whereas offer prices are applied for liabilities.

	Carrying amount 2013 $m	Aggregate fair value 2013 $m	Carrying amount Restated 2012 $m	Aggregate fair value Restated 2012 $m
Financial assets				
Debt securities – held to maturity	**2,800**	**2,805**	1,839	1,866
Loans and advances	**13,418**	**13,436**	12,462	12,236
Total financial assets	**16,218**	**16,241**	14,301	14,102
Financial liabilities				
Deposits	**5,442**	**5,442**	4,687	4,687
AMP Bank and securitisation vehicles	**7,028**	**7,450**	5,099	5,303
Corporate and other shareholder activities	**711**	**714**	706	734
Investment entities controlled by AMP life insurance entities' statutory funds	**1,641**	**1,641**	1,870	1,870
Subordinated debt[1]	**1,421**	**1,473**	1,111	1,124
Total financial liabilities	**16,243**	**16,720**	13,473	13,718

1 The parent has financial liabilities of $325m, the fair value of this subordinated debt as at 31 December 2013 was $329m.

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

(i) Debt securities

The estimated fair value of loans and interest bearing securities represents the discounted amount of estimated future cash flows expected to be received, based on the maturity profile of the loans and interest bearing securities. As the loans are unlisted, the discount rates applied are based on the yield curve appropriate to the remaining term of the loans.

The loans may be measured at an amount in excess of fair value due to fluctuations on fixed rate loans. As the fluctuations in fair value do not represent a permanent diminution and the carrying amounts of the loans are recorded at recoverable amounts after assessing impairment, it is not appropriate to restate their carrying amount.

(ii) Borrowings

Borrowings comprise domestic commercial paper, drawn liquidity facilities and various floating-rate and medium-term notes. The fair values of borrowings are predominantly hedged by derivative instruments – mainly cross-currency and interest rate swaps. The estimated fair value of borrowings is determined with reference to quoted market prices. For borrowings where quoted market prices are not available, a discounted cash flow model is used, based on a current yield curve appropriate for the remaining term to maturity.

(iii) Subordinated debt

Subordinated debt comprises listed securities and their fair value is determined with reference to the actual quoted market prices at reporting date. The fair value of subordinated debt is predominantly hedged by derivative instruments – mainly cross-currency and interest rate swaps.

(b) Fair value measures

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

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

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

Level 3: Valued in whole or in part using valuation techniques or models that are based on unobservable inputs that are neither supported by prices from observable current market transactions in the same instrument nor based on available market data. Unobservable inputs are determined based on the best information available, which might include the AMP group's own data, reflecting the AMP group's own estimates about the assumptions that market participants would use in pricing the asset or liability. Valuation techniques are used to the extent that observable inputs are not available, and include estimates about the timing of cash flows, discount rates, earnings multiples and other inputs.

23. Fair value information continued

The following table shows an analysis of AMP group's assets and liabilities measured at fair value by each level of the fair value hierarchy.

	Level 1 $m	Level 2 $m	Level 3 $m	Total fair value $m
2013				
Assets				
Measured at fair value on a recurring basis				
Equity securities and listed managed investment schemes[1]	45,251	–	2,480	47,731
Debt securities	–	32,124	556	32,680
Investments in unlisted managed investment schemes	–	15,744	612	16,356
Derivative financial assets	386	1,262	–	1,648
Investment properties[2]	–	–	6,889	6,889
Other financial assets	–	146	–	146
Total financial assets measured at fair value on a recurring basis	45,637	49,276	10,537	105,450
Other assets measured at fair value on a non-recurring basis				
Assets of disposal groups[3]	–	–	42	42
Total other assets measured at fair value on a non-recurring basis	–	–	42	42
Total assets measured at fair value	45,637	49,276	10,579	105,492
Liabilities				
Measured at fair value on a recurring basis				
Derivative financial liabilities	156	885	–	1,041
Collateral deposits held	1,428	–	–	1,428
Investment contract liabilities	–	2,901	63,148	66,049
Total financial liabilities measured at fair value on a recurring basis	1,584	3,786	63,148	68,518
Other liabilities measured at fair value on a non-recurring basis				
Liabilities of disposal groups[2]	–	–	8	8
Total other liabilities measured at fair value on a non-recurring basis	–	–	8	8
Total liabilities measured at fair value	1,584	3,786	63,156	68,526
2012 – restated[4]				
Assets				
Measured at fair value on a recurring basis				
Equity securities and listed managed investment schemes	35,778	248	2,138	38,164
Debt securities	–	30,534	478	31,012
Investments in unlisted managed investment schemes	–	14,774	592	15,366
Derivative financial assets	180	1,964	–	2,144
Other financial assets	–	145	–	145
Total financial assets measured at fair value on a recurring basis	35,958	47,665	3,208	86,831
Liabilities				
Recurring				
Derivative financial liabilities	62	1,221	–	1,283
Collateral deposits held	1,054	–	–	1,054
Investment contract liabilities	–	3,566	54,819	58,385
Total financial liabilities measured at fair value on a recurring basis	1,116	4,787	54,819	60,722

1 Includes financial assets available for sale measured at fair value.
2 Refer to note 11 Investment property for valuation techniques and key unobservable inputs.
3 Refer to note 30 Group controlled entity holdings for disposal groups.
4 AASB 13 introduced fair value information disclosure requirements for non-financial assets and liabilities. Retrospective application was not required therefore comparatives have not been presented.

23. Fair value information continued

The following table shows a reconciliation of the movement in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting date:

	Balance at the beginning of the period $m	FX gains or losses[2] $m	Total gains/ losses[2,4] $m	Purchases/ deposits $m	Sales/ withdrawals $m	Net transfers in/(out)[1,3] $m	Balance at the end of the period $m	Total gains and losses on assets and liabilities held at reporting date $m
2013								
Assets classified as level 3[5]								
Equity securities and listed managed investment schemes	**2,138**	**133**	**104**	**66**	**(117)**	**156**	**2,480**	**104**
Debt securities	**478**	**67**	**13**	**59**	**(31)**	**(30)**	**556**	**13**
Investments in unlisted managed investment schemes	**592**	**–**	**34**	**55**	**(73)**	**4**	**612**	**34**
Liabilities classified as level 3								
Investment contract liabilities	**54,819**	**41**	**8,935**	**9,388**	**(10,040)**	**5**	**63,148**	**8,394**
2012 – restated								
Assets classified as level 3[5]								
Equity securities and listed managed investment schemes	1,982	28	(70)	225	(22)	(5)	2,138	(70)
Debt securities	460	10	47	122	(187)	26	478	47
Investments in unlisted managed investment schemes	730	–	(47)	86	(23)	(154)	592	(47)
Liabilities classified as level 3								
Investment contract liabilities	49,875	5	6,029	8,618	(9,614)	(94)	54,819	5,732

1 AMP group recognises transfers as at the end of the reporting period during which the transfer has occurred. Transfers are recognised when there are changes in the observability of the pricing of the relevant securities or where the AMP group cease to consolidate a controlled entity.
2 Gains and losses are classified in investment gains and losses or change in policyholder liabilities in the Income statement.
3 Transfers in primarily relate to the reduced ownership on the controlled entities of Aged Care 1&2 which ceased to be controlled during the period. There have been no significant transfers from Level 1 to Level 2 or vice versa.
4 As at 31 December 2013, net unrealised gains and losses relating to financial assets was $116m.
5 Movements relating to Investment properties are disclosed in note 11.

23. Fair value information continued

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

		Effect of reasonably possible alternative assumptions[3]			
	Carrying amount[1,2] $m	(+) $m	(–) $m	Valuation technique	Key unobservable inputs
2013					
Assets					
Equity securities and listed managed investment schemes	**2,480**	**200**	**(200)**	Discounted cash flow approach utilising cost of equity as the discount rate.	Discount rate. Terminal value growth rate. Cash flow forecasts.
Debt securities	**556**	**–**	**–**	Discounted cash flow approach.	Discount rate. Cash flow forecasts.
Investments in unlisted managed investment schemes	**612**	**–**	**–**	Published redemption prices.	Valuation of the unlisted managed investment schemes. Suspension of redemptions of the managed investment schemes.
Assets of disposal groups	**42**	**–**	**–**	Discounted cash flow approach utilising cost of equity as the discount rate or where available, an indicative sale price received from a potential buyer.	Discount rate. Cash flow forecasts.
Liabilities					
Investment contract liabilities[4]	**63,148**	**6**	**(6)**	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.
Liabilities of disposal groups	**8**	**–**	**–**	Discounted cash flow approach and utilising a cost of equity as the discount rate or where available, an indicative sale price received from a potential buyer.	Discount rate. Cash flow forecasts.
2012					
Assets					
Equity securities and listed managed investment schemes	785	29	(29)		
Debt securities	212	–	–		
Investments in unlisted managed investment schemes	662	–	–		
Liabilities					
Investment contract liabilities	54,819	6	(6)		

1 The fair value of the asset or liability would increase/decrease if the discount rate decreases/increases. The fair value of the asset or liability would increase/decrease if the other inputs increase/decrease.
2 Each individual asset and industry profile will determine the appropriate valuation inputs to be utilised in each specific valuation and can vary from asset to asset. The discount rate ranges for equity securities fall within (8%–14%) and earnings multiple ranges fall within (9.7x to 10.3x).
3 Reasonably possible alternative assumptions have been calculated by changing one or more of significant unobservable inputs for individual assets to reasonably possible alternative assumptions. On financial assets this included adjusting earnings multiples by 0.5x and discount Rate 25bps–100bps. On investment contract liabilities this included adjustments to credit risk by 50bps.
4 Backing financial instruments include level 3 assets.

Financial asset valuation process

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

24. Capital management

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

The AMP group's capital resources include ordinary equity and interest bearing liabilities. The AMP group excludes the interest bearing liabilities of its banking subsidiary, AMP Bank Limited, and controlled investment subsidiaries and trusts from the AMP group capital resources. Included within interest bearing liabilities are subordinated debt and other instruments that would qualify as regulatory capital under Australian Prudential Regulation Authority (APRA) standards, or have received transitional arrangements approved by APRA.

The AMP group makes adjustments to the statutory shareholder equity. Under Australian Accounting Standards, some assets held on behalf of the policyholders (and related tax balances) are recognised in the financial report at different values to the values used in the calculation of the liability to policyholders in respect of the same assets. Therefore, movements in these policyholder assets result in accounting mismatches which impact AMP statutory equity attributable to shareholders of AMP Limited.
Mismatch items include:

- treasury shares (AMP Limited shares held by the statutory funds on behalf of policyholders)
- AMP Life Limited statutory funds' investments in controlled entities
- other – AMP Life Limited statutory funds' superannuation products invested in AMP Bank Limited assets.

Adjustments are also made relating to cash flow hedge reserves and an adjustment for AMP Foundation to exclude the net assets of the AMP Foundation from capital resources.

The table below shows the AMP group's current capital resources at reporting date:

	2013 $m	Restated 2012 $m
AMP statutory equity attributable to shareholders of AMP Limited	**8,090**	7,508
Accounting mismatch, cash flow hedge resources and other adjustments	**64**	236
AMP shareholder equity	**8,154**	7,744
Subordinated debt[1]	**1,274**	879
Senior debt[1]	**700**	700
Total AMP capital resources	**10,128**	9,323

1 Amounts shown for subordinated debt and senior debt are the amounts to be repaid on maturity. Amounts recognised in the Statement of financial position in respect of these debts are measured at amortised cost using the effective interest rate method.

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

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

24. Capital management continued

A number of the operating entities within the AMP group of companies are regulated. The AMP group of companies includes an authorised deposit-taking institution, life insurance companies and approved superannuation trustees all regulated by APRA. A number of companies also hold Australian Financial Services Licences.

The minimum regulatory capital requirements (MRR) is the amount of capital required by each of AMP's regulated businesses to meet their capital requirements as set by the appropriate regulator. The main requirements are as follows:
– AMP Life Limited and The National Mutual Life Association of Australasia Limited (NMLA) – capital adequacy requirements as specified under the APRA Life Insurance Prudential Standards.
– AMP Bank Limited – capital requirements as specified under APRA ADI Prudential Standards.
– AMP Capital Investors Limited and other ASIC regulated businesses – capital requirements under Australian Financial Services Licence requirements and for risks relating to North.

APRA is developing prudential standards relating to capital adequacy for conglomerate groups. The revised prudential standards are expected to commence 1 January 2015.

All of the AMP group regulated entities have at all times during the current and prior financial year complied with the externally imposed capital requirements to which they are subject.

AMP holds a level of capital above its MRR. At reporting date the shareholder regulatory capital resources above MRR were $2,080m (2012: $1,372m after allowing for the impact of LAGIC of $272m). The shareholder regulatory capital resources above MRR will vary throughout the year due to investment market movements, dividend payments and the retention of profits.

Policyholder retained profits continue to be resources supporting the participating business. The total policyholder retained profits of AMP Life and NMLA were $2,049m at 31 December 2013 (2012: $1,773m).

AMP's businesses and the AMP group maintain capital targets (target surplus), reflecting their material risks (including financial risk, insurance and product risk and operational risk) and AMP's risk appetite. The target surplus is a management guide to the level of excess capital that AMP seeks to carry to reduce the risk of breaching MRR.

AMP Limited, AMP Life, NMLA and AMP Bank have Board minimum capital levels above APRA requirements, with additional capital targets held above these amounts. Within the life insurance businesses, the capital targets above Board minimums have been set to a less than 10 per cent probability of capital resources falling below the Board minimum over a 12 month period. Capital targets are also set for AMP Capital to cover risk associated with seed and sponsor capital investments and operational risk. Other components of AMP group's capital targets include amounts relating to Group Office investments, defined benefit funds and other operational risks.

Following the finalisation of the conglomerate capital adequacy standards by APRA, AMP will review the appropriateness of its capital targets for the AMP group.

In addition, the participating business of the life insurance companies is managed to target a very high level of confidence that the business is self-supporting and that there are sufficient assets to support policyholder liabilities.

APRA has confirmed transition arrangements with AMP relating to the subordinated debt (excluding AMP Notes 2 to the extent that it is not used to fund the refinancing of AMP Notes), held at a group level continuing to be 100 per cent recognised as eligible capital under the revised conglomerate capital standards until the earlier of each relevant instrument's first call date or March 2016.

25. Notes to Statement of cash flows

	Consolidated 2013 $m	Consolidated Restated 2012 $m	Parent 2013 $m	Parent 2012 $m
(a) Reconciliation of the net profit after income tax to cash flows from operating activities				
Net profit after income tax	**716**	699	**1,687**	301
Depreciation of operating assets	**44**	61	**–**	–
Amortisation and impairment of intangibles	**228**	274	**–**	–
Investment gains and losses and movements in external unitholder liabilities	**(6,363)**	(6,407)	**–**	–
Dividend and distribution income reinvested	**(2,031)**	(1,702)	**–**	–
Share-based payments	**30**	26	**3**	5
Decrease (increase) in receivables, intangibles and other assets	**688**	155	**56**	(56)
(Decrease) increase in net policy liabilities	**7,543**	6,101	**–**	–
(Decrease) increase in income tax balances	**593**	596	**–**	115
(Decrease) increase in other payables and provisions	**(590)**	1,182	**(33)**	(63)
Cash flows from (used in) operating activities	**858**	985	**1,713**	302
(b) Reconciliation of cash				
Comprises:				
Cash and cash equivalents for the purpose of the Statement of financial position[1]	**2,938**	4,388	**6**	1
Bank overdrafts (included in Borrowings)	**(3)**	(7)	**–**	–
Short-term bills and notes (included in Debt securities)	**4,222**	4,971	**–**	–
Cash and cash equivalents for the purpose of the Statement of cash flows	**7,157**	9,352	**6**	1
(c) Financing arrangements				
(i) Overdraft facilities				
Bank overdraft facility available	**716**	377	**–**	–
(ii) Loan facilities				
In addition to facilities arranged through bond and note issues (refer notes 16 and 17), financing facilities are provided through bank loans under normal commercial terms and conditions.				
Available	**2,514**	2,490	**–**	–
Used	**(1,430)**	(1,256)	**–**	–
Unused	**1,084**	1,234	**–**	–
(iii) Bond and note funding programs				
Available	**16,846**	13,385	**–**	–
Used	**(8,306)**	(6,651)	**–**	–
Unused	**8,540**	6,734	**–**	–

1 The decrease in Cash and cash equivalents for the purpose of the Statement of financial position is predominantly due to the investment of $1,685m of liquid resources of controlled funds into a cash fund which does not meet the definition of Cash and cash equivalents.

(d) Acquisitions and disposal of controlled entities
Operating entities
During the year ended 31 December 2013, AMP acquired the following entities:
– on 1 November 2013, AMP acquired 100 per cent of Supercorp Administration Pty Ltd and its controlled entities;

During the year ended 31 December 2012, AMP acquired the following entities:
– on 3 July 2012, AMP acquired 100 per cent of the self-managed superannuation fund administration and investment administration business of Cavendish Pty Limited and its controlled entities for $20m, consisting of $18m cash and a $2m deferred payment;
– in June 2012, AMP increased its ownership interest in Exford Pty Limited and in AMP Capital Brookfield Limited (previously associates) from 50 per cent to 100 per cent, for cash consideration of $4m in each case. The principal activities of these entities are financial planning and asset management, respectively.

There were no other significant acquisitions or disposals of operating entities in 2012 or 2013.

25. Notes to Statement of cash flows continued

The impact of acquisitions of operating entities is as follows:

Operating entities	Impact in 2013 $m	Impact in 2012 $m
Assets		
Cash and cash equivalents	**(4)**	(14)
Receivables	**–**	3
Investments in financial assets measured at fair value through profit or loss	**–**	–
Investments in financial assets measured at amortised cost	**–**	–
Investments in associates accounted for using the equity method	**–**	(14)
Investment property	**–**	–
Intangible assets	**4**	36
Total assets	**–**	11
Liabilities		
Payables and provisions	**–**	11
Borrowings	**–**	–
Deferred tax liabilities	**–**	–
External unitholders liabilities	**–**	–
Minority interest	**–**	–
Total liabilities	**–**	11

Controlled entities of AMP life insurance entities' statutory funds

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

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

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

Acquisitions of controlled entities of AMP life insurance entities' statutory funds

– From 1 July 2013, AMP Life consolidated Student Housing Accommodation Growth Trust 1 and 2 and their controlled entities.

Acquisitions	Impact in 2013 $m	Impact in 2012 $m
Assets		
Cash and cash equivalents	**8**	–
Receivables	**–**	–
Investments in financial assets measured at fair value through profit or loss	**(42)**	–
Investments in financial assets measured at amortised cost	**–**	–
Investments in associates accounted for using the equity method	**–**	–
Investment property	**71**	–
Intangible assets	**15**	–
Total assets	**52**	–
Liabilities		
Payables and provisions	**5**	–
Borrowings	**7**	–
Deferred tax liabilities	**12**	–
External unitholders liabilities	**23**	–
Minority interest	**5**	–
Total liabilities	**52**	–

25. Notes to Statement of cash flows continued

Disposals of controlled entities of AMP life insurance entities' statutory funds

- On 16 August 2013, AMP reduced its ownership interest in the controlled entities of Aged Care Investment Trust 1&2. On that same date AMP increased its ownership interest in Aged Care Investment Trust 1&2.
- During 2012 AMP ceased to have control over the AMP Capital Pacific Fair and Macquarie Shopping Centre Fund as a result of a reduction in its ownership interest.

The impacts of these transactions were as follows:

Disposals	Impact in 2013 $m	Impact in 2012 $m
Assets		
Cash	**(28)**	(7)
Receivables	**(48)**	–
Investment property	**–**	(793)
Investments in financial assets measured at fair value through profit or loss	**149**	438
Deferred tax assets	**(26)**	–
Property, plant and equipment	**(560)**	–
Intangibles	**(322)**	–
Other assets	**–**	(12)
Total assets	**(835)**	(374)
Liabilities		
Payables and provisions	**(430)**	(9)
Borrowings	**(301)**	(208)
Deferred tax liabilities	**(31)**	–
Other financial liabilities	**–**	(19)
External unitholder liabilities	**(73)**	(138)
Total liabilities	**(835)**	(374)

26. Earnings per share

(a) Classification of equity securities

Ordinary shares have been included in the calculation of basic earnings per share.

In accordance with AASB 133 *Earnings per Share*, options over unissued ordinary shares and performance rights have been classified as potential ordinary shares and have been considered in the calculation of diluted earnings per share. Performance rights have been determined to be dilutive in 2013 and 2012. Although performance rights have been determined to be dilutive in accordance with AASB 133 *Earnings per Share*, if these instruments vest and are exercised, it is AMP's policy to buy AMP shares 'on market' so there will be no dilutive effect on the value of AMP shares.

Of the AMP Limited ordinary shares on issue 29,177,280 (2012: 57,599,493) are held by controlled entities of AMP Limited. AMP's life insurance entities hold 27,050,893 (2012: 53,720,838) shares on behalf of policyholders. The Australian Securities and Investments Commission (ASIC) has granted relief from restrictions in the *Corporations Act 2001* to allow AMP's life insurance entities to hold and trade shares in AMP Limited as part of the policyholder funds' investment activities. The cost of the investment in these 'treasury shares' is reflected as a deduction from total contributed equity.

	Consolidated	
	2013 million shares	Restated 2012 million shares
(b) Weighted average number of ordinary shares used		
Weighted average number of ordinary shares used in calculation of basic earnings per share	**2,900**	2,843
Add: potential ordinary shares considered dilutive	**29**	22
Weighted average number of ordinary shares used in calculation of diluted earnings per share	**2,929**	2,865
	$m	$m
(c) Level of earnings used – restated		
Basic	**672**	689
Diluted	**672**	689
	cents	cents
(d) Earnings per share		
Basic	**23.2**	24.2
Diluted	**22.9**	24.0

27. Superannuation funds

AMP contributes to funded employer-sponsored superannuation funds that exist to provide benefits for employees and their dependants on resignation, retirement, disability or death of the employee. The funds consist of both defined contribution sections and defined benefit sections.

The defined contribution sections receive fixed contributions from AMP group companies and the group's legal obligation is limited to these contributions. The defined benefit sections provide members with a choice of lump sum benefits or pension benefits based on years of membership and final salary. New employees are only offered defined contribution style benefits. The disclosures in this note relate only to the defined benefit sections of the plans.

The following tables summarise the components of the net amount recognised in the Income statement, Statement of comprehensive income, the movements in the defined benefit obligation and plan assets and the net amounts recognised in the consolidated Statement of financial position for the defined benefit funds, determined in accordance with AASB 119 *Employee Benefits*. However, for the purposes of recommending contributions to the defined benefit funds, fund actuaries consider a range of other factors which do not reflect the financial position presented in the financial statements.

(a) Summary information of defined benefit funds

Australian defined benefit plans

Active members of AMP's Australian defined benefit plans are entitled to a lump sum or pension on retirement. Pensions provided are lifetime indexed pensions with a reversionary spouse pension. The plans are now closed to new members.

The Superannuation Industry Supervision (SIS) legislation governs the superannuation industry and provides the framework within which superannuation plans operate. The SIS legislation generally requires an actuarial valuation to be performed every year for defined benefit plans.

The plans are sub-funds within the AMP Superannuation Savings Trust (the Trust). The Trust's trustees are responsible for the governance of the plans. The trustees have a legal obligation to act solely in the best interests of plan beneficiaries. The trustees' responsibilities include administration of the plan, management and investment of the plan assets, and compliance with superannuation laws and other applicable regulations.

The plans are exposed to a number of risks. Other than the risks of actual outcomes being different to the actuarial assumptions used to estimate the defined benefit obligation as set out in note 27(g), the most significant risks include investment risk and legislative risk. These risks apply to all superannuation plans and are not specific to AMP.

During 2013, approximately 15 per cent (AMP Australia) and 50 per cent (AMP AAPH Australia) of the assets backing current pension liabilities were invested in a fixed-income investment option with a benchmark duration based on the estimated duration of the pension liability.

As at the most recent actuarial update, 31 December 2013, the fund actuary recommended contributions to be made at the normal superannuation rates applicable to the various members and did not identify any deficit for funding purposes, and therefore no additional contributions are required.

New Zealand defined benefit plans

Active members of AMP's New Zealand defined benefit plans are entitled to accumulation benefits and a lump sum payment on retirement. The plans are now closed to new members.

The *Superannuation Scheme Act (1989)* governs the superannuation industry and provides the framework within which the superannuation schemes operate. The Act requires an actuarial valuation to be performed every three years.

The plans' trustees are responsible for the governance of the plan. This includes administration of the plan, management and investment of the plan assets, and looking after the interests of all beneficiaries.

The plans are exposed to a number of risks. Other than the risks of actual outcomes being different to the actuarial assumptions used to estimate the defined benefit obligation as set out in note 27(g), the most significant risks include investment risk and legislative risk. These risks apply to all superannuation plans and are not specific to AMP.

There are no specific asset liability matching strategies for the New Zealand defined benefit plans.

AMP has adopted the funds' actuaries' recommendations for AMP to make additional contributions of $1m per annum (AMP New Zealand defined benefit plan) and $4m per annum (AMP AAPH New Zealand defined benefit plan) until the financial positions of the plans are sufficiently improved.

27. Superannuation funds continued

	Consolidated 2013 $m	Restated 2012 $m
(b) Defined benefit plan income (expense)		
Current service cost	**(8)**	(7)
Interest cost	**(24)**	(30)
Interest income	**18**	25
Foreign currency gains and losses	**(13)**	(3)
Total defined benefit plan income (expense)	**(27)**	(15)
(c) Movements in defined benefit obligation		
Balance at the beginning of the year	**(964)**	(988)
Current service cost	**(8)**	(7)
Interest cost	**(24)**	(30)
Contributions by plan participants	**(1)**	(1)
Actuarial gains and losses[1]		
– change in demographic assumptions	**(17)**	27
– change in financial assumptions	**137**	(1)
– experience gain (loss)	**37**	(12)
Foreign currency exchange rate changes	**(28)**	(7)
Benefits paid	**66**	51
Other expenses	**1**	4
Balance at the end of the year	**(801)**	(964)
(d) Movement in fair value of plan assets		
Balance at the beginning of the year	**678**	618
Interest income	**18**	25
Actuarial gains and losses – actual return on plan assets less interest income	**61**	59
Foreign currency exchange rate changes	**15**	4
Employer contributions	**22**	26
Contributions by plan participants	**1**	1
Benefits paid	**(66)**	(51)
Other expenses	**(1)**	(4)
Balance at the end of the year	**728**	678
(e) Defined benefit (liability) asset		
Present value of wholly funded defined benefit obligations	**(801)**	(964)
Less: Fair value of plan assets	**728**	678
Defined benefit (liability) asset recognised on the Statement of financial position[2]	**(73)**	(286)
Movement in defined benefit (liability) asset		
(Deficit) surplus at the beginning of the year	**(286)**	(370)
Plus: Total income (expenses) recognised in income	**(27)**	(15)
Plus: Employer contributions	**22**	26
Plus: Actuarial gains (losses) recognised in Other comprehensive income[3]	**218**	73
Defined benefit (liability) asset recognised at the end of the year	**(73)**	(286)

1 As explained in note 1(dd), actuarial gains and losses are recognised directly in Other comprehensive income.
2 The defined benefit liability is measured in accordance with the requirements of AASB 119 *Employee Benefits* and does not represent a current obligation to provide additional funding to the plans. Refer to note 27(a) for details of the funding of the AMP defined benefit funds.
3 The cumulative amount of the net actuarial gains and losses recognised in the Statement of comprehensive income is a $129m gain (2012 restated: $89m loss).

27. Superannuation funds continued

	Consolidated 2013 $m	Restated 2012 $m
(f) Analysis of defined benefit (deficit) surplus by plan		
AMP Australian defined benefit (liability) asset		
Present value of wholly funded defined benefit obligations	**(311)**	(333)
Less: Fair value of plan assets	**264**	244
Net defined benefit (liability) asset recognised in the Statement of financial position	**(47)**	(89)
Actuarial gains and (losses)	**44**	47
AMP AAPH Australian defined benefit (liability) asset		
Present value of wholly funded defined benefit obligations	**(355)**	(451)
Less: Fair value of plan assets	**362**	348
Net defined benefit (liability) asset recognised in the Statement of financial position	**7**	(103)
Actuarial gains and (losses)	**101**	36
AMP New Zealand defined benefit (liability) asset		
Present value of wholly funded defined benefit obligations	**(26)**	(32)
Less: Fair value of plan assets	**23**	19
Net defined benefit (liability) asset recognised in the Statement of financial position	**(3)**	(13)
Actuarial gains and (losses)	**10**	–
AMP AAPH New Zealand defined benefit (liability) asset		
Present value of wholly funded defined benefit obligations	**(109)**	(148)
Less: Fair value of plan assets	**79**	67
Net defined benefit (liability) asset recognised in the Statement of financial position	**(30)**	(81)
Actuarial gains and (losses)	**63**	(10)

(g) Principal actuarial assumptions

The following table sets out the principal actuarial assumptions used as at the reporting date in measuring the defined benefit obligations of the Australian and New Zealand defined benefit funds:

	AMP				AMP AAPH			
	Australia		New Zealand		Australia		New Zealand	
	2013	2012	2013	2012	2013	2012	2013	2012
Weighted average discount rate	**5.1%**	4.3%	**4.8%**	2.6%	**5.4%**	4.5%	**5.4%**	4.5%
Expected rate of pension increases	**2.5%**	2.5%	**1.9%**	1.9%	**2.5%**	2.5%	**2.5%**	2.5%
Expected rate of salary increases	**4.0%**	4.0%	**4.0%**	4.0%	**4% plus age scale**	4% plus age scale	**4.0%**	4.0%
Cash crediting rate	**n/a**	n/a	**n/a**	n/a	**3.5%**	2.5%	**n/a**	n/a

(h) Allocation of assets

The asset allocations of the defined benefit funds are shown in the following table:

	AMP				AMP AAPH			
	Australia[1]		New Zealand[1]		Australia[1]		New Zealand[1]	
	2013	2012	2013	2012	2013	2012	2013	2012
Equity	**45%**	37%	**47%**	55%	**34%**	37%	**40%**	44%
Property	**5%**	5%	**10%**	8%	**1%**	5%	**7%**	6%
Fixed interest	**18%**	39%	**25%**	26%	**33%**	39%	**33%**	33%
Cash	**9%**	12%	**14%**	11%	**7%**	12%	**20%**	17%
Other	**23%**	7%	**4%**	0%	**25%**	7%	**0%**	0%

1 The investment assets of the plans may at times include either direct or indirect investments in AMP Limited shares. These investments are part of normal investment mandates within the plans and are not significant in relation to total plan assets. The plans do not hold any other assets which are occupied or used by AMP group.

27. Superannuation funds continued

(i) Sensitivity analysis

The defined benefit obligation has been recalculated for each scenario by changing only the specified assumption as outlined below, whilst retaining all other assumptions as per the base case. The table shows the increase (decrease) for each assumption change.

	AMP		AMP AAPH	
	Australia $m	New Zealand $m	Australia $m	New Zealand $m
Higher discount rate (0.5%)	(18)	n/a	(24)	(6)
Lower discount rate (0.5%)	20	1	27	6
Higher expected salary increase rate (0.5%)	n/a	n/a	2	1
Lower expected salary increase rate (0.5%)	n/a	n/a	(2)	(1)
Higher expected deferred benefit crediting rate (0.5%)	n/a	n/a	3	n/a
Lower expected deferred benefit crediting rate (0.5%)	n/a	n/a	(3)	n/a
Increase to Pensioner Indexation assumption (0.5%)	20	n/a	21	n/a
Decrease to Pensioner Indexation assumption (0.5%)	(19)	1	(19)	n/a
Increase to Pensioner Mortality assumption (10.0%)	(7)	n/a	(6)	n/a
Decrease to Pensioner Mortality assumption (10.0%)	7	n/a	7	n/a
1 year additional life expectancy	n/a	1	n/a	n/a

1 Not all assumptions are material for each fund. Immaterial assumptions have been marked as n/a.

	AMP		AMP AAPH	
	Australia $m	New Zealand $m	Australia $m	New Zealand $m
(j) Expected contributions				
Expected employer contributions	–	1	4	4

	AMP		AMP AAPH	
	Australia $m	New Zealand $m	Australia $m	New Zealand $m
(k) Maturity profile of defined benefit obligation				
Expected benefit payments for the financial year ending on				
31 December 2014	20	–	20	6
31 December 2015	20	–	20	5
31 December 2016	21	–	21	6
31 December 2017	21	–	22	6
31 December 2018	22	–	22	5
Following five years	116	–	120	–

	AMP		AMP AAPH	
	Australia	New Zealand	Australia	New Zealand
Weighted average duration of the defined benefit obligation	11 years	10 years	14 years	12 years

28. Share-based payments

(a) Summary of AMP's share-based payment plans

AMP has a number of employee share-based payment plans. Share-based payments place employees participating in those plans (participants) in the position of the shareholder, and in doing so, reward employees for the generation of value to shareholders. Information on plans which AMP currently offers is provided below.

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

	Consolidated	
	2013 $'000	2012 $'000
Plans currently offered		
Performance rights	**11,121**	13,137
Share rights	**18,115**	9,524
Restricted shares	**1,224**	4,123
Employee share acquisition plan – matching shares	**1**	68
Total share-based payments expense	**30,461**	26,852

(b) Performance rights

Plan description

The CEO and his direct reports, as well as selected senior executives, are required to take their long-term incentive (LTI) awards in the form of performance rights. This is to ensure that those executives, who are most directly able to influence company performance, are appropriately aligned with the interests of shareholders. The LTI awards of other participants are comprised of either a mix of performance rights and share rights, or share rights only.

A performance right is a right to acquire one fully paid ordinary share in AMP Limited after a three-year performance period at no cost to the participant (ie effectively a share option with a zero exercise price), provided a specific performance hurdle is met. Prior to conversion into shares (vesting), performance rights holders do not receive dividends or have other shareholder benefits (including any voting rights). From September 2011, performance rights may be settled through a cash payment in lieu of shares, at the discretion of the board.

AMP has, from time to time historically, offered share bonus rights to employees in overseas domiciles when it is not possible or tax-efficient to grant performance rights. The terms and conditions of the share bonus rights are identical to the terms and conditions of the performance rights, except settlement is in cash rather than equity instruments. These share bonus rights were last granted to employees in 2010.

The performance hurdle

Historically, LTI awards in the form of performance rights were subject to a single relative total shareholder return (TSR) performance hurdle. After an extensive review of market practices, conducted in 2012, the board determined that AMP should introduce a return on equity (RoE) performance measure, in addition to a TSR measure.

The vesting of performance rights granted since the 2013 LTI award are now based on two performance hurdles as follows:

– 50 per cent of the LTI award value, granted as performance rights, will be subject to AMP's TSR performance relative to the top industrial companies in the S&P/ASX 100 Index (TSR tranche), and
– 50 per cent of the LTI award value, granted as performance rights, will be subject to an RoE measure (RoE tranche).

The number of performance rights that vest is determined as follows:

TSR tranche: Vesting of these performance rights is dependent on AMP's TSR performance relative to a comparator group of Australian listed companies over a three-year performance period. TSR measures the benefit delivered to shareholders over the given period, which includes dividend payments, capital returns and movement in the share price. The performance hurdle was chosen because it requires participants to outperform major ASX listed companies before the awards generate any value.

RoE tranche: Vesting of these performance rights is based on AMP's RoE performance for the year ending 31 December 2015. Prior to the 2013 grant being awarded, the board determined the threshold and maximum RoE performance targets (expressed as percentage outcomes) to be achieved for the year ending 31 December 2015. An RoE hurdle was chosen as it drives a strong capital discipline which is a key contributor to creating sustainable shareholder value.

Conversion to shares

If the awards vest, they are automatically converted to shares on behalf of participants. Upon conversion, participants become entitled to shareholder benefits, including dividends and voting rights. The board has the discretion to satisfy vested rights by either acquiring shares on market or through the issuance of shares. AMP's practice has been, and intention is to continue, to source the shares to satisfy LTI awards on market, so that the issue of LTIs does not dilute the value of AMP Limited shares. In the case of the CEO, the vesting of shares may only be provided by AMP procuring the transfer of shares purchased on market.

Treatment of performance rights on ceasing employment and change of control

Typically, unvested LTI awards lapse at the end of the employee's notice period if the participant resigns from AMP or their employment is terminated for misconduct or inadequate performance. In other cases, such as retirement and redundancy, LTI awards may be retained by the participant, with vesting continuing to be subject to the same vesting conditions as if they had remained in AMP employment. In the event that AMP is subject to a takeover or change of control, unvested performance rights, granted prior to September 2011, typically vest.

Commencing from the performance rights granted in September 2011, the board has the discretion to determine an alternative treatment on cessation of employment and change of control (ie to determine that the LTI awards would lapse, are retained or vest when they would not have otherwise), if deemed appropriate in the light of specific circumstances.

28. Share-based payments continued

Plan valuation

The fair value of a TSR performance right has been calculated as at the grant date, by external consultants using a simulation technique known as a Monte Carlo simulation. Fair value of the TSR performance rights has been discounted for the probability of not meeting the TSR performance hurdles. The fair value of an RoE performance right has been calculated as at the grant date, by external consultants using a 'discounted cash flow' methodology. Fair value has been discounted for the present value of dividends expected to be paid during the vesting period to which the participant is not entitled. RoE is a non-market based performance hurdle and therefore, in accordance with AASB 2, allowance cannot be made for the impact of this hurdle in determining the award's fair value.

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

For the purposes of the valuation it is assumed performance rights are exercised as soon they have vested. Assumptions regarding the dividend yield and volatility have been estimated based on AMP's actual historic dividend yield and volatility over an appropriate period.

The following table shows the factors which were considered in determining the independent fair value of the performance rights granted during 2013 and the comparative period (2012):

Grant date	Share price	Contractual life	Dividend yield	Volatility[1]	Risk-free rate[1]	TSR performance hurdle discount	RoE performance hurdle discount[2]	TSR performance rights fair value	RoE performance rights fair value
09/09/2013	$4.62	2.5 years	4.9%	24%	2.8%	60%	0%	$1.33	$4.09
06/06/2013	$4.97	3.0 years	5.6%	23%	2.5%	60%	0%	$2.00	$4.21
07/06/2012	$3.85	2.7 years	6.3%	26%	2.3%	67%	n/a	$1.28	n/a
09/09/2011	$4.15	2.9 years	5.9%	34%	3.7%	54%	n/a	$1.92	n/a
09/06/2011	$4.88	2.8 years	5.5%	36%	4.8%	51%	n/a	$2.39	n/a
09/06/2011	$4.88	2.1 years	5.5%	36%	4.8%	55%	n/a	$2.19	n/a

1 Applies to performance rights subject to a relative TSR performance hurdle only. These factors do not apply to performance rights subject to an RoE performance hurdle.
2 In accordance with the accounting standard AASB 2, allowance cannot be made for the impact of a non-market based performance hurdle in determining fair value.

The following table shows the movement in performance rights (and share bonus rights with performance conditions) outstanding during the period:

Grant date	Exercise period	Exercise price	Balance at 1 Jan 2013	Exercised during the year	Granted during the year	Lapsed during the year	Balance at 31 Dec 2013[1]
08/09/2010	01/08/2013–31/07/2015	Nil	4,109,348	–	–	4,109,348	–
09/06/2011	01/08/2013–31/07/2015	Nil	88,040	–	–	88,040	–
09/06/2011	01/05/2014–30/04/2016	Nil	729,167	–	–	–	729,167
09/09/2011	n/a[2]	Nil	5,706,880	–	–	92,839	5,614,041
07/06/2012	n/a[2]	Nil	7,133,636	–	–	27,410	7,106,226
06/06/2013	n/a[2]	Nil	–	–	4,793,936	–	4,793,936
09/09/2013	n/a[2]	Nil	–	–	29,047	–	29,047
Total			**17,767,071**	**–**	**4,822,983**	**4,317,637**	**18,272,417**

1 The weighted average remaining contractual life of performance rights outstanding at the end of the period is 1.3 years.
2 The performance rights granted during 2011, 2012 and 2013 have no exercise period as they are automatically exercised upon vesting.

28. Share-based payments continued

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

(c) Share rights

Plan description
As described above, LTI participants below the CEO and his direct reports may be awarded share rights as part of their overall LTI award.

A share right is a right to acquire one fully paid ordinary share in AMP Limited after a specified service period at no cost to the participant, provided a specific service condition is met. The service period is typically three years, but may vary where the share rights are awarded to retain an employee for a critical period. Prior to conversion into shares (vesting), share rights holders do not receive dividends or have other shareholder benefits (including any voting rights).

As this program is designed as a means of recognising and retaining employees, no performance hurdles apply, other than continued service for the duration of the three-year period.

AMP has, from time to time historically, offered share bonus rights without performance conditions to employees in overseas domiciles when it is not possible or tax-efficient to grant share rights or restricted shares. The terms and conditions of the share bonus rights are identical to the terms and conditions of the share rights, except settlement is in cash rather than equity instruments. These share bonus rights were last granted to employees in 2011.

Conversion to shares
If the awards vest, they are automatically converted to shares on behalf of participants. Upon conversion, participants become entitled to shareholder benefits, including dividends and voting rights. The board has the discretion to satisfy vested rights by either acquiring shares on market or through the issuance of shares. AMP's practice has been, and intention is to continue, to source the shares to satisfy LTI awards on market, so that the issue of LTIs does not dilute the value of AMP Limited shares.

Treatment of share rights on ceasing employment and change of control
Typically, unvested share rights lapse if the participant resigns from AMP or is terminated for misconduct or inadequate performance. In other cases, such as retirement and redundancy, the participant typically retains their share rights at the board's discretion. In the event that AMP is subject to a takeover change of control, treatment of unvested share rights is subject to the board's discretion.

Plan valuation
The fair value of share rights has been calculated as at the grant date, by external consultants using a 'discounted cash flow' methodology. Fair value has been discounted for the present value of dividends expected to be paid during the vesting period to which the participant is not entitled.

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

For the purposes of the valuation it is assumed share rights are exercised as soon they have vested. Assumptions regarding the dividend yield have been estimated based on AMP's actual historic dividend yield over an appropriate period.

STI deferral plan
The nominated executives, and selected other senior leaders who have the ability to impact AMP's financial soundness, participate in the AMP STI deferral plan. The plan requires that 40 per cent of a participant's STI award be delivered in rights to AMP shares (share rights). The share rights convert to AMP Limited shares (ie vest) after a two-year deferral period. Vesting is subject to ongoing employment, compliance with AMP policies and the board's discretion.

STI match plan
For each given year, high potential employees at a senior leader level are eligible for nomination to participate in the STI match plan, which provides an award of share rights to the value of 50 per cent of the individual's STI. The STI match award is provided in addition to the STI cash opportunity. Employees at this level are not eligible to participate in AMP's long-term incentive plan. As the STI match is based on the STI plan, the number of share rights awarded to the participant depends on the individual's contribution to company performance during the financial year.

STI match share rights convert to AMP Limited shares (ie vest) after a two-year deferral period. Vesting is subject to ongoing employment, compliance with AMP policies and the board's discretion.

28. Share-based payments continued

The following table shows the factors which were considered in determining the independent fair value of the share rights granted during 2013 and the comparative period (2012):

Grant date	Share price	Contractual life	Dividend yield	Dividend discount	Fair value
09/09/2013	$4.62	2.5 years	4.9%	11%	$4.09
09/09/2013	$4.62	0.9 years	4.9%	4%	$4.42
09/09/2013	$4.62	1.9 years	4.9%	9%	$4.20
09/09/2013	$4.62	2.9 years	4.9%	13%	$4.00
27/06/2013	$4.39	1.7 years	5.6%	9%	$4.00
06/06/2013	$4.97	0.8 years	5.6%	5%	$4.74
06/06/2013	$4.97	1.8 years	5.6%	10%	$4.48
06/06/2013	$4.97	0.9 years	5.6%	5%	$4.72
06/06/2013	$4.97	1.9 years	5.6%	10%	$4.46
06/06/2013	$4.97	3.0 years	5.6%	15%	$4.21
30/04/2013	$5.40	1.8 years	5.6%	10%	$4.87
07/06/2012	$3.85	2.7 years	6.3%	17%	$3.19
22/05/2012	$3.87	1.7 years	6.3%	11%	$3.46
27/04/2012	$4.25	1.8 years	6.3%	11%	$3.78

The following table shows the movement in share rights (and share bonus rights without performance conditions) outstanding during the period.

Grant date	Exercise period	Exercise price	Balance at 1 Jan 2013	Exercised during the year	Granted during the year	Lapsed during the year	Balance at 31 Dec 2013[1]
08/09/2010	01/08/2013–31/07/2015	Nil	115,575	107,059	–	8,516	–
09/09/2011	n/a[2]	Nil	35,630	35,630	–	–	–
09/09/2011	n/a[2]	Nil	2,740,465	–	–	62,134	2,678,331
27/04/2012	n/a[2]	Nil	1,902,884	–	–	7,020	1,895,864
27/04/2012	n/a[2]	Nil	999,335	–	–	46,248	953,087
22/05/2012	n/a[2]	Nil	247,513	–	–	–	247,513
07/06/2012	n/a[2]	Nil	2,220,558	–	–	41,496	2,179,062
30/04/2013	n/a[2]	Nil	–	–	2,619,301	3,786	2,615,515
30/04/2013	n/a[2]	Nil	–	–	15,723	–	15,723
30/04/2013	n/a[2]	Nil	–	–	808,750	10,969	797,781
06/06/2013	n/a[2]	Nil	–	–	1,537,634	4,329	1,533,305
06/06/2013	n/a[2]	Nil	–	–	80,482	–	80,482
06/06/2013	n/a[2]	Nil	–	–	31,512	–	31,512
27/06/2013	n/a[2]	Nil	–	–	9,392	–	9,392
09/09/2013	n/a[2]	Nil	–	–	107,178	–	107,178
09/09/2013	n/a[2]	Nil	–	–	18,181	–	18,181
Total			**8,261,960**	**142,689**	**5,228,153**	**184,498**	**13,162,926**

1 The weighted average remaining contractual life of share rights (and share bonus rights without performance conditions) outstanding at the end of the period is one year.
2 The share rights granted during 2011, 2012 and 2013 have no exercise period as they are automatically exercised upon vesting.

From the end of the financial year and up to the date of this report, no share rights have been issued, no share rights have been exercised, and 26,918 share rights have lapsed. Of the share rights outstanding at the end of the period, none have vested or become exercisable.

28. Share-based payments continued

(d) Restricted shares

Plan description

From time to time, AMP awards restricted shares to retain critical employees. Additionally, prior to 2011, Australian LTI participants were eligible to take some of their award in restricted shares (rather than share rights).

A 'restricted share' is an ordinary AMP share that has a holding lock in place until the specified vesting period ends. The vesting period is typically three years, but may vary where the restricted shares are awarded to retain an employee for a critical period. During this time, the holder is eligible for dividends, but is unable to sell, transfer or hedge their award.

As this program is designed as a means of recognising and retaining employees, no performance hurdles apply, other than continued service for the duration of the three-year holding lock. If the individual resigns from AMP (or employment is terminated for misconduct or inadequate performance) during the holding period, the shares are forfeited.

In cases such as retirement and redundancy, the individual retains their restricted shares; however the holding lock remains in place until the end of the three-year vesting period. Restricted shares are bought on market and granted at no cost to employees.

Plan valuation

The fair value of restricted shares has been determined as the market price of AMP ordinary shares on the grant date. As employees holding restricted shares are entitled to dividend payments, no adjustment has been made to the fair value in respect of future dividend payments. In determining the share-based payments expense for the period, the number of instruments expected to vest has been adjusted to reflect the number of employees expected to remain with AMP until the end of the vesting period.

The following table shows the number of restricted shares that were granted during 2013 and the comparative period (2012), and the fair value per instrument of restricted shares as at the grant date.

Grant date	Number granted	Weighted average fair value
2013	nil[1]	n/a[1]
20/08/2012	65,211	$4.42

1 No restricted shares were granted during 2013.

(e) Employee Share Acquisition Plan

Plan description

From time to time, AMP has provided employees and executives with the opportunity to become shareholders in AMP through the employee share acquisition plan (ESAP), typically by way of salary sacrificing their fixed remuneration or short-term incentive to acquire shares. Depending on the terms of the particular award, participants may be entitled to receive matching shares for shares acquired under the ESAP (eg the most recent awards provided one free share for every 10 shares acquired via salary sacrifice). Additionally, AMP can provide employees with free shares under the ESAP. Where the awards are acquired at no cost to the participant, service-based conditions must be met for the participant to receive their full entitlement. There are no performance hurdles applying to the plan as it is primarily designed to encourage employee share ownership.

The plan was suspended mid-way through 2009 in Australia due to the changes to the taxation treatment of employee share plan awards. Consequently, no shares have been acquired by Australian employees under the ESAP plan since mid-2009. The plan continues to operate in New Zealand.

If applicable, matching shares are bought on market through an independent third party.

Participants who cease to be employed within the AMP group within the three-year holding period may lose their entitlement to some or all of their matching shares or free shares, depending on the reason for leaving the company. To receive the maximum entitlement, participants must be employed by AMP for the whole three-year period.

Plan valuation

All awards made during 2013, and the comparative year (2012), were offers to salary sacrifice to acquire shares, with matching shares awarded on a one-for-ten basis after a three-year vesting period. Each matching share has been valued by external consultants as the face value of an AMP ordinary share at the date the salary sacrifice shares were acquired, less the present value of the expected dividends (to which the participant is not entitled until the end of the vesting period). The number of matching shares expected to be granted is estimated based on the average number of shares held in the ESAP by each employee at the beginning of each year. In determining the share-based payments expense for the period, the number of matching shares expected to be granted has been adjusted to reflect the number of employees expected to remain with AMP until the end of the three-year vesting period.

The following table shows the number of matching shares expected to be granted based on the shares purchased by employees under the ESAP during the current period and the comparative period, and the fair value.

Grant date	Estimated number of matching shares to be granted	Weighted average fair value
2013 – various	**421**	**$4.14**
2012 – various	535	$3.51

29. Impact from adoption of new accounting standards

(a) Restatement of comparatives

As set out in note 1(a), AMP adopted AASB 10 *Consolidated Financial Statements* and the revised AASB 119 *Employee Benefits* from 1 January 2013. Comparatives have been restated as if these standards had always been applied.

The impact of this change on individual line items for the comparative period on the Income statement, Statement of other comprehensive income, Statement of financial position and Statement of cash flows is as follows:

Income statement

	As published 2012 $m	AASB 10 impact $m	AASB 119 impact $m	Restated 2012 $m
Income and expenses of shareholders, policyholders, external unitholders and non-controlling interests				
Life insurance premium and related revenue	2,218	–	–	**2,218**
Fee revenue	2,268	(16)	–	**2,252**
Other revenue	312	391	(7)	**696**
Investment gains and (losses)	12,084	174	–	**12,258**
Share of profit or (loss) of associates accounted for using the equity method	5	–	–	**5**
Life insurance claims and related expenses	(2,048)	–	–	**(2,048)**
Operating expenses	(3,824)	(365)	(13)	**(4,202)**
Finance costs	(817)	(72)	–	**(889)**
Movement in external unitholder liabilities	(880)	(89)	–	**(969)**
Change in policyholder liabilities				
– life insurance contracts	(934)	–	–	**(934)**
– investment contracts	(7,000)	–	–	**(7,000)**
Income tax (expense) credit	(697)	3	6	**(688)**
Profit for the period	687	26	(14)	**699**
Profit attributable to shareholders of AMP Limited	704	(1)	(14)	**689**
Profit (loss) attributable to non-controlling interests	(17)	27	–	**10**
Profit for the period	687	26	(14)	**699**

	As published 2012 cents	AASB 10 impact cents	AASB 119 impact cents	Restated 2012 cents
Earnings per share for profit attributable to ordinary shareholders of AMP Limited				
Basic	24.7	–	(0.5)	**24.2**
Diluted	24.6	–	(0.6)	**24.0**

29. Impact from adoption of new accounting standards continued

Statement of comprehensive income

	As published 2012 $m	AASB 10 impact $m	AASB 119 impact $m	Restated 2012 $m
Profit	687	26	(14)	**699**
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Available for sale financial assets				
– gains and (losses) in fair value of available for sale financial assets	–	5	–	**5**
	–	5	–	**5**
Cash flow hedges				
– gains and (losses) in fair value of cash flow hedges	(44)	–	–	**(44)**
– income tax (expense) credit	13	–	–	**13**
– transferred to profit for the period	20	–	–	**20**
– transferred to profit for the period – income tax (expense) credit	(6)	–	–	**(6)**
	(17)	–	–	**(17)**
Exchange difference on translation of foreign operations				
– exchange gains (losses)	30	–	–	**30**
– transferred to profit for the period	3	–	–	**3**
– transferred to profit for the period – income tax (expense) credit	(1)	–	–	**(1)**
	32	–	–	**32**
Revaluation of hedge of net investments				
– gains and (losses) in fair value of hedge of net investments	(1)	–	–	**(1)**
– transferred to profit for the period – gross	(3)	–	–	**(3)**
– transferred to profit for the period – income tax (expense) credit	1	–	–	**1**
	(3)	–	–	**(3)**
Items that will not be reclassified subsequently to profit or loss				
Defined benefit plans				
– actuarial gains and (losses)	53	–	20	**73**
– income tax (expense) credit	(16)	–	(6)	**(22)**
	37	–	14	**51**
Owner-occupied property revaluation				
– gains (losses) in valuation of owner-occupied property	12	–	–	**12**
– income tax (expense) credit	(1)	–	–	**(1)**
	11	–	–	**11**
Other comprehensive income for the period	60	5	14	**79**
Total comprehensive income for the period	747	31	–	**778**
Total comprehensive income attributable to shareholders of AMP Limited	764	4	–	**768**
Total comprehensive income (loss) attributable to non-controlling interests	(17)	27	–	**10**
Total comprehensive income for the period	747	31	–	**778**

29. Impact from adoption of new accounting standards continued

Statement of financial position

	31 December 2012			31 December 2011		
	As published $m	AASB 10 impact $m	Restated $m	As published $m	AASB 10 impact $m	Restated $m
Assets						
Cash and cash equivalents	4,207	181	**4,388**	4,652	164	**4,816**
Receivables	2,043	34	**2,077**	2,221	95	**2,316**
Current tax assets	22	–	**22**	248	–	**248**
Inventories and other assets	201	9	**210**	276	18	**294**
Investments in financial assets	99,674	1,458	**101,132**	89,433	1,249	**90,682**
Investment properties	6,508	–	**6,508**	7,424	–	**7,424**
Investments in associates accounted for using the equity method	81	–	**81**	115	–	**115**
Property, plant and equipment	468	572	**1,040**	479	537	**1,016**
Deferred tax assets	1,185	32	**1,217**	1,095	30	**1,125**
Intangibles	4,175	327	**4,502**	4,347	330	**4,677**
Assets of disposal groups	187	–	**187**	–	–	**–**
Total assets of shareholders of AMP Limited, policyholders, external unitholders and non-controlling interests	118,751	2,613	**121,364**	110,290	2,423	**112,713**
Liabilities						
Payables	1,868	420	**2,288**	1,932	400	**2,332**
Current tax liabilities	82	–	**82**	86	–	**86**
Provisions	578	36	**614**	556	28	**584**
Other financial liabilities	2,317	20	**2,337**	2,604	3	**2,607**
Borrowings	11,382	980	**12,362**	11,410	963	**12,373**
Subordinated debt	1,111	–	**1,111**	949	–	**949**
Deferred tax liabilities	1,392	33	**1,425**	923	38	**961**
External unitholder liabilities	8,690	1,012	**9,702**	7,224	902	**8,126**
Life insurance contract liabilities	25,055	–	**25,055**	24,399	–	**24,399**
Investment contract liabilities	58,385	–	**58,385**	52,940	–	**52,940**
Defined benefit plan liabilities	286	–	**286**	370	–	**370**
Liabilities of disposal groups	74	–	**74**	–	–	**–**
Total liabilities of shareholders of AMP Limited, policyholders, external unitholders and non-controlling interests	111,220	2,501	**113,721**	103,393	2,334	**105,727**
Net assets of shareholders of AMP Limited and non-controlling interests	7,531	112	**7,643**	6,897	89	**6,986**
Equity						
Contributed equity	9,339	(6)	**9,333**	9,080	(6)	**9,074**
Reserves	(2,156)	(1)	**(2,157)**	(2,534)	(6)	**(2,540)**
Retained earnings	251	81	**332**	283	81	**364**
Total equity of shareholders of AMP Limited	7,434	74	**7,508**	6,829	69	**6,898**
Non-controlling interests	97	38	**135**	68	20	**88**
Total equity of shareholders of AMP Limited and non-controlling interests	7,531	112	**7,643**	6,897	89	**6,986**

29. Impact from adoption of new accounting standards continued

Statement of cash flows

	As published 2012 $m	AASB 10 impact $m	Restated 2012 $m
Cash flows from operating activities			
Cash receipts in the course of operations	18,135	458	**18,593**
Interest and other items of a similar nature received	2,391	11	**2,402**
Dividends and distributions received	996	22	**1,018**
Cash payments in the course of operations	(19,689)	(363)	**(20,052)**
Finance costs	(749)	(72)	**(821)**
Income tax refunded/(paid)	(151)	(4)	**(155)**
Cash flows from operating activities	933	52	**985**
Cash flows from investing activities			
Net proceeds from sale of/(payments to acquire):			
– investment property	989	–	**989**
– investments in financial assets	(2,054)	(56)	**(2,110)**
– operating and intangible assets	(175)	3	**(172)**
Payments to acquire other subsidiaries and other businesses	(14)	–	**(14)**
Loan to controlled entities	–	–	**–**
Payments to option holders in AMP AAPH Limited	–	–	**–**
Cash flows from (used in) investing activities	(1,254)	(53)	**(1,307)**
Cash flows from financing activities			
Proceeds from borrowings – non-banking operations	500	17	**517**
Net movement in deposits from customers	416	–	**416**
Repayment of borrowings – non-banking operations	(984)	–	**(984)**
Net movement in borrowings – banking operations	(30)	–	**(30)**
Proceeds from issue of subordinated debt	150	–	**150**
Proceeds from the sale of 15% of AMP Capital Holdings Limited	425	–	**425**
Dividends paid	(437)	1	**(436)**
Cash flows from (used in) financing activities	40	18	**58**
Net increase (decrease) in cash and cash equivalents	(281)	17	**(264)**
Cash and cash equivalents at the beginning of the year	9,436	164	**9,600**
Effect of exchange rate changes on cash and cash equivalents	16	–	**16**
Cash and cash equivalents at the end of the year	9,171	181	**9,352**

(b) Impact on the current period

The adoption of the revised AASB 119 *Employee Benefits* decreased profit in 2013 by $16m and increased Other comprehensive income in 2013 by $16m.

The adoption of AASB 10 *Consolidated Financial Statements* increased profit for the period by $21m consisting of a loss of $2m attributable to shareholders of AMP Limited and a profit of $23m attributable to non-controlling interests. The adoption of AASB 10 will have impacted individual line items of the financial statements in a similar manner to that disclosed on the preceding pages for the restatement of comparatives.

30. Group controlled entity holdings

Details of significant investments in controlled entities are as follows:

Name of entity	Country of registration	Share type	Footnote	% Holdings 2013	% Holdings Restated 2012
Companies					
140 St Georges Terrace Pty Limited	Australia	Ord		**85**	85
255 George Street Investment A Pty Ltd	Australia	Ord		**100**	100
255 George Street Investment B Pty Ltd	Australia	Ord		**100**	100
35 Ocean Keys Pty Limited	Australia	Ord		**100**	100
AAPH Australia Staff Superannuation Pty Ltd	Australia	Ord		**100**	100
AAPH Executive Plan (Australia) Pty Ltd	Australia	Ord		**100**	100
AAPH GESP Exempt (Australia) Pty Ltd	Australia	Ord	2	**–**	100
AAPH Hong Kong Finance Limited	Hong Kong	Ord		**100**	100
AAPH New Zealand Finance Pty Ltd	Australia	Ord		**100**	100
AAPH New Zealand HJV Limited	New Zealand	Ord	2	**–**	100
Abbey Capital Real Estate Pty Limited	Australia	Ord		**100**	100
Accountants Resourcing (Australia) Pty Ltd	Australia	Ord		**100**	100
ACIT Finance Pty Limited	Australia	Ord	3	**50**	100
ACN 100 509 993 Pty Ltd	Australia	Ord		**100**	100
ACN 154 462 334 Pty Ltd (formerly AMP SMSF Investments Pty Limited)	Australia	Ord	2	**–**	100
ACN 155 075 040 Pty Limited	Australia	Ord, Class A Pref.		**100**	100
ACPP Industrial Pty Ltd	Australia	Ord		**85**	85
ACPP Office Pty Ltd	Australia	Ord		**85**	85
ACPP Retail Pty Ltd	Australia	Ord		**85**	85
AdviceFirst Limited	New Zealand	Ord		**65**	67
Adviser Resourcing Pty Ltd	Australia	Ord		**100**	100
Aged Care Investment Services No. 1 Pty Limited	Australia	Ord		**100**	100
Aged Care Investment Services No. 2 Pty Limited	Australia	Ord		**100**	100
AIMS AMP Capital Industrial REIT Management Australia Pty Limited	Australia	Ord	1	**85**	–
Allmarg Corporation Limited	New Zealand	Ord, Pref		**100**	100
AMP (UK) Finance Services Plc	UK	Ord		**100**	100
AMP AAPH Finance Limited	Australia	Ord		**100**	100
AMP AAPH Limited	Australia	Ord		**100**	100
AMP ASAL Pty Ltd	Australia	Ord		**100**	100
AMP Bank Limited	Australia	Ord		**100**	100
AMP Capital AA REIT Investments (Australia) Pty Limited	Australia	Ord	1	**85**	–
AMP Capital AB Holdings Pty Limited	Australia	Ord		**85**	85
AMP Capital Advisors India Private Limited	India	Ord		**85**	85
AMP Capital Asia Limited	HK	Ord		**85**	85
AMP Capital Bayfair Pty Limited	Australia	Ord		**85**	85
AMP Capital Core Infrastructure Pty Limited	Australia	Ord		**85**	85
AMP Capital Finance Limited	Australia	Ord		**85**	85
AMP Capital Funds Management Limited	Australia	Ord		**85**	85
AMP Capital Holdings Limited	Australia	Ord		**85**	85
AMP Capital Investment Management (UK) Limited	UK	Ord A & B		**85**	85
AMP Capital Investment Management Pty Limited	Australia	Ord A & B		**85**	85
AMP Capital Investments No. 11 Limited	New Zealand	Ord A & B	2	**–**	100
AMP Capital Investments No. 14 Limited	New Zealand	Ord A & B, Pref		**100**	100
AMP Capital Investments No. 2 Limited	New Zealand	Ord A & B, Pref		**100**	100
AMP Capital Investments No. 8 Limited	New Zealand	Ord A & B, Pref		**100**	100
AMP Capital Investors (Angel Trains EU No.1) S.à r.l.	Luxembourg	Ord	3	**42**	41
AMP Capital Investors (Angel Trains EU No.2) S.à r.l.	Luxembourg	Ord	3	**42**	41
AMP Capital Investors (Angel Trains UK No.1) S.à r.l.	Luxembourg	Ord	3	**42**	41
AMP Capital Investors (Angel Trains UK No.2) S.à r.l.	Luxembourg	Ord	3	**42**	41
AMP Capital Investors (CLH No. 1) S.à r.l.	Luxembourg	Ord	3	**42**	41
AMP Capital Investors (CLH No. 2) B.V.	Luxembourg	Ord	3	**42**	41
AMP Capital Investors (Hong Kong) Limited	Hong Kong	Ord		**85**	85
AMP Capital Investors (IDF II GP) S.à.r.l.	Luxembourg	Ord	1	**85**	–
AMP Capital Investors (Infrastructure No.1) S.à r.l.	Luxembourg	Ord	3	**42**	41
AMP Capital Investors (Infrastructure No.2) S.à r.l.	Luxembourg	Ord	3	**42**	41
AMP Capital Investors (Infrastructure No.3) S.à r.l.	Luxembourg	Ord	3	**42**	41
AMP Capital Investors (Infrastructure No.4) S.à r.l.	Luxembourg	Ord	3	**42**	41
AMP Capital Investors (Jersey No. 2) Limited	Jersey	Ord		**85**	85
AMP Capital Investors (Kemble Water) S.à r.l.	Luxembourg	Ord	3	**42**	41
AMP Capital Investors (Luxembourg No. 3) S.à r.l.	Luxembourg	Ord		**85**	85
AMP Capital Investors (Luxembourg No. 4) S.à r.l.	Luxembourg	Ord		**85**	85

30. Group controlled entity holdings continued

Name of entity	Country of registration	Share type	Footnote	% Holdings 2013	% Holdings Restated 2012
AMP Capital Investors (Luxembourg No. 5) S.à r.l.	Luxembourg	Ord		**85**	85
AMP Capital Investors (Luxembourg No. 6) S.à r.l.	Luxembourg	Ord		**85**	85
AMP Capital Investors (Luxembourg) S.à r.l.	Luxembourg	Ord		**85**	85
AMP Capital Investors (New Zealand) Limited	New Zealand	Ord		**85**	85
AMP Capital Investors (Property Funds Management Jersey) Limited	Jersey	Ord		**85**	85
AMP Capital Investors (Singapore) Private Property Trust Limited	Singapore	Ord		**85**	85
AMP Capital Investors (Singapore) Pte Ltd	Singapore	Ord		**85**	85
AMP Capital Investors (UK) Limited	UK	Ord		**85**	85
AMP Capital Investors (US) Limited	USA	Ord		**85**	85
AMP Capital Investors Airport S.à r.l.	Luxembourg	Ord	3	**42**	41
AMP Capital Investors Advisory (Beijing) Limited	R.O.C.	Ord		**85**	85
AMP Capital Investors International Holdings Limited	Australia	Ord		**85**	85
AMP Capital Investors Japan KK	Japan	Ord		**85**	85
AMP Capital Investors KK	Japan	Ord		**85**	85
AMP Capital Investors Limited	Australia	Ord		**85**	85
AMP Capital Investors Property Japan KK	Japan	Ord	2	**–**	85
AMP Capital Investors Real Estate Pty Limited	Australia	Ord		**85**	85
AMP Capital Investors UK Cable Limited	Luxembourg	Ord	3	**42**	41
AMP Capital Office & Industrial (Singapore) Pte Limited	Singapore	Ord		**85**	85
AMP Capital Office and Industrial Pty Limited	Australia	Ord		**85**	85
AMP Capital Palms Pty Limited	Australia	Ord		**85**	85
AMP Capital Property Nominees Ltd	Australia	Ord		**85**	85
AMP Capital SA Schools No. 1 Pty Limited	Australia	Ord		**85**	85
AMP Capital SA Schools No. 2 Pty Limited	Australia	Ord		**85**	85
AMP Capital Shopping Centres Pty Limited	Australia	Ord		**85**	85
AMP CMBS No. 1 Pty Limited	Australia	Ord		**100**	100
AMP CMBS No. 2 Pty Limited	Australia	Ord		**100**	100
AMP Crossroads Pty Limited	Australia	Ord		**85**	85
AMP Custodian Services (NZ) Limited	New Zealand	Ord		**85**	85
AMP Davidson Road Pty Limited	Australia	Ord		**85**	85
AMP Direct Pty Ltd	Australia	Ord		**100**	100
AMP Finance Limited	Australia	Ord		**100**	100
AMP Finance Services Limited	Australia	Ord		**100**	100
AMP Financial Investment Group Holdings Limited	Australia	Ord		**100**	100
AMP Financial Planning Pty Limited	Australia	Ord		**100**	100
AMP Financial Services Holdings Limited	Australia	Ord		**100**	100
AMP Foundation Income Beneficiary Pty Ltd	Australia	Ord	3	**–**	–
AMP GBS Limited	Australia	Fixed		**100**	100
AMP GDPF Pty Limited	Australia	Ord		**85**	85
AMP Global Property Investments Pty Ltd	Australia	Ord		**100**	100
AMP Group Finance Services Limited	Australia	Ord		**100**	100
AMP Group Holdings Limited	Australia	Ord		**100**	100
AMP Group Services Limited	Australia	Ord		**100**	100
AMP Holdings Limited	Australia	Ord A, Ord B, Red Pref B Class		**100**	100
AMP Insurance Investment Holdings Pty Limited	Australia	Ord		**100**	100
AMP Investment Management (NZ) Limited	New Zealand	Ord		**85**	85
AMP Investment Services No. 2 Pty Limited	Australia	Ord		**85**	85
AMP Investment Services Pty Limited	Australia	Ord		**85**	85
AMP Lending Services Limited	Australia	Ord		**100**	100
AMP Life (NZ) Investments Holdings Limited	New Zealand	Ord		**100**	100
AMP Life (NZ) Investments Limited	New Zealand	Ord		**100**	100
AMP Life Limited	Australia	Ord		**100**	100
AMP Macquarie Holding Pty Limited	Australia	Ord		**85**	85
AMP Macquarie Pty Limited	Australia	Ord		**85**	85
AMP New Zealand Holdings Limited	New Zealand	Ord		**100**	100
AMP Pacific Fair Pty Limited	Australia	Ord		**85**	85
AMP Personal Investment Services Limited	Australia	Ord		**100**	100
AMP Planner Register Company Pty Limited	Australia	Ord		**100**	100
AMP Private Capital New Zealand Limited	New Zealand	Ord		**85**	85
AMP Private Capital No. 2 Pty Limited	Australia	Ord		**85**	85
AMP Private Capital Pty Limited	Australia	Ord		**85**	85
AMP Private Investments Pty Limited	Australia	Ord		**85**	85

30. Group controlled entity holdings continued

Name of entity	Country of registration	Share type	Footnote	% Holdings 2013	% Holdings Restated 2012
AMP Property Investments (Qld) Pty. Ltd.	Australia	Ord		**100**	100
AMP Real Estate Advisory Holdings Pty Limited	Australia	Ord		**100**	100
AMP Remuneration Reward Plans Nominees Pty. Limited	Australia	Ord		**100**	100
AMP Riverside Plaza Pty Limited	Australia	Ord		**85**	85
AMP Royal Randwick Pty Limited	Australia	Ord		**85**	85
AMP Services (NZ) Limited	New Zealand	Ord		**100**	100
AMP Services Holdings Limited	Australia	Ord		**100**	100
AMP Services Limited	Australia	Ord		**100**	100
AMP SMSF Holding Co Limited	Australia	Ord		**100**	100
AMP SMSF Investments No. 2 Pty Ltd	Australia	Ord	1	**100**	–
AMP SMSF Pty Ltd	Australia	Ord	1	**100**	–
AMP Superannuation (NZ) Limited	New Zealand	Ord	2	**–**	100
AMP Superannuation Limited	Australia	Ord		**100**	100
AMP Warringah Mall Pty Ltd	Australia	Ord		**85**	85
AMP Wealth Management New Zealand Limited	New Zealand	Ord		**100**	100
AMP/ERGO Mortgage and Savings Limited	New Zealand	Ord		**100**	100
Arrive Wealth Management Limited	Australia	Ord		**100**	100
Associated Planners Financial Services Pty Ltd	Australia	Ord		**96**	96
Associated Planners Strategic Finance Pty Ltd	Australia	Ord		**96**	96
Auburn Mega Mall Pty Limited	Australia	Ord		**85**	85
Australian Mutual Provident Society Pty Limited	Australia	Ord		**100**	100
Australian Securities Administration Limited	Australia	Ord		**100**	100
AWOF New Zealand Office Pty Limited	Australia	Ord		**85**	85
AXA APH GESP Deferred (Australia) Pty Ltd	Australia	Ord	2	**–**	100
AXA Funds Management Pty Ltd	Australia	Ord	2	**–**	100
Baystar Pty Ltd	Australia	Ord	2	**–**	61
BCG Finance Pty Limited	Australia	Ord	1	**100**	61
BMRI Financial Services Pty Ltd	Australia	Ord		**100**	100
Carillon Avenue Pty Ltd	Australia	Ord	1,3	**34**	–
Carter Bax Pty Ltd	Australia	Ord		**100**	100
Cavendish Administration Pty Ltd	Australia	Ord		**100**	100
Cavendish Pty Ltd	Australia	Ord		**100**	100
Cavendish Superannuation Holdings Pty Ltd	Australia	Ord		**100**	100
Cavendish Superannuation Pty Ltd	Australia	Ord		**100**	100
CBD Financial Planning Pty Limited	Australia	Ord		**100**	100
Charter Financial Planning Limited	Australia	Ord		**100**	100
Clientcare Financial Planning Pty Ltd	Australia	Ord		**100**	100
Coffs Harbour Aged Care Developments Pty Limited	Australia	Ord	2	**–**	61
Collins Place No. 2 Pty Ltd	Australia	Ord		**100**	100
Collins Place Pty Limited	Australia	Ord		**100**	100
DAC Finance Pty Limited	Australia	Ord	2	**–**	61
DAC Finance (Aust) Pty Limited	Australia	Ord	2	**–**	61
DAC Finance (NSW/QLD) Pty Limited	Australia	Ord	2	**–**	61
DAC Finance (VIC) Pty Limited	Australia	Ord	2	**–**	61
Didus Pty Limited	Australia	Ord		**100**	100
Domain Aged Care No 2 Pty Limited	Australia	Ord	2	**–**	61
Domain Aged Care (TM) Pty Limited	Australia	Ord	2	**–**	61
Domain Aged Care (Ashmore) Pty Limited	Australia	Ord	2	**–**	61
Domain Aged Care (Kirra Beach) Pty Limited	Australia	Ord	2	**–**	61
Domain Aged Care (Operations) Pty Limited	Australia	Ord	2	**–**	61
Domain Aged Care (Parklands) Pty Limited	Australia	Ord	2	**–**	61
Domain Aged Care (Services) Pty Limited	Australia	Ord	2	**–**	61
Domain Aged Care (Victoria) Pty Limited	Australia	Ord	2	**–**	61
Domain Aged Care Management Pty Limited	Australia	Ord	2	**–**	61
Domain Aged Care No 3 Pty Limited	Australia	Ord	2	**–**	61
Domain Aged Care Pty Limited	Australia	Ord	2	**–**	61
Domain Aged Care Developments Pty Limited	Australia	Ord	2	**–**	61
Domain Aged Care Investments Pty Limited	Australia	Ord	2	**–**	61
Domain Aged Care (QLD) Pty Limited	Australia	Ord	2	**–**	61
Domain Annex Pty Limited	Australia	Ord	2	**–**	61
Domain Group Holdings Pty Limited	Australia	Ord	2	**–**	61
Domain Group Investments Pty Limited	Australia	Ord	2	**–**	61
DPG Canada Bay Pty Limited	Australia	Ord	2	**–**	61
DPG Canada Bay (Holdings) Pty Limited	Australia	Ord	2	**–**	61
Exford Pty Ltd	Australia	Ord		**100**	100

30. Group controlled entity holdings continued

Name of entity	Country of registration	Share type	Footnote	% Holdings 2013	% Holdings Restated 2012
Financial Composure Pty Ltd	Australia	Ord		**96**	96
Financially Yours Holdings Pty Ltd	Australia	Ord		**100**	80
Financially Yours Pty Ltd	Australia	Ord		**100**	80
First Quest Capital Pty Ltd	Australia	Ord		**96**	96
Focus Property Services Pty Limited	Australia	Ord		**92**	92
Foundation Wealth Advisers Pty Ltd	Australia	Ord		**57**	57
Garrisons (Rosny) Pty Ltd	Australia	Ord		**100**	100
Genesys Group Holdings Pty Ltd	Australia	Ord		**100**	100
Genesys Group Pty Ltd	Australia	Ord		**96**	96
Genesys Holdings Limited	Australia	Ord		**96**	96
Genesys Kew Pty Ltd	Australia	Ord		**96**	96
Genesys Wealth Advisers (WA) Pty Ltd	Australia	Ord		**100**	100
Genesys Wealth Advisers Ltd	Australia	Ord		**96**	96
Glendenning Pty Limited	Australia	Ord		**100**	100
Global Matafion S.L.	Luxembourg	Ord	3	**42**	41
Greater Gabbard OFTO Ltd	Luxembourg	Ord	3	**42**	41
Greater Gabbard OFTO Holdings Limited	Luxembourg	Ord	3	**42**	41
Greater Gabbard OFTO Interm Ltd	Luxembourg	Ord	3	**42**	41
GWM Spicers Limited	New Zealand	Ord		**100**	100
Hillross Alliances Limited	Australia	Ord		**100**	100
Hillross Financial Services Limited	Australia	Ord		**100**	100
Hillross Innisfail Pty Limited	Australia	Ord		**100**	100
Hillross Wealth Management Centre Melbourne Pty Limited	Australia	Ord		**100**	100
Hindmarsh Square Financial Services Pty Ltd	Australia	Ord		**100**	100
Hindmarsh Square Wealth Advisers Pty Ltd	Australia	Ord		**73**	73
Honeysuckle 231 Pty Limited	Australia	Ord		**60**	60
Hospital Car Parking Holdings Limited	New Zealand	Ord	2	**–**	85
INSSA Pty Limited	Australia	Ord		**100**	100
ipac Asset Management Limited	Australia	Ord		**100**	100
ipac Financial Care Pty Ltd	Australia	Ord		**100**	100
ipac Group Services Pty Limited	Australia	Ord		**100**	100
Ipac Portfolio Management Limited	Australia	Converting Class A		**85**	85
ipac Securities Limited	Australia	Ord		**100**	100
ipac Taxation Services Pty Ltd	Australia	Ord		**75**	75
Jeminex Limited	Australia	Ord		**51**	51
Jigsaw Support Services Limited	Australia	Ord		**100**	100
John Coombes & Company Pty Ltd	Australia	Ord		**55**	55
Kent Street Pty Limited	Australia	Ord		**100**	100
King Financial Services Pty Ltd	Australia	Ord		**100**	88
Kiwi Kat Limited	New Zealand	Ord		**70**	70
Lake Macquarie Aged Care Developments Pty Ltd	Australia	Ord	2	**–**	61
Knox City Shopping Centre Investments (No. 2) Pty Limited	Australia	Ord		**100**	100
LifeFX Pty Ltd	Australia	Ord		**100**	100
Lindwall Group Pty Ltd	Australia	Ord		**100**	100
Marrickville Metro Shopping Centre Pty Limited	Australia	Ord		**85**	85
Monitor Money Corporation Pty Ltd	Australia	Ord		**100**	100
Mortgage Backed Bonds Limited	New Zealand	Ord		**100**	100
Mowla Pty. Ltd.	Australia	Ord		**100**	100
Multiport Malaysia SDN BHD	Malaysia	Ord		**100**	100
Multiport Pty Ltd	Australia	Ord		**100**	100
Multiport Resources Pty Ltd	Australia	Ord		**100**	100
N.M. Superannuation Pty Limited	Australia	Ord		**100**	100
National Fire Holdings Pty Limited	Australia	Ord		**51**	51
National Mutual Funds Management (Global) Limited	Australia	Ord		**100**	100
National Mutual Funds Management Limited	Australia	Ord		**100**	100
National Mutual Life Nominees Limited	Australia	Ord		**100**	100
NM Computer Services Pty Ltd	Australia	Ord		**100**	100
NM New Zealand Nominees Limited	New Zealand	Ord		**100**	100
NM Rural Enterprises Pty Ltd	Australia	Ord		**100**	100
NMMT Limited	Australia	Ord		**100**	100
Northstar Lending Pty Ltd	Australia	Ord		**100**	100
Omega (Australia) Pty Limited	Australia	Ord		**85**	85
One Group Retail Holdings Pty Limited	Australia	Ord		**52**	52
Pajoda Investments Pty Ltd	Australia	Ord		**55**	55
Parkside Investorplus Solutions Pty Ltd	Australia	Ord		**100**	100

30. Group controlled entity holdings continued

Name of entity	Country of registration	Share type	Footnote	% Holdings 2013	% Holdings Restated 2012
PHF No. 3 Finance Pty Ltd	Australia	Ord	2	–	61
PHFT Finance Pty Limited	Australia	Ord	2	–	100
PPS Lifestyle Solutions Pty Ltd	Australia	Ord		**100**	100
PremierOne Mortgage Advice Pty Limited	Australia	Ord		**100**	100
Principal Healthcare Finance Pty Limited	Australia	Ord	2	–	61
Principal Healthcare Apartments Pty Limited	Australia	Ord	2	–	61
Principal Healthcare Finance No 2 Pty Limited	Australia	Ord	2	–	61
Principal Healthcare Finance (NZ) Limited	Australia	Ord	2	–	61
Principal Healthcare Finance No. 3 Pty Limited	Australia	Ord	2	–	61
Principal Healthcare Holdings Pty Limited	Australia	Ord		**100**	100
Priority One Agency Services Pty Ltd	Australia	Ord		**100**	100
Priority One Financial Services Limited	Australia	Ord		**100**	100
Private Wealth Managers Pty Ltd	Australia	Ord		**100**	100
Project Care Pty Limited	Australia	Ord	2	–	61
Quadrant Securities Pty Ltd	Australia	Ord		**96**	96
Quantum Financial Solutions Limited	New Zealand	Ord	2	–	100
Quay Mining (No. 2) Limited	Bermuda	Ord, Red Pref		**100**	100
Quay Mining Pty Limited	Australia	Ord		**100**	100
S.G. Holdings Limited	New Zealand	Ord	2	–	100
SG (Aust) Holdings Pty Ltd	Australia	Ord	2	–	100
Silverton Securities Proprietary Ltd	Australia	Ord		**100**	100
SMSF Advice Pty Ltd	Australia	Ord		**100**	100
Solar Risk Pty Limited	Australia	Ord		**100**	100
Spicers Portfolio Management Ltd	New Zealand	Ord		**100**	100
SPP No. 1 (Alexandra Canal) Pty Limited	Australia	Ord		**86**	86
SPP No. 1 (Cowes) Pty Limited	Australia	Ord		**86**	86
SPP No. 1 (H) Pty Limited	Australia	Ord		**86**	86
SPP No. 1 (Hawthorn) Pty Limited	Australia	Ord		**86**	86
SPP No. 1 (Mona Vale) Pty Limited	Australia	Ord		**86**	86
SPP No. 1 (Mornington) Pty Limited	Australia	Ord		**86**	86
SPP No. 1 (Mt. Waverley Financing) Pty Limited	Australia	Ord		**86**	86
SPP No. 1 (Mt. Waverley) Pty Limited	Australia	Ord		**86**	86
SPP No. 1 (Newcastle) Pty Limited	Australia	Ord		**86**	86
SPP No. 1 (North Melbourne) Pty Limited	Australia	Ord		**86**	86
SPP No. 1 (Pakenham) Pty Limited	Australia	Ord		**86**	86
SPP No. 1 (Point Cook) Pty Limited	Australia	Ord		**86**	86
SPP No. 1 (Port Melbourne) Pty Limited	Australia	Ord		**86**	86
SPP No. 1 (Q Stores) Pty Limited	Australia	Ord		**86**	86
SPP No. 1 (Rosebery) Pty Limited	Australia	Ord		**86**	86
SPP No. 1 Holdings Pty Limited	Australia	Ord		**86**	86
SPP No. 3A Investments Pty Limited	Australia	Ord		**85**	85
Strategic Infrastructure Trust of Europe UK SPV Limited	Luxembourg	Ord	3	**42**	41
Strategic Planning Partners Pty Limited	Australia	Ord		**100**	100
Strategic Wealth Solutions Pty Limited	Australia	Ord		**100**	100
Sugarland Shopping Centre Pty Limited	Australia	Ord		**85**	85
Sunshine West Development Pty Limited	Australia	Ord		**75**	75
Sunshine West Income Pty Limited	Australia	Ord		**85**	85
Supercorp Administration Pty Ltd	Australia	Ord	1	**100**	–
Suwaraow Pty Limited	Australia	Ord		**100**	100
Synergy Capital Management Limited	Australia	Ord		**96**	96
TFS Financial Planning Pty Limited	Australia	Ord		**100**	100
The India Infrastructure Fund LLC	Mauritius	Red Pref	2	–	100
The National Mutual Life Association of Australasia Limited	Australia	Ord		**100**	100
TM Securities Pty Limited	Australia	Ord		**100**	100
TOA Pty Ltd	Australia	Ord		**100**	100
Tweed Heads Aged Care Developments Pty Limited	Australia	Ord	2	–	61
Tynan Mackenzie Holdings Pty Limited	Australia	Ord		**73**	73
Tynan Mackenzie Pty Limited	Australia	Ord		**98**	98
United Equipment Holdings Pty Limited	Australia	Ord		**56**	56
Waterfront Place (No. 2) Pty. Ltd.	Australia	Ord		**100**	100
Waterfront Place (No. 3) Pty. Ltd.	Australia	Ord		**100**	100
Wilsanik Pty Ltd	Australia	Ord		**100**	100

1 Controlling interest acquired in 2013.
2 Controlling interest lost in 2013.
3 Not more than 50 per cent holding, but consolidated because AMP is exposed or has rights to variable returns from its investment with the entity and has the ability to affect these returns through its power over the entity.

30. Group controlled entity holdings continued

Details of significant investments in controlled trusts are as follows:

Name of entity	Country of registration	Footnote	% Holdings 2013	% Holdings Restated 2012
Trusts and other entities				
140 St Georges Terrace Trust	Australia		**100**	100
ACPP Holding Trust	Australia		**100**	100
ACPP Industrial Trust	Australia		**100**	100
ACPP Office Trust	Australia		**100**	100
ACPP Retail Trust	Australia		**100**	100
Active Quant Share Fund	Australia		**75**	76
AFS Alternative Fund 1	Australia		**100**	100
AFS Australian Equity Enhanced Index Fund 1	Australia		**100**	100
AFS Australian Equity Growth Fund 1	Australia		**100**	100
AFS Australian Equity Value Plus Fund 1	Australia	1	**100**	–
AFS Australian Property Securities Fund 1	Australia		**100**	100
AFS Australian Share Fund 8	Australia		**100**	100
AFS Extended Alpha Fund (formerly AMP Capital Sustainable Extended Alpha Fund)	Australia		**100**	100
AFS Global Property Securities Fund 1	Australia		**100**	100
AFS International Fixed Interest Enhanced Index Fund	Australia	1	**100**	–
AFS International Share Fund 1	Australia		**100**	100
Aged Care Investment Trust No.1	Australia		**100**	61
Aged Care Investment Trust No.2	Australia		**100**	61
Aged Care Investment Trust No 3	Australia	2	**–**	61
Aggressive Enhanced Index Fund	Australia		**100**	100
AHGI Martineau Fund	Australia		**100**	100
AHGI Martineau Galleries Fund	Australia		**100**	100
AMP Capital 1950s Fund	Australia	1	**100**	–
AMP Capital 1960s Fund	Australia	1	**100**	–
AMP Capital 1970s Fund	Australia	1	**100**	–
AMP Capital 1980s Fund	Australia	1	**100**	–
AMP Capital 1990s Fund	Australia	1	**100**	–
AMP Capital Absolute Return – Passive Fund	Australia	1	**100**	–
AMP Capital Alternative Defensive Fund	Australia		**100**	100
AMP Capital Alternative Defensive Fund – Delayed Redemption	Australia		**84**	85
AMP Capital Asia ex-Japan Fund	Australia		**100**	100
AMP Capital Asia Local Currency Bond Fund	Australia		**100**	100
AMP Capital Asian Equity Growth Fund	Australia		**75**	73
AMP Capital Australian Equity Concentrated Fund	Australia	1	**100**	–
AMP Capital Australian Equity Income Fund	Australia		**100**	100
AMP Capital Australian Index Fund	Australia	1	**54**	–
AMP Capital Australian Equity Long Short Fund	Australia		**100**	100
AMP Capital Australian Equity Opportunities Fund	Australia		**68**	81
AMP Capital Australian Small Companies Fund	Australia		**55**	54
AMP Capital Business Space REIT	Singapore		**85**	100
AMP Capital China Growth Fund	Australia	3	**37**	38
AMP Capital Corporate Bond Fund	Australia		**70**	76
AMP Capital Credit Strategies Fund	Australia		**87**	91
AMP Capital Direct Property Fund	Australia	1	**100**	–
AMP Capital Diversified Balanced Fund	Australia	1	**100**	–
AMP Capital Extended Multi-Asset Fund	Australia		**69**	71
AMP Capital Global Equities Sector Rotation Fund	Australia		**100**	100
AMP Capital Global Infrastructure Securities Fund (Hedged)	Australia		**75**	80
AMP Capital Global Infrastructure Securities Fund (Unhedged)	Australia		**74**	80
AMP Capital Global Resource Fund	Australia		**100**	100
AMP Capital Infrastructure Trust 1	Australia		**100**	100
AMP Capital International Equity Index Fund Hedged	Australia	1	**100**	–
AMP Capital Macro Strategies Fund	Australia		**84**	85
AMP Capital Multi-Asset Fund	Australia	2	**–**	73
AMP Capital Shell Fund 1	Australia	2	**–**	65
AMP Capital Shell Fund 2	Australia	2	**–**	100
AMP Capital Shell Fund 3	Australia	1	**100**	–
AMP Capital Stable Fund	Australia	1	**100**	–
AMP Capital Sustainable Share Fund	Australia		**69**	66
AMP Capital Wholesale Office Fund	Australia	3	**35**	37
AMP Foundation	Australia	3	**–**	–
AMP Life Cash Management Trust	Australia		**100**	100

30. Group controlled entity holdings continued

Name of entity	Country of registration	Footnote	% Holdings 2013	% Holdings Restated 2012
AMP Private Capital Trust No. 9	Australia		**100**	100
AMP Shareholder Cash Fund	Australia		**100**	100
AMP Shareholder Fixed Interest Fund	Australia		**100**	100
AMP UK Shopping Centre Fund	Australia		**100**	100
AMPCI FD Infrastructure Trust	Australia		**97**	97
Australian Credit Fund	Australia		**99**	99
Australian Government Fixed Interest Fund	Australia		**100**	100
Australian Pacific Airports Fund	Australia		**77**	66
Australian Pacific Airports Fund No.3	Australia	3	**33**	33
AWOF New Zealand Office Trust	New Zealand	3	**35**	37
Balanced Enhanced Index Fund	Australia		**100**	100
Booragoon Trust	Australia		**100**	100
Bourke Place Unit Trust	Australia	3	**23**	25
Cautious Enhanced Index Fund	Australia		**100**	100
Cavendish Administration Unit Trust	Australia	1	**100**	–
China Strategic Growth Fund	Australia		**100**	100
Commercial Loan Pool No. 1	Australia		**100**	100
Conservative Enhanced Index Fund	Australia		**99**	98
Core Plus Fund	Australia		**100**	100
Crossroads Trust	Australia		**100**	100
Davidson Road Trust	Australia		**100**	100
Domain Group Aged Care Unit Trust No 2	Australia	2	**–**	61
Domain Group Aged Care Unit Trust No 3	Australia	2	**–**	61
EFM Australian Share Fund 1	Australia		**96**	97
EFM Australian Share Fund 2	Australia		**99**	99
EFM Australian Share Fund 3	Australia		**98**	98
EFM Australian Share Fund 4	Australia		**94**	94
EFM Australian Share Fund 6	Australia		**99**	99
EFM Australian Share Fund 7	Australia		**98**	98
EFM Fixed Interest Fund 2	Australia		**97**	96
EFM Fixed Interest Fund 3	Australia		**95**	96
EFM Fixed Interest Fund 4	Australia		**94**	94
EFM Infrastructure Fund 1	Australia		**94**	95
EFM International Share Fund 3	Australia		**97**	97
EFM International Share Fund 5	Australia		**96**	97
EFM International Share Fund 7	Australia		**91**	92
EFM Listed Property Fund 1	Australia		**96**	96
Enhanced Index International Share Fund	Australia		**90**	81
Enhanced Index Share Fund	Australia		**89**	90
Executive Share Plan Trust	Australia		**100**	100
FD Australian Share Fund 1	Australia		**97**	97
FD Australian Share Fund 3	Australia		**94**	93
FD International Share Fund 1	Australia		**96**	95
FD International Share Fund 3	Australia		**98**	99
FD International Share Fund 4	Australia		**96**	97
Floating Rate Income Fund	Australia		**96**	97
Future Direction Australian Bond Fund	Australia		**96**	96
Future Directions Asia ex Japan Fund	Australia		**98**	74
Future Directions Australian Share Fund	Australia		**93**	94
Future Directions Australian Small Companies Fund	Australia		**93**	90
Future Directions Balanced Fund	Australia		**98**	98
Future Directions Conservative Fund	Australia		**95**	94
Future Directions Core International Share Fund 2	Australia		**59**	58
Future Directions Credit Opportunities Fund	Australia		**96**	95
Future Directions Diversified Alternatives Fund	Australia		**98**	97
Future Directions Enhanced Index Australian Share Fund	Australia		**97**	97
Future Directions Enhanced Index Global Property Securities Fund	Australia		**97**	96
Future Directions Enhanced Index International Bond Fund	Australia		**95**	81
Future Directions Geared Australian Share Fund	Australia		**93**	92
Future Directions Global Credit Fund (formerly FD International Bond Fund 3)	Australia		**95**	89
Future Directions Global Government Bond Fund	Australia		**92**	92
Future Directions Growth Fund	Australia		**97**	96
Future Directions Hedged Core International Share Fund	Australia		**61**	63
Future Directions High Growth Fund	Australia		**95**	95
Future Directions Inflation Linked Bond Fund	Australia		**97**	95

30. Group controlled entity holdings continued

Name of entity	Country of registration	Footnote	% Holdings 2013	% Holdings Restated 2012
Future Directions Infrastructure Fund	Australia		**97**	97
Future Directions International Bond Fund	Australia		**95**	93
Future Directions International Share Fund	Australia		**60**	58
Future Directions Moderately Conservative Fund	Australia		**95**	95
Future Directions Opportunistic Fund	Australia		**98**	97
Future Directions Private Equity Fund 1A	Australia		**97**	97
Future Directions Private Equity Fund 1B	Australia		**100**	100
Future Directions Private Equity Fund 2A	Australia		**99**	97
Future Directions Private Equity Fund 2B	Australia		**100**	100
Future Directions Private Equity Fund 3A	Australia		**97**	100
Future Directions Private Equity Fund 3B	Australia		**100**	100
Future Directions Property (Feeder) Fund	Australia		**96**	97
Future Directions Total Return Fund	Australia		**96**	98
Future Directors Emerging Markets Share Fund	Australia	2	**–**	51
Genesys Participation Trust	Australia		**100**	100
Global Credit Fund	Australia		**100**	100
Global Credit Strategies Fund	Australia		**87**	87
Global Government Fixed Interest Fund	Australia		**100**	100
Global Growth Opportunities Fund	Australia		**96**	96
Global Listed Infrastructure Fund	Australia		**100**	100
Hindmarsh Square Financial Services Trust	Australia		**100**	100
Infrastructure Equity Fund	Australia	3	**31**	31
International Bond Fund	Australia		**93**	91
Investment Services Unit Trust	Australia		**100**	100
ipac Diversified Investment Strategy No.2	Australia	2	**–**	63
ipac Diversified Investment Strategy No.4	Australia	1	**52**	69
Kent Street Investment Trust	Australia		**100**	100
Kent Street Unit Trust	Australia		**100**	100
Loftus Street Trust	Australia	3	**35**	37
Macquarie Balanced Growth Fund	Australia		**84**	83
Managed Treasury Fund	Australia		**88**	92
Moderately Aggressive Enhanced Index Fund	Australia		**100**	100
Moderately Conservative Enhanced Index Fund	Australia		**100**	100
Monash House Trust	Australia		**100**	100
Multi-Manager Portfolio – Australian Equities Sector	Australia		**100**	100
Multi-Manager Portfolio – Balanced	Australia		**100**	100
Multi-Manager Portfolio – Growth	Australia		**100**	100
Multi-Manager Portfolio – High Growth	Australia		**100**	100
Multi-Manager Portfolio – International Equities Sector	Australia		**100**	100
Multi-Manager Portfolio – International Shares-Hedged	Australia		**100**	100
Multi-Manager Portfolio – Property Sector	Australia		**100**	100
Multi-Manager Portfolio – Secure	Australia		**100**	100
Multi-Manager Portfolio – Secure Growth	Australia		**100**	100
Principal Healthcare Finance Trust	Australia	2	**–**	61
Principal Healthcare Finance Trust No. 2	Australia	2	**–**	61
Principal Healthcare Holdings Trust	Australia		**100**	100
Private Equity Fund IIIA	Australia		**94**	94
Private Equity Fund IIIB	Australia		**94**	94
Progress 2005-1 Trust	Australia		**100**	100
Progress 2005-2 Trust	Australia		**100**	100
Progress 2006-1 Trust	Australia		**100**	100
Progress 2007-1G Trust	Australia		**100**	100
Progress 2008-1R Trust	Australia		**100**	100
Progress 2009-1 Trust	Australia		**100**	100
Progress 2010-1 Trust	Australia		**100**	100
Progress 2011-1 Trust	Australia		**100**	100
Progress 2012-1 Trust	Australia	1	**100**	–
Progress 2012-2 Trust	Australia	1	**100**	–
Progress Warehouse Trust No1	Australia		**100**	100
Progress Warehouse Trust No2	Australia	2	**–**	100
Responsible Investment Leaders Conservative Fund	Australia		**91**	95
Responsible Investment Leaders Growth Fund	Australia		**97**	97
Responsible Investment Leaders High Growth Fund	Australia		**100**	100
Riverside Plaza Trust	Australia		**100**	100
Select Property Portfolio No. 1	Australia		**86**	86

30. Group controlled entity holdings continued

Name of entity	Country of registration	Footnote	% Holdings 2013	% Holdings Restated 2012
Strategic Infrastructure Trust of Europe 1	Luxembourg	3	**42**	41
Strategic Infrastructure Trust of Europe 2	Luxembourg	3	**42**	41
Strategic Infrastructure Trust of Europe 3	Luxembourg	3	**42**	41
Strategic Infrastructure Trust of Europe 4	Luxembourg	3	**42**	41
Student Housing Accommodation Growth Trust	Australia	1,3	**34**	–
Student Housing Accommodation Growth Trust No.2	Australia	1,3	**34**	–
Short Term Credit Fund	Australia		**100**	100
Sydney Cove Trust	Australia		**100**	100
The Glendenning Trust	Australia		**100**	100
The Pinnacle Fund	Australia		**100**	99
Warringah Mall Trust	Australia	3	**50**	67
Wholesale Australian Bond Fund	Australia		**90**	93
Wholesale Global Diversified Yield Fund	Australia		**100**	99
Wholesale Global Equity – Growth Fund	Australia	2	**–**	84
Wholesale Global Equity – Growth Fund (Hedged)	Australia		**100**	100
Wholesale Global Equity – Index Fund (Hedged)	Australia		**100**	100
Wholesale Global Equity – Index Fund (Unhedged)	Australia		**100**	100
Wholesale Global Equity – Value Fund (Hedged)	Australia	2	**–**	100
Wholesale Unit Trusts NZ Shares Fund	New Zealand		**100**	100

1 Controlling interest acquired in 2013.
2 Controlling interest lost in 2013.
3 Not more than 50 per cent holding, but consolidated because AMP is exposed or has rights to variable returns from its investment with the entity and has the ability to affect these returns through its power over the entity.

In the course of its normal operating investments activities the AMP life insurance entities' statutory funds acquire equity interests in entities which, in some cases, results in AMP holding a controlling interest in some of these investees. Certain controlled entities of the AMP life entities' statutory funds are operating companies which carry out business operations unrelated to the core wealth management operation of the AMP group.

The AMP group has classified operating companies, which are controlled entities of the AMP life entities' statutory funds, as disposal groups held for sale where they are subject to active sale processes at 31 December 2013 and a sale is expected to be completed within a year. These operating companies are being disposed in accordance with the investment strategy of the fund which holds the investment in these entities. Subsequent to being classified as disposal groups an impairment of $7m to the assets of disposal groups was recognised due to a decrease in their fair value. All disposal groups are held within the Australian Wealth Management operating segment.

During the financial year ended 31 December 2013, realised gains of $20m arose with respect to the sale of disposal groups classified as held for sale (2012: nil).

The major classes of assets and liabilities of the disposal groups as at 31 December 2013 are as follows:

	2013 $m	2012 $m
Assets		
Receivables	**11**	55
Inventory and other assets	**9**	44
Property, plant and equipment	**5**	15
Intangibles	**17**	73
Total assets of the disposal groups	**42**	187
Liabilities		
Payables	**8**	47
Current tax liability	**–**	2
Provisions	**–**	12
Borrowings	**–**	13
Total liabilities of the disposal groups	**8**	74
Net assets of the disposal groups	**34**	113

Refer to note 23 Fair value information for details regarding fair value measurement.

31. Associates

(a) Investments in associates accounted for using the equity method

	Principal activities	Ownership interest 2013 %	Ownership interest 2012 %	Carrying amount 2013 $m	Carrying amount 2012 $m	Country of incorporation
AIMS AMP Capital Industrial REIT[1,2]	Industrial property trust	**5**	5	**33**	26	Singapore
China Life AMP Asset Management Company Ltd[3]	Investment management	**15**	–	**16**	–	China
Other (each less than $10m)				**64**	55	
Total investments in associates accounted for using the equity method				**113**	81	

1 The combination of the 5 per cent investment in AIMS AMP Capital Industrial REIT and the joint control of the manager companies is considered to represent significant influence by AMP.
2 The value of AMP's investment in AIMS AMP Capital Industrial REIT based on published quoted prices as at 31 December 2013 is $31m (31 December 2012: $26m).
3 Became an associate entity during 2013.

Aggregated financial information extracted from the financial statements of AIMS AMP Capital Industrial REIT:

	2013 $m	2012 $m
Current assets	**14**	11
Non-current assets	**968**	964
Current liabilities	**19**	20
Non-current liabilities	**254**	308
Revenues	**58**	65
Expenses – including tax	**23**	24
Profit/(loss)	**35**	41
Share of contingent liabilities incurred in relation to associates accounted for using the equity method	**nil**	nil

Aggregated financial information extracted from the financial statements of China Life AMP Asset Management Company Ltd

	2013 $m	2012 $m
Current assets	**108**	–
Non-current assets	**–**	–
Current liabilities	**1**	–
Non-current liabilities	**–**	–
Revenues	**1**	–
Expenses – including tax	**1**	–
Profit/(loss)	**–**	–
Share of contingent liabilities incurred in relation to associates accounted for using the equity method	**nil**	nil

31. Associates continued

(b) Investments in associates held by the life entities' statutory funds measured at fair value through profit or loss[1,2,3]

	Principal activity[3]	Ownership interest 2013 %	Ownership interest 2012 %	Carrying amount 2013 $m	Carrying amount 2012 $m
AFS Property Enhanced Index Fund[4]	Investment trusts	**43**	–	**634**	–
AMP Capital Community Infrastructure Fund[4]	Investment trusts	**29**	–	**34**	–
AMP Capital Global Property Securities Fund	Investment trusts	**38**	36	**513**	466
AMP Capital Multi-Asset Fund[4]	Investment trusts	**49**	–	**94**	–
AMP Capital NZ Shares Fund (formally AIF Equity Units)[5]	Investment trusts	**–**	23	**–**	75
AMP Capital NZ Shares Index Fund	Investment trusts	**35**	38	**87**	74
AMP Capital Pacific Fair and Macquarie Shopping Centre Fund	Investment trusts	**26**	26	**297**	304
AMP Capital Property Portfolio	Investment trusts	**40**	27	**291**	244
AMP Capital Shopping Centre Fund	Investment trusts	**31**	34	**644**	632
AMP Capital Strategic NZ Shares Fund	Investment trusts	**38**	28	**124**	121
AMP Equity Trust	Investment trusts	**42**	42	**206**	189
Asian Giants Infrastructure	Infrastructure investment	**37**	37	**18**	20
Darling Park Property Trust	Investment trusts	**50**	50	**239**	228
Diversified Investment Strategy No 2[4]	Investment trusts	**38**	–	**126**	–
Esplanade Property Trust	Investment trusts	**50**	50	**159**	165
Future Directions Emerging Markets Share Fund[4]	Investment trusts	**36**	–	**304**	–
Gove Aluminium Finance Limited	Investment company	**30**	30	**84**	122
Hyperion Australian Growth Companies Fund[4]	Investment trusts	**23**	–	**57**	–
K2 Australian Absolute Return Fund[4]	Investment trusts	**22**	–	**94**	–
Listed Property Trust Fund	Investment trusts	**30**	31	**57**	57
Marrickville Metro Trust	Investment trusts	**50**	50	**82**	83
NMFM Wholesale Global Equity Value Fund[5]	Investment trusts	**–**	37	**–**	76
Pimco Diversified Fixed Interest Fund[4]	Investment trusts	**25**	–	**73**	–
Property Income Fund	Investment trusts	**29**	30	**69**	126
Responsible Investments Leader Balanced Fund	Investment trusts	**32**	44	**272**	229
Responsible Investments Leaders Australian Share Fund	Investment trusts	**46**	26	**133**	33
Schroder Fixed Income Fund[5]	Investment trusts	**–**	24	**–**	178
Specialist Investment Strategies – Australian Strategies – Australian Cash Strategy No 1	Investment trusts	**24**	21	**194**	123
Specialist Investment Strategies – Australian Strategies – Australian Share Strategy No 1	Investment trusts	**25**	24	**844**	808
Specialist Investment Strategies – International Strategies – Alternative Income Strategy No 1	Investment trusts	**24**	26	**311**	333
Specialist Investment Strategies – International Strategies – Global Emerging Markets Strategy No 1[5]	Investment trusts	**–**	24	**–**	69
Specialist Investment Strategies – International Strategies – International Fixed Interest Strategy No 2[5]	Investment trusts	**–**	25	**–**	190
Specialist Investment Strategies – International Strategies – International Share Strategy No 2	Investment trusts	**24**	23	**233**	191
Specialist Investment Strategies – International Strategies – International Smaller Companies No.1	Investment trusts	**27**	20	**148**	–
Sugarland Shopping Centre Trust	Investment trusts	**50**	50	**55**	52
Templeton Global Trust Fund[4]	Investment trusts	**29**	–	**65**	–
Value Plus Australia Share Fund	Investment trusts	**29**	23	**57**	52
Wholesale Cash Management Trust	Investment trusts	**28**	33	**193**	129
Wholesale Global Equity Value Fund[5]	Investment trusts	**–**	33	**–**	76

1 Investments in associated entities that back investment contract and life insurance contract liabilities are treated as financial assets and are measured at fair value. Refer to note 1(g).
2 The reporting date for all significant associated entities is 31 December.
3 In the course of normal operating investment activities, the life statutory fund holds investments in various operating businesses. Investments in associated entities reflect investments where the life statutory fund holds between a 20 per cent and 50 per cent equity interest.
4 Trust became an associated entity during 2013.
5 Trust ceased being an associated entity during 2013.

32. Operating lease commitments

	Consolidated 2013 $m	Consolidated 2012 $m	Parent 2013 $m	Parent 2012 $m
Operating lease commitments (non-cancellable)				
Due within one year	**85**	79	**–**	–
Due within one year to five years	**296**	360	**–**	–
Due later than five years	**97**	169	**–**	–
Total operating lease commitments	**478**	608	**–**	–

Lease commitments are in relation to AMP group's offices in various locations. Under these arrangements AMP generally pays rent on a period basis at rates agreed at the inception of the lease.

At 31 December 2013, the total of future minimum sublease payments expected to be received under non-cancellable subleases was $50m (2012: $68m).

33. Contingent liabilities

The AMP group and the parent entity from time to time may incur obligations arising from litigation or various types of contracts entered into in the normal course of business; including guarantees issued by the parent for performance obligations to controlled entities in the AMP group.

The parent entity has entered into deeds to provide capital maintenance and liquidity support to AMP Bank Limited. At the reporting date the likelihood of any outflow in settlement of these obligations is considered to be remote.

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

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

34. Related-party disclosures

(a) Key management personnel (KMP) details

AASB 124 *Related Party Disclosures* defines key management personnel as including all non-executive directors (NEDs), the Chief Executive Officer (CEO) and other persons having authority and responsibility for planning, directing and controlling the activities of the entity (group executives). The following non-executive directors, CEO and group executives of AMP Limited held office during the year:

Chairman	Peter Mason	
Chief Executive Officer and Managing Director	Craig Dunn[1]	
Non-executive directors	Patricia Akopiantz Richard Allert Catherine Brenner Brian Clark Paul Fegan Simon McKeon[2] John Palmer Peter Shergold Nora Scheinkestel[3]	
Executives	Craig Meller[4]	Managing Director, AMP Financial Services
	Stephen Dunne	Managing Director, AMP Capital
	Colin Storrie[5]	Chief Financial Officer
	Brian Salter	General Counsel
	Lee Barnett	Chief Information Officer
	Paul Sainsbury	Integration Director and Managing Director AMP SMSF
	Matthew Percival	General Manager, Public Affairs
	Fiona Wardlaw	General Manager, Human Resources
	Jonathan Deane	General Manager, Group Strategy

1 Craig Dunn retired on 31 December 2013.
2 Simon McKeon was appointed to the AMP Limited Board on 27 March 2013.
3 Nora Scheinkestel retired from the AMP Limited Board on 9 May 2013.
4 Craig Meller was appointed Chief Executive Officer and Managing Director, effective from 1 January 2014.
5 Colin Storrie resigned as Chief Financial Officer, effective 28 February 2014.

(b) Performance rights and options holdings of key management personnel

The following table summarises the holdings of performance rights and options granted to the executive key management personnel.

Name	Holding at 1 Jan 13	Granted	Exercised	Lapsed	Holding at 31 Dec 13	Vested and exercisable at 31 Dec 13
Performance rights						
Craig Dunn	2,537,248	756,474	–	697,675	**2,596,047**	–
Craig Meller	1,248,294	368,317	–	307,309	**1,309,302**	–
Stephen Dunne	1,248,294	368,317	–	307,309	**1,309,302**	–
Colin Storrie	485,086	279,266	–	–	**764,352**	–
Brian Salter	810,845	226,356	–	232,559	**804,642**	–
Lee Barnett	804,764	224,886	–	230,233	**799,417**	–
Paul Sainsbury	621,054	293,944	–	132,891	**782,107**	–
Matthew Percival	594,759	166,097	–	170,432	**590,424**	–
Fiona Wardlaw	673,346	188,143	–	192,692	**668,797**	–
Jonathan Deane	552,094	154,339	–	157,808	**548,625**	–

34. Related-party disclosures continued

(c) Shareholdings of key management personnel

The following table summarises the movements in holdings of shares in AMP Limited held by the key management personnel and their related parties.

Name	Holding at 1 Jan 13	Granted as remuneration during the period	Received on exercise of performance rights or options	Purchased through AMP NEDs Share Plan	Other changes[2]	Holding at 31 Dec 13[1]
Non-executive directors						
Patricia Akopiantz	21,286	–	–	9,086	10,500	**40,872**
Richard Allert	82,338	–	–	9,086	2,532	**93,956**
Catherine Brenner	50,487	–	–	9,085	664	**60,236**
Brian Clark[3]	57,522	–	–	9,086	2,978	**69,586**
Paul Fegan	33,927	–	–	9,086	–	**43,013**
Peter Mason[5]	542,549	–	–	31,263	27,024	**600,836**
John Palmer	77,012	–	–	9,086	3,927	**90,025**
Nora Scheinkestel[3,6]	130,292	–	–	3,484	3,077	**136,853**
Simon McKeon[7]	50,000	–	–	6,379	1,314	**57,693**
Peter Shergold	45,635	–	–	9,086	2,400	**57,121**
Executives						
Craig Dunn[3,4]	558,497	–	–	–	–	**558,497**
Craig Meller	96,207	–	–	–	–	**96,207**
Stephen Dunne[5]	209,396	–	–	–	–	**209,396**
Colin Storrie	39,416	–	–	–	–	**39,416**
Brian Salter	22,760	–	–	–	1,106	**23,866**
Lee Barnett	53,078	–	–	–	–	**53,078**
Paul Sainsbury	–	–	–	–	–	**–**
Matthew Percival	45,000	–	–	–	(15,000)	**30,000**
Fiona Wardlaw	63,681	–	–	–	3,100	**66,781**
Jonathan Deane	93,735	–	–	–	–	**93,735**

1 The holdings in this note may differ from the directors' report, as the disclosure requirements of this note are established by Australian Accounting Standards which differ from the disclosure requirements of the directors' report as required by the Corporations Act.
2 Other changes include the purchases and sales of shares on market by key management personnel, their related parties, participation in the dividend reinvestment plan and any addition of related parties.
3 AMP Notes 1 are debentures issued by AMP Group Finance Services Limited, a subsidiary of AMP Limited. In addition to their AMP Limited shareholdings above, Brian Clark and Nora Scheinkestel hold 980 and 150 AMP Notes 1 respectively, and Craig Dunn's related parties held 1,000 AMP Notes 1. Between 1 January 2013 and 31 December 2013 Craig Dunn's related parties' AMP Notes 1 holding reduced to nil. Between 1 January 2013 and 31 December 2013, there were no changes to Brian Clark's and Nora Scheinkestel's AMP Notes 1 holdings.
4 AMP Notes 2 are debentures issued by AMP Limited. In addition to his AMP Limited shareholdings above, Craig Dunn's related parties hold 1,000 AMP Notes 2.
5 The AMP Capital China Growth Fund invests in China A shares, which are shares in companies listed on China's Shanghai or Shenzhen stock exchanges. Peter Mason indirectly holds 63,374 units in the fund. Between 1 January 2013 and 31 December 2013 this holding increased by 1,204 units. Stephen Dunne indirectly holds 62,375 units in the fund. Between 1 January 2013 and 31 December 2013 this holding increased by 2,179 units.
6 Nora Scheinkestel retired from the AMP Limited Board on 9 May 2013. The closing holding is at 10 May 2013 and includes 663 AMP Limited shares acquired under the non-executive director share purchase plan relating to April 2013 director's fees.
7 The opening holding for Simon McKeon is as at 27 March 2013, the date he was appointed to the AMP Limited Board.

(d) Share rights holdings of key management personnel

The following table summarises the movements in holdings of share rights held by the key management personnel.

Name	Holding at 1 Jan 2013	Granted as remuneration during the period[1]	Exercised	Lapsed	Holding at 31 Dec 2013
Executives					
Craig Dunn	247,513	196,646	–	–	**444,159**
Craig Meller	146,961	119,078	–	–	**266,039**
Stephen Dunne	158,867	149,267	–	–	**308,134**
Colin Storrie	116,680	75,053	–	–	**191,733**
Brian Salter	82,872	62,474	–	–	**145,346**
Lee Barnett	85,635	69,602	–	–	**155,237**
Paul Sainsbury	78,453	85,535	–	–	**163,988**
Matthew Percival	63,535	44,864	–	–	**108,399**
Fiona Wardlaw	71,823	54,088	–	–	**125,911**
Jonathan Deane	60,773	44,026	–	–	**104,799**

1 Granted as remuneration during the period includes STI deferral plan share rights. Information regarding the STI deferral plan can be found in note 28 Share-based payments.

34. Related-party disclosures continued

Remuneration of key management personnel

The following table provides a total of the remuneration received by the key management personnel. For further details regarding remuneration of key management personnel see the remuneration report which forms part of the directors' report.

	Short-term benefits $'000	Post employment benefits $'000	Share-based payments $'000	Other long-term benefits $'000	Termination benefits $'000	Total $'000
Non-executive directors[1]						
2013	**2,963**	**233**	**–**	**–**	**–**	**3,196**
2012	2,952	230	–	–	–	3,182
Key management personnel excluding non-executive directors						
2013	**13,877**	**265**	**9,927**	**–**	**–**	**24,069**
2012[2]	14,874	315	8,328	–	–	23,517
All key management personnel						
2013[3]	**16,840**	**498**	**9,927**	**–**	**–**	**27,265**
2012[2,3]	17,826	545	8,328	–	–	26,699

1 Non-executive directors are not entitled to short-term incentive payments. Short-term benefits only include fees and allowances.
2 This represents the amount paid to those individuals considered key management personnel and disclosed as such in the 2012 financial report.
3 These amounts represent the total remuneration paid to the key management personnel listed in note 34(a) for 2013 and 2012.

(e) Transactions with key management personnel

During the year, key management personnel and their related parties have entered into transactions with the parent entity or its subsidiaries. All such transactions have occurred within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those that it is reasonable to expect AMP would have adopted if dealing at arm's length with an unrelated individual. These transactions include:

- normal personal banking with AMP Bank Limited including the provision of credit cards
- the purchase of AMP insurance and investment products
- financial investment services.

Information about such transactions does not have the potential to affect adversely decisions about the allocation of scarce resources made by users of this financial report, or the discharge of accountability by the specified executives or specified directors.

The following tables provide details of loans made to key management personnel and their related parties by AMP or any of its subsidiaries.

	Balance at 1 Jan 13 $'000	Written off $'000	Net advances (repayments) $'000	Balance at 31 Dec 13 $'000	Interest charged $'000	Interest not charged $'000	Number in group
Key management personnel and their related parties[1]	3,357	–	724	**4,081**	198	–	4

Individuals and their related parties with loans above $100,000 during the reporting period.

	Balance at 1 Jan 13 $'000	Written off $'000	Net advances (repayments) $'000	Balance at 31 Dec 13 $'000	Interest charged $'000	Interest not charged $'000	Highest indebtedness in period
Craig Dunn	548	–	17	**565**	31	–	566
Jonathan Deane	336	–	562	**898**	33	–	1,036
Craig Meller	1,814	–	(101)	**1,713**	100	–	1,906
Paul Sainsbury	659	–	246	**905**	34	–	1,512

1 All loans to key management personnel and their related parties are provided by AMP Bank and are on similar terms and conditions generally available to other employees within the group. No guarantees are given or received in relation to these loans.

35. Auditors' remuneration

	Consolidated		Parent	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Amounts received or due and receivable by auditors of AMP Limited for:				
Audit services				
Audit or review of financial statements	**11,712**	11,372	**140**	140
Other audit services[1]	**2,150**	2,383	**–**	–
Total audit service fees	**13,862**	13,755	**140**	140
Total non-audit services[2]	**3,872**	2,822	**–**	–
Total amounts received or due and receivable by auditors of AMP Limited[3,4]	**17,734**	16,577	**140**	140

1 Other audit services includes fees for reviews of the full year and half year investor reports, compliance audits and other audit procedures performed for vehicles controlled by AMP life insurance entities' statutory funds and those managed by AMP Capital.
2 Non-audit services include tax and compliance advice, AMP Bank securitisation opinions, business project advice, services in relation to a target operating model and other procedures performed for investment vehicles owned by AMP Life insurance entities' statutory funds.
3 Includes fees paid to Ernst & Young affiliates overseas.
4 Periodically, the AMP group gains control of entities whose incumbent auditor is an audit firm other than Ernst & Young. In addition to the audit fees paid to Ernst & Young for auditing the AMP group, immaterial audit fees are also paid to these non-Ernst & Young audit firms in relation to the audit of those periodically controlled entities. The non-Ernst & Young audit firms are also independently contracted to provide other services to other controlled entities of the AMP group, unrelated to their audit work.

36. Events occurring after reporting date

As at the date of this report, the directors are not aware of any matter or circumstance that has arisen since the reporting date that has significantly affected or may significantly affect the entity's operations in future years; the results of those operations in future years; or the entity's state of affairs in future years which is not already reflected in this report, other than the following:

– On 20 February 2014, AMP announced a final dividend on ordinary shares of 11.5 cents per share. Details of the announced dividend and dividends paid and declared during the year are disclosed in note 18 of the financial report.

Directors' declaration

for the year ended 31 December 2013

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

(a) in the opinion of the directors there are reasonable grounds to believe that AMP Limited will be able to pay its debts as and when they become due and payable

(b) in the opinion of the directors the financial statements and the notes of AMP Limited and the consolidated entity for the financial year ended 31 December 2013 are in accordance with the *Corporations Act 2001*, including section 296 (compliance with accounting standards) and section 297 (true and fair view)

(c) the notes to the financial statements of AMP Limited and the consolidated entity for the financial year ended 31 December 2013 include an explicit and unreserved statement of compliance with the International Financial Reporting Standards, as set out in note 1(a) to the financial statements

(d) the declarations required by section 295A of the *Corporations Act 2001* have been given to the directors.

Peter Mason
Chairman

Craig Meller
Chief Executive Officer and Managing Director
Sydney, 20 February 2014

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Independent auditor's report to the members of AMP Limited

Report on the financial report

We have audited the accompanying financial report of AMP Limited, which comprises the statements of financial position as at 31 December 2013, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

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

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

Independence

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

Opinion

In our opinion:

a. the financial report of AMP Limited is in accordance with the *Corporations Act 2001*, including:
   i giving a true and fair view of the company's and consolidated entity's financial positions as at 31 December 2013 and of their performance for the year ended on that date; and
   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 31 December 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the remuneration report of AMP Limited for the year ended 31 December 2013 complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Tony Johnson
Partner
20 February 2014

Shareholder information

Distribution of shareholdings as at 21 February 2014

Range	Number of holders	Ordinary shares held	% of issued capital
1–1,000	593,482	262,300,964	8.87
1,001–5,000	223,644	459,265,042	15.53
5,001–10,000	23,995	170,938,190	5.78
10,001–200,000	13,252	294,680,777	9.96
200,001 and over	166	1,770,552,991	59.86
Total	**854,539**	**2,957,737,964**	**100.00**

As at 21 February 2014, the total number of shareholders holding less than a marketable parcel of 100 shares is 8,032.

Twenty largest shareholdings as at 21 February 2014

Rank	Name	Ordinary shares held	% of issued capital
1	HSBC Custody Nominees (Australia) Limited	681,585,039	23.04
2	JP Morgan Nominees Australia Limited	337,132,142	11.40
3	National Nominees Limited	290,640,520	9.83
4	Citicorp Nominees Pty Limited	99,573,429	3.37
5	JP Morgan Nominees Australia Limited <Cash Income A/C>	60,789,996	2.06
6	BNP Paribas Noms Pty Ltd <DRP>	45,224,106	1.53
7	HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	30,170,879	1.02
8	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	21,897,279	0.74
9	Australian Foundation Investment Company Limited	20,100,422	0.68
10	AMP Life Limited	17,263,332	0.58
11	HSBC Custody Nominees (Australia) Limited – GSCO ECA	13,924,460	0.47
12	Argo Investments Limited	12,381,674	0.42
13	BNP Paribas Noms Pty Ltd <Agency Lending DRP A/C>	7,610,482	0.26
14	UBS Wealth Management Australia Nominees Pty Ltd	7,534,043	0.25
15	Navigator Australia Ltd <MLC Investment Sett A/C>	6,860,473	0.23
16	Share Direct Nominees Pty Ltd <10026 A/C>	6,074,664	0.21
17	RBC Investor Services Australia Nominees Pty Limited <MBA A/C>	5,746,023	0.19
18	QIC Limited	5,249,263	0.18
19	Djerriwarrh Investments Limited	4,747,115	0.16
20	RBC Investor Services Australia Nominees Pty Limited <BKCUST A/C>	4,557,418	0.15
Total		**1,679,062,759**	**56.77**

Substantial shareholders
The company has received no substantial shareholding notices.

Total number of holders of ordinary shares and their voting rights
As at 21 February 2014, the share capital of AMP Limited consisted of 2,957,737,964 ordinary shares held by 854,539 shareholders. The voting rights attached to the shares are that each registered holder of shares present in person (or by proxy, attorney or representative) at a meeting of shareholders has one vote on a vote taken by a show of hands, and one vote for each fully paid share held on a vote taken at a poll.

Total number of options over unissued shares and option holders
As at 21 February 2014, AMP Limited had no options on issue over unissued ordinary shares in AMP Limited.

Stock exchange listings
AMP Limited is listed on the Australian Securities Exchange and on the New Zealand Stock Exchange.

Restricted securities
There are no restricted securities on issue.

Buy-back
There is no current on market buy-back.

Glossary

Closed products
Products within AMP's Mature business that are not open to new customers.

Contingent liabilities
A situation existing at reporting date, where past events have led to a possible obligation, the outcome of which depends on uncertain future events, or an obligation where the outcome is not sufficiently probable or reliably measurable to warrant recognising the liability at this reporting date.

Controllable costs
Costs that AMP incurs in running its business. Controllable costs include operational and project costs and exclude variable costs, provision for bad and doubtful debts and interest on corporate debt.

Demerger
AMP's demerger on 23 December 2003 created separate businesses; AMP in Australasia and Henderson Group in the United Kingdom.

Earnings per share
Each earnings per share (EPS) calculation represents the relevant profit amount divided by the weighted average number of shares on issue during the year.

Embedded value
A calculation relating to the AMP Financial Services business, other than AMP Bank, of the economic value of the shareholder capital in the business and the future shareholder profits expected to emerge from the business currently in-force (expressed in today's dollars).

Franked dividends
Dividends paid which have franking credits attached. The franking credits represent the income tax paid by the company paying the dividend, which can be used as a tax credit by Australian resident shareholders receiving the dividend.

Investment performance
A measure of how well we manage funds on behalf of our customers. The percentage of assets managed by AMP which met or exceeded their respective client goals.

Long-term incentive
A long-term incentive (LTI) is an award primarily provided in the form of performance rights or share rights, to align an executive's interest with the interests of shareholders. LTIs at AMP are subject to a performance hurdle and/or a service requirement.

Operating earnings
Total operating earnings are the shareholder profits that relate to the performance of AMP's operating units (AMP Financial Services, AMP Capital and group office). Operating earnings exclude investment earnings on shareholder capital and certain one-off items.

Performance right
A form of executive remuneration designed to reward long-term performance. Selected executives are granted performance rights. Each performance right is a right to acquire one AMP share after a three-year performance period, as long as a specific performance hurdle is met.

Share right
A form of remuneration designed to recognise senior leaders who contribute significantly to AMP's overall business success. A share right is a right to acquire one AMP share after a three-year vesting period, as long as a service condition is met.

Short-term incentive (STI)
A cash payment based on performance during the year against pre-defined business objectives aligned to company strategy.

Underlying investment income
Underlying investment income is based on long-term expected rates of return. Actual investment income can be higher or lower than the long-term rate from year to year.

Underlying profit
Underlying profit (which removes integration and business efficiency related costs and some of the effect of investment market volatility) is calculated by aggregating operating earnings, interest expense on corporate debt, recognition of tax losses and underlying investment income.

Underlying return on equity
A measure of the return a company makes on shareholder equity. Return on equity (RoE) for the year is calculated as underlying profit divided by the average of the monthly average shareholder equity during the year.

Vesting
Remuneration term defining the point at which the required performance hurdles and/or service requirements have been met, and a financial benefit may be realised by the recipient.

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